



PNX Metals Limited  
ABN 67 127 446 271

## **Financial Report – 30 June 2021**

## **DIRECTORS' REPORT**

The Directors of PNX Metals Limited ('PNX' or 'Company') present their report for the financial year ended 30 June 2021.

### **Directors**

The names and details of directors in office during and since the end of the financial year, unless otherwise stated, are as follows:

#### ***Graham Ascough (Non-Executive Chairman)***

Appointed 7 December 2012

Graham Ascough (BSc, PGeo, MAusIMM) is a senior resources executive with more than 30 years of industry experience evaluating mineral projects and resources in Australia and overseas.

Mr Ascough, a geophysicist by training, has had broad industry involvement playing a leading role in setting the strategic direction for companies, completing financing and in implementing successful exploration programmes. Mr Ascough was the Managing Director of Mithril Resources Ltd from October 2006 until June 2012. Prior to joining Mithril in 2006, he was the Australian Manager of Nickel and PGM Exploration at a major Canadian resources house, Falconbridge Limited, which was acquired by Xstrata Plc in 2006. He is a member of the Australian Institute of Mining and Metallurgy and is a Professional Geoscientist of Ontario, Canada.

In the 3 years immediately prior to 30 June 2021, Graham Ascough held the following directorships of other listed companies for the following periods:

- Non-executive Chairman, Musgrave Minerals Limited – since 26 May 2010
- Non-executive Chairman, Sunstone Metals Limited – since 30 November 2013
- Non-executive Chairman, Black Canyon Limited – since 25 August 2013 (listed on 5 May 2021)
- Non-executive Chairman, Mithril Resources Limited – from 9 October 2006 to 15 May 2019

#### ***Hans-Jörg Schmidt, Non-executive Director***

Appointed 11 November 2019

Based in Monaco, Mr Schmidt has a Master of Business & Administration from the University of Mannheim (Germany) and has a strong track record of business start-up and investment management. He is an experienced Private Equity Investor, working and investing across a broad range of industries and has held senior positions in investment banking and investment research firms along with director roles for publicly listed Companies in Europe. He has advised boards and management teams on investment decisions, financings and transactions across a broad range of industries.

In the 3 years immediately prior to 30 June 2021, Hans-Jörg Schmidt held no directorships of other ASX listed companies.

#### ***Hansjoerg Plaggemars, Non-executive Director***

Appointed 28 November 2020

Mr Hansjoerg Plaggemars was appointed to the board as Non-Executive Director with effect from 28 November 2020. He is an experienced company director with a strong background in corporate finance, corporate strategy, and governance. He has qualifications in Business Administration and has served on the Board of Directors of many listed and unlisted companies in a variety of industries including mining, agriculture, shipping, construction, and investments. Mr. Plaggemars has previously served on the Board of Delphi Unternehmensberatung AG, the Company's major shareholder.

In the 3 years immediately prior to 30 June 2021, Hansjoerg Plaggemars held the following directorships of other ASX listed companies for the following periods:

- Non-executive Director, Kin Mining NL – since July 2019
- Non-executive Director, South Harz Potash Limited – since October 2019
- Non-executive Director, Azure Minerals Limited – since November 2019
- Non-executive Director, Altech Chemicals Limited – since August 2020
- Non-executive Director, Gascoyne Resources Limited – since July 2021
- Non-executive Director, Wiluna Mining Corporation Limited – since July 2021

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### ***Frank Bierlein, Non-executive Director***

Appointed 18 June 2021

Dr Bierlein is a geologist with 30 years of experience as a consultant, researcher, lecturer and industry professional. Dr Bierlein has held exploration and generative geology management positions with QMSD Mining Co Ltd, Qatar Mining, Afmeco Australia and Areva NC, and consulted for, among others, Newmont Gold, Resolute Mining, Goldfields International, Freeport-McMoRan, and the International Atomic Energy Agency. He was a non-executive director of Gold Australia Pty Ltd from 2015 to 2019, and chaired the Advisory Board of a Luxemburg-based private equity fund between 2014 and 2021. Dr Bierlein has worked on six continents spanning multiple commodities, and over the course of his career has published and co-authored more than 130 articles in peer-reviewed scientific journals. Dr Bierlein obtained a PhD (Geology) from the University of Melbourne, is a Fellow of the Australian Institute of Geoscientists (AIG), and a member of both the Society of Economic Geologists (SEG) and the Society of Geology Applied to Mineral Deposits.

In the 3 years immediately prior to 30 June 2021, Frank Bierlein held no directorships of other ASX listed companies.

### ***Richard Willson, Non-executive Director***

Appointed 18 June 2021

Mr Willson is an experienced, Non-Executive Director, Company Secretary and CFO with more than 20 years' experience with both publicly listed and private companies. Mr Willson holds a Bachelor of Accounting Degree from the University of South Australia, is a Fellow of CPA Australia, and a Fellow of the Australian Institute of Company Directors. He is a Non-Executive Director of Titomic Limited (ASX:TTT), AusTin Mining Limited (ASX:ANW), Thomson Resources Limited (ASX:TMZ), 8IP Emerging Companies Limited (ASX:8EC), Unity Housing Company Ltd and Variety SA; and Company Secretary of a number of ASX listed Companies. Mr Willson is the Chairman of the Audit Committee of Titomic Limited, AusTin Mining Limited, 8IP Emerging Companies Limited, and Unity Housing Company, and is the Chairman of the Remuneration & Nomination Committee of Titomic Limited.

In the 3 years immediately prior to 30 June 2021, Richard Willson held the following directorships of other listed companies for the following periods:

- Non-executive Director, Aus Tin Mining Limited – since February 2011
- Non-executive Director, Titomic Limited – since May 2017
- Non-executive Director, Thomson Resources Limited – since July 2019
- Non-executive Director, 8IP Emerging Companies Limited – since April 2021
- Non-executive Director, 1414 Degrees Limited – from July 2020 to May 2021
- Non-executive Director, Graphene Technology Solutions Limited (now Sparc Technologies Limited) – from March 2019 to December 2020

### ***James Fox, Managing Director & Chief Executive Officer (MD & CEO)***

Appointed 26 November 2014

James Fox has been CEO of the Company since May 2012. He has over 20 years' experience in the mining industry. Prior to joining PNX, he was responsible for the development and operation of the Nickel Laterite Heap Leach project at the Murrin Murrin operations in Western Australia. Mr Fox has held various senior processing positions including Process Manager at the Nifty Copper Operation in Western Australia. He has worked in the UK, Cyprus, Uganda and Australia in gold, lead, zinc, copper, nickel and cobalt mining and processing operations. In the 3 years immediately prior to 30 June 2021, James Fox held no directorships of other listed companies.

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The names and details of directors who resigned during the year are as follows:

### ***Paul J Dowd, Non-Executive Director***

Appointed 27 September 2007 and resigned on 5 March 2021

Paul Dowd has over 50 years' experience in the mining industry in Australia and many overseas countries. In April 2012 he retired as Managing Director of PNX, a position he assumed in September 2008. Mr Dowd's experience includes executive management roles including Vice President of Newmont Mining Corporation's Australian and New Zealand Operations and Managing Director of Newmont Australia Limited, and as a senior public servant – head of the resources and petroleum department in the Kennett Government of Victoria. In 2015, he retired as Chairman of the SA Mineral Resources & Heavy Engineering Skills Centre but remains on the Board. In 2017, Mr Dowd retired as a non-executive director of Oz Minerals Limited after 8 years of service. He is a non-executive director of Energy Resources of Australia Limited (ERA), a board member of the Sustainable Minerals Institute (University of Queensland) and retired as Chairman, but remains a Councillor of the Mineral Resources Sector Advisory Council of the CSIRO. In the 3 years immediately prior to 30 June 2021, Paul Dowd held the following directorship of other listed companies for the following period:

- Non-executive director, Energy Resources of Australia Limited - since 26 October 2015

### ***Peter Watson, Non-executive Director***

Appointed 7 September 2007 and resigned on 5 March 2021

Peter Watson, a founder of PNX, studied Law at Melbourne University and graduated with honours. He has practiced law since 1970, specialising in commercial, corporate, resources and trade practices law. He is admitted to practice in South Australia, New South Wales, Victoria and Western Australia as well as the High Court of Australia. For over 20 years, Mr Watson was a partner in the national law firm now known as Norton Rose Fulbright. During that time he established, and for 4 years managed, its Perth office. He also managed its Melbourne office for 2 years. In 1996 Mr Watson joined Andersen Legal as its first Melbourne partner and in 1999 was recruited by Normandy Mining Limited as its group legal counsel and a group executive. Following the takeover of Normandy by Newmont Mining Corporation, he returned to private legal practice and founded the boutique law firm Watsons Lawyers in Adelaide which on 1 July 2016 merged with Piper Alderman (an Adelaide headquartered firm with Sydney, Melbourne and Brisbane offices). Mr Watson is a director of BGRF Company Ltd, the trustee of the Bethlehem Griffiths Research Foundation (a medical research charitable foundation), non-executive director of Felton Grimwade & Bosisto's Pty Ltd (a manufacturer and supplier of essential oil products and over-the-counter therapeutic products) and a trustee of a perpetual charitable trust. In the 3 years immediately prior to 30 June 2021, Peter Watson held no directorships of other listed companies.

### ***David Hillier, Non-executive Director***

Appointed 17 September 2010 and resigned on 26 November 2020

David Hillier is a Chartered Accountant and has more than 40 years' experience in commercial aspects of the resources industry. He has served as Chairman and as a director of a number of public companies in the mining and exploration fields, including Lawson Gold Limited and Buka Gold Limited. He was Chief Financial Officer and an executive director of AIM listed Minerals Securities Limited, based in London. Over a period of 14 years Mr Hillier held a range of senior executive positions in the Normandy Mining Limited Group of companies and was Chief Financial Officer of Normandy for six of these years. In the 3 years immediately prior to 30 June 2020, David Hillier held no directorships of other listed companies.

### **Company Secretary**

#### ***Angelo Gaudio* (Appointed 10 January 2019)**

Angelo Gaudio has significant experience in senior financial positions within the resource sector. Previous roles include; the Chief Financial Officer and Company Secretary for Investigator Resources Limited, Renascor Resources Limited, as well as Vice President, Finance and Administration with Heathgate Resources.

Angelo is a qualified accountant with over forty years of finance, management and accounting experience. His expertise includes corporate finance, risk management, financial reporting and corporate development. Angelo is a Fellow of the Institute of Public Accountants and a certificated member of the Governance Institute of Australia.

## **PNX Metals Limited (ASX: PNX) Financial Report for the year ended 30 June 2021**

### **Interests in Shares and Performance Rights of the Company**

As at the date of this report, the interests of the Directors in the shares, unlisted options and Performance Rights of PNX are as follows:

*Graham Ascough, Non-Executive Chairman*

Graham Ascough has an indirect interest in 13,833,166 Shares and 3,125,000 unquoted options with an exercise price of 1.464 cents each, expiring on 30 September 2021.

*Paul Dowd, Non-Executive Director (Resigned on 5 March 2021).*

Paul Dowd has a direct interest in 500,000 Shares, an indirect interest in 26,693,298 Shares and 6,250,000 unquoted options with an exercise price of 1.464 cents each, expiring on 30 September 2021.

*Peter Watson, Non-Executive Director (Resigned on 5 March 2021).*

Peter Watson has a direct interest in 3,534,464 Shares, an indirect interest in 16,857,143 Shares and related parties of Mr Watson hold 1,962,707 Shares.

*David Hillier, Non-executive Director (Resigned on 26 November 2020).*

David Hillier has an indirect interest in 12,000,001 Shares and 3,125,000 unquoted options with an exercise price of 1.464 cents each, expiring on 30 September 2021.

*James Fox, Managing Director & CEO*

James Fox holds 30,800,000 Performance Rights, and a related party of Mr Fox holds 11,000,000 Shares and 1,875,000 unquoted options with an exercise price of 1.464 cents each, expiring on 30 September 2021.

### **Dividends and Distributions**

No dividends or distributions were paid to members during the financial year and none were recommended or declared for payment.

### **Principal Activities**

The principal activity of the Company and its wholly owned subsidiary ('Group') during the financial year was advancement of the Fountain Head Gold Project and progression of Feasibility Studies over its Fountain Head Gold Project, situated in the Pine Creek region of the Northern Territory ('NT'). The Group continued to conduct near-mine and regional mineral exploration at its Fountain Head and other projects in the Pine Creek region of the NT.

### **Review of Operations**

PNX continued to make significant progress during the year and released a Preliminary Feasibility Study (PFS) that supports the sequential development of its 100% owned Fountain Head and Hayes Creek Projects (Project), both of which are located approximately 170km south of Darwin in the Pine Creek region of the Northern Territory.

The PFS confirmed the technical and economic viability of a staged development approach, to construct a low capital and operating cost carbon-in-leach gold plant (Plant) and infrastructure capable of treating 750ktpa with a capacity potential of 900ktpa. Near-surface oxide and free-milling gold & silver ore from three open-pit mines at Fountain Head, Mt Bonnie and Glencoe and would be processed over an initial 5-year period (Stage 1).

Subsequent to the treatment of the currently defined oxide gold and silver resources in Stage 1, the Plant will be upgraded to incorporate a sulphide flotation circuit capable of processing the Hayes Creek high-grade gold-silver-zinc massive sulphide ores into two valuable product streams, a zinc concentrate and a precious metals concentrate (Stage 2).

In June 2021, the Company lodged the Environmental Impact Study (EIS) for the Fountain Head Gold Project with the Northern Territory Environmental Protection Authority (EPA). An 8-week Public Consultation period ended on 8 August 2021 and the Company is expecting feedback from this process during September 2021.

The Group's Exploration and Mineral Leases remain in good standing.

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During the year, drilling at Fountain Head was completed with the aim of identifying areas of near-surface mineralisation with the potential to augment the existing mine plan, and to provide information around sterilisation of areas that may be used for the waste stockpile and other infrastructure. (Refer to ASX Announcement on 11 August 2020 for results).

During the year, the Company acquired the Glencoe project located on a granted Mining Lease approximately 3 kilometres north of Fountain Head. The acquisition represents a 'bolt on' asset that expands the proposed Fountain Head development and is a key component of the Group's NT gold development strategy.

Drilling at Glencoe was undertaken during August 2021 to increase geological confidence in the updated Mineral Resource, and to identify mineralised extensions with the potential to host additional gold resources.

The Company is also progressing evaluation of additional gold prospects that may have the potential to augment overall project returns. PNX holds a large exploration tenement portfolio with potential for zinc, gold and silver, also in the Pine Creek region.

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

The Group continually reviews updates regarding the COVID-19 pandemic and the implications for the health and wellbeing of its employees, contractors and stakeholders. The safety of PNX employees and contractors is paramount and appropriate measures regarding COVID-19 are taken in-line with government advice, particularly in relation to interstate travel. NT field-based activities are safely continuing with personnel movements limited to the NT in line with any border restrictions and closures with other states, in particular South Australia.

The Group reported a loss after tax for the year of \$1.3 million (2020: \$1.5 million). No impairments were recorded during the year.

The Group's corporate costs, which include head office wages, directors' fees, professional fees, insurance, regulatory, occupancy and communication costs have not changed significantly.

Net operating cash inflows of \$1.7 million for the year primarily reflect payments for exploration activities (\$3.6 million) and to suppliers and employees (\$1.3 million) financed through new shares issued (\$6.5 million) and various government grants received (\$0.1 million).

The Company raised a total \$6.5 million during December 2020 and January 2021 through a share placement at 0.6 cents per share to sophisticated and professional investors and a non-renounceable Rights Issue at 0.6 cents per share.

### **Significant Changes in State Of Affairs**

There were no significant changes in the state of affairs of the Group during or since the end of the year.

### **Significant Events Subsequent to the end of the Financial Year**

The Group's office lease in Rose Park, South Australia, extended to August 2021 as at year end. Subsequent to 30 June 2021, the Group secured the extension of the office lease for a further 12 months.

There has been no other matter or circumstance that has occurred subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

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### **Likely Developments**

The Group's aim is to be a sustainable, profitable gold and base metals producer and successful minerals explorer by advancing the Fountain Head and Hayes Creek Projects to development and production, and by making new mineral discoveries in the Pine Creek region of the Northern Territory to either supplement the Fountain Head and Hayes Creek Projects or to be developed as stand-alone operations.

### **Environment Regulation and Performance**

The Group continues to meet all environmental obligations across its tenements.

An Environmental Impact Statement (EIS) for the Fountain Head Gold Project was lodged on 1 June 2021 with the Northern Territory Environmental Protection Authority (NT EPA). An 8-week Public Consultation period ended on 8 August 2021 and the Group is expecting feedback from this process during September 2021.

The EIS is an important milestone in the Fountain Head Gold Project approval process and the culmination of a significant detailed body of work by the Group and its Environmental Consultants, ERIAS Group, to identify potential environmental impacts and risks and mitigate these through careful and considered management.

### **Options and Performance Rights**

53,500,000 Performance Rights were issued to personnel during the financial year. There were no shares issued in satisfaction of Performance Rights that vested under the Company's Performance Rights Plan. 10,000,000 Performance Rights lapsed during the year as the vesting conditions were not met. At the date of this report, 54,300,000 unvested Performance Rights are on issue.

There were no options issued during the financial year, however, 20,000,000 unquoted options exercisable at a price of \$0.0147 per share, expired on 30 October 2020. As at the date of this report, a total of 359,125,000 unquoted options are on issue at a price of \$0.01464 per share, expiring on 30 September 2021.

### **Indemnification and Insurance of Directors and Officers**

The Company entered into a Deed of Access, Insurance and Indemnity with Peter Watson and Paul Dowd on 12 November 2007, David Hillier on 22 September 2010, Graham Ascough on 11 December 2012, James Fox on 26 November 2014, Hans-Jörg Schmidt on 11 November 2019, Hansjoerg Plaggemars on 28 November 2020, Frank Bierlein and Richard Willson on 18 June 2021. Under the terms of these Deeds, the Company has undertaken, subject to restrictions in the *Corporations Act 2001*, to:

- indemnify each Director in certain circumstances;
- advance money to a Director for the payment of legal costs incurred by a Director in defending legal proceedings before the outcome of those proceedings is known (subject to an obligation by the Director to repay money advanced if the costs become costs in respect of which the Director is not entitled to be indemnified under the Deed);
- maintain Directors' and Officers' insurance cover (if available) in favour of each Director whilst they remain a Director of the Company and for a run out period after ceasing to be such a director; and
- provide each Director with access to Board papers and other documents provided or available to the Director as an Officer of the Company.

Throughout the year and since the end of the financial year, the Group has had in place and paid premiums for insurance policies, with a limit of liability of \$10 million, indemnifying Directors and Officers of the Group against certain liabilities incurred in the conduct of business or in the discharge of their duties as Directors or Officers of the Group. The contracts of insurance contain confidentiality provisions that preclude disclosure of the premium paid.

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### Directors' attendance at Meetings

There were twelve Board meetings and three Audit Committee meetings held during the financial year. The following table summarises director attendance:

	Total meetings held during the year	Graham Ascough (Board Chairman)	Hans-Jörg Schmidt <sup>5 &amp; 6</sup>	Hansjoerg Plaggemars (Audit Committee Chairman) <sup>1</sup>	Frank Bierlein <sup>4</sup>	Richard Willson <sup>4</sup>	James Fox <sup>6</sup>	Peter Watson <sup>3</sup>	Paul Dowd <sup>3 &amp; 6</sup>	David Hillier (Audit Committee Chairman) <sup>2</sup>
Year Ended 30 June 2021	Meetings attended	Meetings attended	Meetings attended	Meetings attended	Meetings attended	Meetings attended	Meetings attended	Meetings attended	Meetings attended	Meetings attended
Board Meetings	12	12	10	6	0	0	12	9	8	6
Audit Committee Meetings	3	3	2	2	0	0	3	2	1	1
<sup>1</sup> Hansjoerg Plaggemars was appointed as a director on 28 November 2020 and appointed Chairman of the Audit Committee on 27 January 2021. He was a director for 6 of the Board meetings and 2 of the Audit Committee meetings.										
<sup>2</sup> Mr. Hillier resigned on 26 November 2020 and was a director for 6 of the board meetings and 1 of the Audit Committee meetings.										
<sup>3</sup> Mr. Watson and Mr. Dowd resigned on 5 March 2021 and were directors for 9 of the board meetings and 2 of the Audit Committee meetings.										
<sup>4</sup> Mr. Bierlein and Mr. Willson appointed on 18 June 2021 and there was no board meeting prior to the financial year end.										
<sup>5</sup> Mr Schmidt was nominated as Audit Committee member on 21 Apr 2021.										
<sup>6</sup> Invited to attend Audit Committee meetings										

### Auditor's Independence Declaration

The auditor's independence declaration is included on page 14.

### Non-Audit Services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 22 to the financial statements.

The directors are of the opinion that the services as disclosed in note 22 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Group, acting as advocate for the Group or jointly sharing economic risks and rewards.

## REMUNERATION REPORT – AUDITED

This Report outlines the remuneration arrangements in place for the Directors and the Company Secretary.

Where this Report refers to the 'Grant Date' of Shares or Performance Rights, the date mentioned is the date on which those Shares or Performance Rights were agreed to be issued (whether conditionally or otherwise) or, if later, the date on which key terms of the Shares or Performance Rights (eg performance conditions) were determined.

### Directors and Key Management Personnel details

The following persons acted as Directors of the Company during and since the end of the financial year:

- Graham Ascough (Non-Executive Chairman)
- Hans-Jörg Schmidt (Non-Executive Director)
- Hansjoerg Plaggemars (Non-Executive Director – appointed on 28 November 2020)
- Frank Bierlein (Non-Executive Director – appointed on 18 June 2021)
- Richard Willson (Non-Executive Director – appointed on 18 June 2021)
- James Fox (Managing Director & CEO)



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### **Directors and Key Management Personnel details (continued)**

The following persons acted as Directors and resigned from their position during the year as noted below:

- David Hillier (Non-Executive Director) resigned on 26 November 2020
- Paul Dowd (Non-Executive Director) resigned on 5 March 2021
- Peter Watson (Non-Executive Director) resigned on 5 March 2021

The following persons were Key Management Personnel of the Company and Group during and since the end of the financial year:

- Angelo Gaudio (Chief Financial Officer & Company Secretary)

### **Relationship between remuneration policy and Group performance**

There is no direct link between the Group's financial and operating performance and the setting of remuneration except as discussed below in relation to certain Performance Rights.

### **Remuneration Philosophy**

The performance of the Group depends on the quality of its Directors and management and therefore the Group must attract, motivate and retain appropriately qualified industry personnel. The Group embodies the following principles in its remuneration framework:

- provide competitive rewards to attract and retain high calibre executives, directors and employees;
- link executive rewards to Group operating performance and shareholder value by the granting of Performance Rights with performance-based vesting conditions; and
- ensure total remuneration is competitive by market standards.

The Group 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 of the Company's Directors or key management personnel ever conducting such activity.

### **Remuneration Policy**

The Group does not have a separately established remuneration committee. The full Board acts as the Group's remuneration committee. The Board is responsible for determining and reviewing remuneration arrangements for Non-Executive Directors, the Managing Director & CEO, the Company Secretary and other senior management. The Board assesses the appropriateness of the nature and amount of remuneration of such persons on a periodic basis with reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team. External advice on remuneration matters is sought when the Board deems it necessary.

The remuneration of Non-Executive Directors and senior management is not dependent on the satisfaction of performance conditions, except in relation to Performance Rights as described below.

The Company has established an Employee Performance Rights Plan ('Plan'), where the Directors can, at their discretion, grant Performance Rights to eligible participants. Upon a grant of Performance Rights, the Board may set vesting conditions, determined at the Board's discretion, which if not satisfied will result in the lapse of the Performance Rights granted to the particular employee.

Each Performance Right granted converts into one ordinary share in PNX on vesting. No amounts are paid or payable by the recipient on receipt of the Performance Right, nor at vesting. Performance Rights have no entitlement to dividends or voting rights.

### **Non-Executive Director Remuneration**

The Board seeks to set remuneration of Non-Executive Directors at a level which provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is appropriate at this stage of the Company's development.

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### **Non-Executive Director Remuneration (continued)**

As Non-Executive Chairman, Graham Ascough is entitled to receive \$75,000 per annum inclusive of superannuation and Non-Executive Directors are each entitled to receive \$40,000 per annum inclusive of superannuation. Non-Executive Directors are entitled to be paid reasonable travelling, accommodation and other expenses incurred as a consequence of their attendance at meetings of Directors and otherwise in the execution of their duties as Directors. Non-Executive Directors are also entitled to additional remuneration for extra services or special exertions, in accordance with the Company's Constitution. There are no schemes for retirement benefits other than government mandated superannuation. No additional amounts were paid to any Director during the financial year (2020: \$ Nil). There has been no changes to these fees or entitlements since the inception of the Company in 2007.

Summary details of remuneration for Non-Executive Directors are given in the tables on pages 11 and 12. Remuneration is not dependent on the satisfaction of performance conditions. The maximum aggregate remuneration of Non-Executive Directors, other than for extra services or special exertions, is \$500,000 per annum.

### **Managing Director & Chief Executive Officer Remuneration**

The Group aims to reward the Managing Director & Chief Executive Officer (MD & CEO) with a level and mix of remuneration commensurate with his position and responsibilities within the Group to:

- align the interests of the MD & CEO with those of shareholders;
- through Performance Rights, link reward with the strategic goals and performance of the Group; and
- ensure total remuneration is competitive by market standards.

James Fox has been Chief Executive Officer of PNX since 1 May 2012 and assumed the title Managing Director & CEO on 26 November 2014 with his appointment to the Board. Mr Fox is entitled to an annual salary of \$275,000, vehicle and telephone benefits to an estimated remuneration value of \$20,000, as well as mandated superannuation contributions, 20 days annual leave and 10 days sick leave per annum.

At 30 June 2021 and as of the date of this report, Mr Fox held no Shares in the Company directly. At 30 June 2020 and the date of this report, a related party of Mr Fox held 11,000,000 Shares in the Company.

During the year, 5,000,000 of 10,800,000 Performance Rights held by Mr Fox lapsed as the performance conditions were not met. On 27 January 2021, 25,000,000 additional Performance Rights were issued to Mr. Fox. The Performance Rights have performance conditions related to key Company objectives, including development of the Fountain Head and Hayes Creek projects and the Company's share price performance. Performance conditions are required to be achieved within specified time periods (extending to 27 January 2024) in order for the Rights to vest.

At 30 June 2021, a total of 30,800,000 Performance Rights subject to performance conditions were held by Mr Fox.

James Fox's employment with the Company may be terminated on 3 months written notice or on summary notice if he:

- is charged with any criminal offence or is guilty of any other conduct which, in the reasonable opinion of the Board, is prejudicial to the interests of the Group;
- is negligent in the performance of his duties;
- is incapacitated from performing his duties as Chief Executive Officer by illness or injury for a period of 2 consecutive months;
- materially breaches any term of his contract of employment and this is not remedied within 14 days of notice of the breach to him by the Company;
- materially contravenes any share dealing code relating to shares;
- is the subject of, or causes the Company or Group to be the subject of, a material penalty or serious reprimand imposed by any regulatory authority; or
- independently acts in a manner contravening the directives and expressed wishes of the Board.

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### Chief Financial Officer & Company Secretary Remuneration

Angelo Gaudio has been the Chief Financial Officer and Company Secretary of the Company since 10 January 2019. Through his company, Angelo Gaudio provides his services on a part-time basis and at a rate of \$10,000 per month plus GST plus reimbursement of out of pocket expenses. The services may be terminated by either party on one months' notice. During the 2021 financial year, Mr. Gaudio was paid fees of \$120,000 (excluding GST).

On 1 February 2021, 5,000,000 Performance Rights were issued to Mr. Gaudio and at 30 June 2021, a total of 5,000,000 Performance Rights subject to performance conditions were held by Mr Gaudio.

### Remuneration of Directors and Key Management Personnel

Directors' and Key Management Personnel remuneration (all amounts are paid or payable) for the year ended 30 June 2021:

Financial Year Ended 30 June 2021	Short term employment benefits		Post- Employment	Equity		
	Salary & Fees	Non-Cash benefits <sup>5</sup>	Superannuat- ion	Shares and Performance Rights	Total	% of total remunerat- ion consisting of equity
<b><u>Directors</u></b>						
Graham Ascough	\$75,000	-	-	-	\$75,000	0%
Paul Dowd <sup>3</sup>	\$26,127	-	\$2,352	-	\$28,479	0%
Peter Watson <sup>3</sup>	\$26,127	-	\$2,352	-	\$28,479	0%
David Hillier <sup>1</sup>	\$16,329	-	-	-	\$16,329	0%
Hans-Jörg Schmidt	\$36,530	-	\$3,470	-	\$40,000	0%
Hansjoerg Plaggemars <sup>2</sup>	\$23,716	-	-	-	\$23,716	0%
Frank Bierlein <sup>4</sup>	\$1,305	-	\$124	-	\$1,429	0%
Richard Willson <sup>4</sup>	\$1,305	-	\$124	-	\$1,429	0%
James Fox	\$276,125	\$10,334 <sup>5</sup>	\$25,000	\$80,617 <sup>6</sup>	\$392,076	20.6%
<b><u>Chief Financial Officer &amp; Company Secretary</u></b>						
Angelo Gaudio	\$120,000	-	-	\$4,848 <sup>6</sup>	\$124,848	3.9%
<b>TOTALS</b>	<b>\$602,564</b>	<b>\$10,334</b>	<b>\$33,422</b>	<b>\$85,465</b>	<b>\$731,785</b>	<b>11.7%</b>

<sup>1</sup> David Hillier resigned as a director on 26 November 2020.

<sup>2</sup> Hansjoerg Plaggemars was appointed as a director on 28 November 2020.

<sup>3</sup> Paul Dowd and Peter Watson resigned as a director on 5 March 2021.

<sup>4</sup> Frank Bierlein and Richard Willson were appointed as directors on 18 June 2021.

<sup>5</sup> Use of a company provided motor vehicle.

<sup>6</sup> Value of Performance Rights that have not yet vested that is attributable to the 2021 financial year.

## PNX Metals Limited (ASX: PNX) Financial Report for the year ended 30 June 2021

Directors' and Key Management Personnel remuneration for the year ended 30 June 2020:

Financial Year Ended 30 June 2020	Short term employment benefits		Post- Employment	Equity		
	Salary & Fees	Non-Cash benefits <sup>5</sup>	Superannuat- ion	Shares and Performance Rights	Total	% of total remunerat- ion consisting of equity
<b><u>Directors</u></b>						
Graham Ascough <sup>3</sup>	\$71,250	-	-	-	\$71,250	0%
Paul Dowd <sup>3</sup>	\$34,704	-	\$3,296	-	\$38,000	0%
Peter Watson <sup>3</sup>	\$34,704	-	\$3,296	-	\$38,000	0%
David Hillier <sup>3</sup>	\$38,000	-	-	-	\$38,000	0%
Hans-Jörg Schmidt <sup>1, 3</sup>	\$21,501	-	\$2,043	-	\$23,543	0%
James Fox <sup>4</sup>	\$276,125	\$17,023 <sup>5</sup>	\$25,000	\$33,825 <sup>2</sup>	\$351,973	9.6%
<b><u>Chief Financial Officer &amp; Company Secretary</u></b>						
Angelo Gaudio	\$120,000	-	-	-	\$120,000	0%
<b>TOTALS</b>	<b>\$596,284</b>	<b>\$17,023</b>	<b>\$33,635</b>	<b>\$33,825</b>	<b>\$680,766</b>	<b>5.0%</b>

<sup>1</sup> Hans-Jörg Schmidt was appointed as a director on 11 November 2019.

<sup>2</sup> Value of Performance Rights that have not yet vested that is attributable to the 2020 financial year.

<sup>3</sup> 20% reduction in Directors fees Directors was applied for Qtr 4 (Apr-Jun 2020) in response to the COVID-19 Pandemic.

<sup>4</sup> 20% reduction in James Fox CEO salary was applied for Qtr 4 (Apr-Jun 2020) in response to the COVID-19 Pandemic and annual leave entitlement was taken in lieu of the reduction.

<sup>5</sup> Use of a company provided motor vehicle.

### Equity holdings of Directors and Key Management Personnel

(i) Fully paid ordinary shares of PNX Metals Limited:

	Balance 1 July 2020	Net Changes	Balance 30 June 2021
<b>Directors</b>			
Graham Ascough	11,066,532	2,766,634	13,833,166
Paul Dowd <sup>3</sup>	21,854,638	5,338,660	27,193,298
Peter Watson <sup>3</sup>	16,313,285	4,078,322	20,391,607
David Hillier <sup>1</sup>	10,500,001	1,500,000	12,000,001
Hans-Jörg Schmidt	-	-	-
Hansjoerg Plaggemars <sup>2</sup>	-	-	-
Frank Bierlein <sup>4</sup>	-	-	-
Richard Willson <sup>4</sup>	-	-	-
James Fox <sup>5</sup>	-	-	-
<b>Key Management Personnel</b>			
Angelo Gaudio	-	-	-

<sup>1</sup> David Hillier resigned as a director on 26 November 2020.

<sup>2</sup> Hansjoerg Plaggemars was appointed as a director on 28 November 2020.

<sup>3</sup> Paul Dowd and Peter Watson resigned as a director on 5 March 2021.

<sup>4</sup> Frank Bierlein and Richard Willson were appointed as directors on 18 June 2021.

<sup>5</sup> Shares held by related party at 30 June 2021: 11,000,000 (2020: 9,999,999).

## PNX Metals Limited (ASX: PNX) Financial Report for the year ended 30 June 2021

- (ii) Unquoted options exercisable at 1.464 cents, expiring on 30 September 2021 of PNX Metals Limited:

	Balance 1 July 2020	Net Changes	Balance 30 June 2021
<b>Directors</b>			
Graham Ascough	3,125,000	-	3,125,000
Paul Dowd <sup>3</sup>	6,250,000	-	6,250,000
Peter Watson <sup>3</sup>	-	-	-
David Hillier <sup>1</sup>	3,125,000	-	3,125,000
Hans-Jörg Schmidt	-	-	-
Hansjoerg Plaggemars <sup>2</sup>	-	-	-
Frank Bierlein <sup>4</sup>	-	-	-
Richard Willson <sup>4</sup>	-	-	-
James Fox <sup>5</sup>	-	-	-
<b>Key Management Personnel</b>			
Angelo Gaudio	-	-	-

<sup>1</sup> David Hillier resigned as a director on 26 November 2020.

<sup>2</sup> Hansjoerg Plaggemars was appointed as a director on 28 November 2020.

<sup>3</sup> Paul Dowd and Peter Watson resigned as a director on 5 March 2021.

<sup>4</sup> Frank Bierlein and Richard Willson were appointed as directors on 18 June 2021.

<sup>5</sup> Options held by related party at 30 June 2021: 1,875,000 (2020: 1,875,000).

- (iii) Performance Rights of PNX Metals Limited and outstanding:

	Balance 1 July 2020					Balance 30 June 2021	
Directors	Vested	Unvested	Granted	Vested	Lapsed	Vested	Unvested
James Fox	-	10,800,000	25,000,000	-	5,000,000	-	30,800,000
<b>Key Management Personnel</b>							
Angelo Gaudio	-	-	5,000,000	-	-	-	5,000,000

### Other related party transactions

During the financial year the Group engaged Piper Alderman, an entity in which a Director (Peter Watson) is a senior consultant, to advise on legal matters. The cost of services paid to Piper Alderman during the financial year inclusive of GST, was \$120,614 (2020: \$34,438).

### End of Remuneration Report

Signed on 14<sup>th</sup> September 2021 in accordance with a resolution of the Board made pursuant to section 298(2) of the *Corporations Act 2001*.



Graham Ascough

Chairman



Level 3, 170 Frome Street  
Adelaide SA 5000

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GPO Box 1270  
Adelaide SA 5001

T +61 8 8372 6666

## 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 audit of PNX Metals Limited for the year ended 30 June 2021, 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 audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in dark ink that reads "Grant Thornton".

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

A handwritten signature in dark ink that reads "I S Kemp".

I S Kemp  
Partner – Audit & Assurance

Adelaide, 14 September 2021

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**PNX Metals Limited (ASX: PNX) Financial Report for the year ended 30 June 2021**

**Consolidated Statement of Profit or Loss and Other Comprehensive Income for the  
year ended 30 June 2021**

		<b>Year Ended 30/06/21 \$</b>	<b>Year Ended 30/06/20 \$</b>
	<b>Note</b>		
Interest income	<b>4(a)</b>	4,836	43,417
Other income		112,681	70,000
Employee benefits		(212,955)	(258,518)
Professional fees	<b>4(e)</b>	(557,935)	(414,447)
Directors' fees		(212,124)	(208,793)
Exploration – tenement maintenance	<b>10</b>	2,710	(34,719)
Occupancy	<b>4(c)</b>	(56,931)	(66,501)
Insurance		(26,265)	(29,196)
Share registry and regulatory		(65,296)	(61,560)
Communication		(17,233)	(12,882)
Audit fees	<b>22</b>	(39,473)	(36,028)
Equity-based remuneration	<b>20</b>	(103,401)	(33,824)
Other expenses		(73,017)	(105,072)
Depreciation	<b>4(b)</b>	(11,077)	(7,591)
Impairment - exploration and evaluation assets	<b>4(d), 10</b>	-	(500,000)
Interest charges		(403)	-
<b>Loss before income tax</b>		<b>(1,255,883)</b>	<b>(1,655,714)</b>
Income tax benefit	<b>5(a)</b>	(196)	150,189
<b>Loss for the year</b>		<b>(1,256,079)</b>	<b>(1,505,525)</b>
<b>Other comprehensive income/loss:</b>			
<i>Items that will not be subsequently reclassified to profit or loss:</i>			
Financial assets - Fair Value through OCI	<b>9, 18</b>	103,136	(438,329)
<b>Total comprehensive loss for the year, attributable to equity holders of the parent</b>		<b>(1,152,943)</b>	<b>(1,943,854)</b>
Loss Per Share – continuing operations and Total			
Basic and Diluted (cents per share)	<b>27</b>	(0.04)	(0.06)

*The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.*

**PNX Metals Limited (ASX: PNX) Financial Report for the year ended 30 June 2021**

**Consolidated Statement of Financial Position as at 30 June 2021**

	Note	30/06/21 \$	30/06/20 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6	3,632,252	1,972,721
Trade and other receivables	7	52,314	93,582
Prepayments and deposits	8	180,119	155,165
Other financial assets	9	193,380	90,244
<b>TOTAL CURRENT ASSETS</b>		<b>4,058,065</b>	<b>2,311,712</b>
<b>NON-CURRENT ASSETS</b>			
Exploration and evaluation expenditure	10	19,573,034	16,364,563
Other financial assets	12	1,090,585	-
Plant and equipment	11	56,424	14,768
<b>TOTAL NON-CURRENT ASSETS</b>		<b>20,720,043</b>	<b>16,379,331</b>
<b>TOTAL ASSETS</b>		<b>24,778,108</b>	<b>18,691,043</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	1,075,865	479,920
Provisions	14	152,269	130,586
Lease Liabilities	15	8,886	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,237,020</b>	<b>610,506</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	14	15,091	19,258
Lease Liabilities	15	41,026	-
Contract Liabilities	16	2,400,000	2,400,000
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>2,456,117</b>	<b>2,419,258</b>
<b>TOTAL LIABILITIES</b>		<b>3,693,137</b>	<b>3,029,764</b>
<b>NET ASSETS</b>		<b>21,084,971</b>	<b>15,661,279</b>
<b>EQUITY</b>			
Issued capital	17	53,545,287	47,072,054
Reserves	18	127,143	(19,297)
Accumulated losses	19	(32,587,459)	(31,391,478)
<b>TOTAL EQUITY</b>		<b>21,084,971</b>	<b>15,661,279</b>

*The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.*



**PNX Metals Limited (ASX: PNX) Financial Report for the year ended 30 June 2021**

**Consolidated Statement of Changes in Equity for the  
year ended 30 June 2021**

	Issued capital \$	Equity-based payment Reserves \$	Fair Value OCI Reserves \$	Accumulated losses \$	Total \$
<b>Balance at 1 July 2019</b>	<b>45,469,675</b>	<b>50,015</b>	<b>335,193</b>	<b>(29,885,953)</b>	<b>15,968,930</b>
Total Loss for the Year	-	-	-	(1,505,525)	(1,505,525)
Other Comprehensive Income	-	-	(438,329)	-	(438,329)
<b>Total Comprehensive Loss for the year</b>	<b>-</b>	<b>-</b>	<b>(438,329)</b>	<b>(1,505,525)</b>	<b>(1,943,854)</b>
Shares issued (Placement)	500,000	-	-	-	500,000
Shares issued (Unlisted Options exercised)	1,110,000	-	-	-	1,110,000
Share issue costs	(7,621)	-	-	-	(7,621)
Fair value of equity settled payments	-	33,824	-	-	33,824
<b>Balance at 30 June 2020</b>	<b>47,072,054</b>	<b>83,839</b>	<b>(103,136)</b>	<b>(31,391,478)</b>	<b>15,661,279</b>
<b>Balance at 1 July 2020</b>	<b>47,072,054</b>	<b>83,839</b>	<b>(103,136)</b>	<b>(31,391,478)</b>	<b>15,661,279</b>
Total Loss for the Year	-	-	-	(1,256,079)	(1,256,079)
Other Comprehensive Loss	-	-	103,136	-	103,136
<b>Total Comprehensive Loss for the year</b>	<b>-</b>	<b>-</b>	<b>103,136</b>	<b>(1,256,079)</b>	<b>(1,152,943)</b>
Shares issued	6,657,432	-	-	-	6,657,432
Share issue costs	(184,199)	-	-	-	(184,199)
Fair value of equity settled payments	-	103,401	-	-	103,401
Lapsed performance rights transferred to accumulated losses	-	(60,097)	-	60,097	-
<b>Balance at 30 June 2021</b>	<b>53,545,287</b>	<b>127,143</b>	<b>-</b>	<b>(32,587,459)</b>	<b>21,084,971</b>

*The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.*

**PNX Metals Limited (ASX: PNX) Financial Report for the year ended 30 June 2021**

**Consolidated Statement of Cash Flows for the  
year ended 30 June 2021**

	Inflows/(Outflows)	
	Year Ended 30/06/21	Year Ended 30/06/20
	\$	\$
<b>Cash flows relating to operating activities</b>		
Receipt of Research and Development tax offsets	54,804	415,025
COVID-19 stimulus support received	102,500	50,000
Payments for exploration activities expensed	-	(34,720)
Payments to suppliers and employees	(1,341,492)	(1,122,469)
<b>Net operating cash flows</b>	<b>(1,184,188)</b>	<b>(692,164)</b>
<b>Cash flows relating to investing activities</b>		
Term Deposits (terms greater than 90 days) – Matured /(Purchased)	-	2,500,000
Interest received	7,934	41,780
Payments for exploration activities	(2,406,998)	(4,282,964)
Payments for plant and equipment	(10,486)	-
Deposits paid for acquisition of Glencoe tenement	(1,175,000)	-
Payments for tenement security bonds	(42,002)	-
<b>Net investing cash flows</b>	<b>(3,626,552)</b>	<b>(1,741,184)</b>
<b>Cash flows relating to financing activities</b>		
Proceeds from share issues (Note 15)	6,657,432	1,610,000
Payments for capital raising costs	(184,199)	(7,621)
Payments for leases	(2,962)	-
<b>Net financing cash flows</b>	<b>6,470,271</b>	<b>1,602,379</b>
<b>Net increase/(decrease) in cash</b>	<b>1,659,531</b>	<b>(830,970)</b>
<b>Cash at beginning of financial year</b>	<b>1,972,721</b>	<b>2,803,691</b>
<b>Cash at end of financial year</b>	<b>3,632,252</b>	<b>1,972,721</b>
<b>Reconciliation of loss to net operating cash flow</b>		
Loss for the year	(1,256,079)	(1,505,525)
Interest income	(7,934)	(43,417)
Miscellaneous income	-	(50,000)
Equity-based remuneration	103,401	33,824
Depreciation and amortisation	7,384	7,591
Depreciation on right of use assets	3,693	-
Unwinding discount on Lease liability	371	-
Exploration not capitalised – investing	(2,710)	34,720
Impairment charges – exploration and evaluation assets	-	500,000
(Increase)/decrease in receivables - operating	35,228	263,092
(Increase)/decrease in other current assets – operating	(1,044)	12,954
Increase/(decrease) in payables - operating	(84,012)	56,737
Increase/(decrease) in employee provisions	17,516	(2,140)
<b>Net operating cash flows</b>	<b>(1,184,188)</b>	<b>(692,164)</b>

*The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes*

# PNX Metals Limited (ASX: PNX) Financial Report for the year ended 30 June 2021

## Notes to the Financial Statements for the Year Ended 30 June 2021

### 1. General information and Basis of Preparation

PNX Metals Limited ("Company") is a for-profit Australian publicly listed company, incorporated and operating in Australia. Its registered office and principal place of business is Level 1, 135 Fullarton Road, Rose Park, South Australia 5067.

The consolidated financial statements of PNX Metals Limited comprises the Company and its controlled entity ("Group") and is a general purpose financial report prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001.

The consolidated financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The consolidated financial statements have been prepared on the basis of historical cost, which is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The financial statements were authorised for issue by the Directors on 13<sup>th</sup> September 2021.

### 2. New and revised Accounting Standards

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 year ended 30 June 2021.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

#### *Conceptual Framework for Financial Reporting (Conceptual Framework)*

The consolidated entity has adopted the revised Conceptual Framework from 1 July 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the consolidated entity's financial statements

At the date of authorisation of these financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Group. Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Group's financial statements.

The accounting policies applied by the Group in the consolidated financial statements are consistent with those applied in the prior year. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

## **PNX Metals Limited (ASX: PNX) Financial Report for the year ended 30 June 2021**

### **3. Significant accounting policies**

In the application of the Group's accounting policies, which are described below, management is required to make judgements, estimates and assumptions. Key areas of judgement and estimation uncertainty are discussed in Note 3(s).

The following significant accounting policies have been adopted in the preparation of the financial report:

#### **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 year ended 30 June 2021, the Group made a loss of \$1,256,079 (2020: loss of \$1,505,525) and recorded a net cash outflow from operating and investing activities of \$4,810,740 (2020: \$2,433,348). At 30 June 2021, the Group had cash of \$3,632,252 (2020: \$1,972,721), net current assets, excluding the investment in Sunstone Metals Ltd of \$2,627,664 (2020: \$1,610,963) and net assets of \$21,084,971 (2020: \$15,661,280).

The Directors believe that it is appropriate to prepare the financial statements on the going concern basis, as the Group raised sufficient capital during the year to allow activities to progress towards the development of the Fountain Head Gold Project. The Group's ability to continue as a going concern is contingent on raising additional capital and/or the successful exploration and subsequent exploitation of its areas of interest through sale or development.

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) Principles of consolidation**

The consolidated financial statements comprise the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The results of subsidiaries acquired or disposed of are included in the Statement of Profit or Loss and Other Comprehensive Income from the effective date of acquisition and up to the effective date of disposal.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses, and cash flows are eliminated in full on consolidation.

**3. Significant accounting policies (continued)**

**c) Revenue**

Revenue is measured at the fair value of consideration received or receivable.

*Contract Liabilities*

Cash received from the forward sale of metal from future mining projects is accounted for as a long-term liability until such time as the metal is delivered. Deferred revenue amounts are recognised as revenue from the sale of goods in the period that the related metal is delivered.

*Interest*

Interest income is accrued on a time basis, with reference to the principal balance and at the effective interest rate applicable, which is that rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount.

**d) Government Grants**

Government grants that are received or receivable as direct compensation for mineral exploration expenditure already incurred are recognised as a reduction in the accumulated cost of the relevant exploration and evaluation asset.

The Group applies AASB120 "Accounting for Government Grants and Disclosure of Government Assistance" in accounting for such programmes as the cash flow boost and Jobkeeper wage subsidy, whereby a credit is recognised in other income over the period necessary to match the benefit of the credit with the costs which they are intended to compensate (for).

**e) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, cash held at financial institutions and bank deposits with a maturity not more than 3 months. Any Term Deposits with terms greater than a 3 month maturity are classified as Financial assets – Term Deposits on the statement of financial position.

**f) Financial Instruments**

**Financial Assets**

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows

- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments. The Group's trade and other receivables are subject to AASB 9's credit loss model.

**Financial assets designated at fair value through OCI (equity instruments)**

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under AASB 132 Financial Instruments: Presentation, and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its listed equity investments under this category.

**3. Significant accounting policies (continued)**

**f) Financial Instruments (continued)**

**Financial Liabilities**

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than any derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

**g) Exploration and Evaluation Expenditure**

Exploration and evaluation expenditure in relation to each separate area of interest is recognised as an asset in the year in which it is incurred or acquired and where the following conditions are satisfied:

- i. the rights to tenure of the area of interest are current; and
- ii. at least one of the following conditions is also met:
  - the exploration and evaluation expenditure is expected to be recouped through successful development of the mineral exploration project, or alternatively, by its sale;
  - or
  - exploration and evaluation activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include the acquisition cost of rights to explore, studies, exploration drilling, trenching and sampling and associated activities. General and administrative costs are only included in the measurement of exploration and evaluation assets where they relate directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances (as defined in AASB 6 *Exploration for and Evaluation of Mineral Resources*) suggest that the asset's carrying amount may exceed its recoverable amount. The recoverable amount of exploration and evaluation assets is determined in accordance with AASB 136 *Impairment of Assets*, being the higher of fair value less costs to sell and value in use. If the recoverable amount as determined is less than the carrying amount, an impairment loss is recognised.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment, reclassified to development properties, and then amortised over the life of the reserves associated with the area of interest once mining operations have commenced.

**3. Significant accounting policies (continued)**

**h) Impairment of assets (other than Financial Assets, Exploration and Evaluation Assets and Property, Plant and Equipment)**

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset which have not already been incorporated into the future cash flows estimates.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in profit or loss.

**i) Property, Plant and equipment**

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on plant and equipment. Depreciation is calculated on a straight line basis so as to write off the cost of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

Estimated useful lives of 3-5 years are used in the calculation of depreciation for plant and equipment.

**j) Trade and Other Payables**

Liabilities for goods and services provided to the Group are recognised initially at their fair value and subsequently at amortised cost using the effective interest method. Trade and other payables are unsecured.

**k) Debt and equity Instruments**

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Contracts settled via the delivery of a fixed number of equity instruments in the Group in exchange for cash or other assets are accounted for as equity instruments. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

**l) Employee benefits**

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and amounts are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

**3. Significant accounting policies (continued)**

**l) Employee benefits (continued)**

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date. The present value is calculated using a discount rate that references market yields on high quality corporate bonds that have maturity dates that approximate the timing of the estimated future cash flows.

Contributions to accumulated benefit superannuation plans are expensed when incurred.

**m) Site Restoration and Environmental Rehabilitation**

Provision for the costs of environmental restoration and rehabilitation are recognised when the Group has a present obligation (legal or constructive) to perform restoration activities, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Restoration and rehabilitation provisions are measured as the present value of estimated future cash flows to perform the rehabilitation activities, discounted at pre-tax rate that reflects market assessments of the time value of money and risks specific to the rehabilitation obligation.

There are cash backed deposits recorded under Other financial assets in support of these rehabilitation obligations.

**n) Share-based payments**

Equity-settled share-based payments made to employees and directors are measured at fair value at the grant date, which is the date on which the equity instruments were agreed to be issued (whether conditionally or otherwise) or, if later, the date on which key terms (e.g. subscription or exercise price) were determined. Fair value is determined using the Black-Scholes model or another binomial model, depending on the type of equity instrument issued.

The fair value of the equity instruments at grant date is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest, with a corresponding increase to the equity settled benefits reserve in shareholders' equity.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case the transactions are measured at the fair value of the equity instruments granted, measured at the date the Group obtains the goods or the counterparty renders the service.

**o) Lease Liabilities**

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term. At 30 June 2021 the Group was committed to a short-term tenancy lease expiring on 31 August 2021, and the total commitment at that date was \$11,336.

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties.



**3. Significant accounting policies (continued)**

**o) Lease Liabilities (continued)**

When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

**p) Income tax**

Income tax expense represents the sum of tax currently payable and deferred tax.

***Current tax***

Current tax is calculated with reference to the amount of income tax payable or recoverable in respect of the taxable profit or tax loss for the financial year. It is calculated using tax rates and tax laws that have been enacted or substantively enacted at the reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

***Deferred tax***

Deferred tax is accounted for in respect of temporary differences arising from differences between the carrying amount of assets and liabilities for accounting purposes and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised.

However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period(s) when the assets or liabilities giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of the related assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

***Current and deferred tax recognition***

Current and deferred tax is recognised as an expense or income in the Statement of Profit or Loss and Other Comprehensive Income, except when it relates to items credited or debited directly to equity (in which case the deferred tax is also recognised directly in equity), or where it arises from the initial accounting for a business combination.

***Tax consolidation***

The Company and its wholly-owned Australian resident entity are part of a tax-consolidated group under Australian taxation law. The members of the tax consolidated group are disclosed in Note 28. PNX Metals Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as the head entity in the tax-consolidated group).

Under a tax funding arrangement between the entities in the tax-consolidated group, amounts transferred from entities within the tax consolidated group and recognised by the Company ('tax contribution amounts') are recorded in intercompany accounts in accordance with the arrangement.

**3. Significant accounting policies (continued)**

**p) Income tax (continued)**

***Tax consolidation (continued)***

Where the tax contribution amount recognised by a member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) the group member.

***Research and development tax incentive***

To the extent that research and development costs are eligible activities under the “Research and development tax incentive” programme, a 43.5% refundable tax offset is available for companies with annual turnover of less than \$20 million. The Group recognises refundable tax offsets based on management’s best estimate of the amount receivable as an income tax benefit, in profit or loss, resulting from the monetisation of available tax losses that otherwise would have been carried forward.

**q) Goods and service tax**

Revenues, expenses, assets and liabilities are recognised net of the amount of goods and services tax (GST), except:

- I. where the amount of GST incurred is not recoverable from the taxation authority, in which case it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- II. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

**r) Earnings Per Share**

Basic earnings per share is calculated by dividing the profit or loss attributable to owners of the Group (excluding any costs of servicing equity other than ordinary shares) by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

**s) Right-of-use assets**

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

**3. Significant accounting policies (continued)**

**s) Right of use assets (continued)**

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

**t) Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about the carrying values of assets, liabilities and equity. These estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only the current period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

***Impairment***

Determining whether assets are impaired requires an estimation of the value in use or fair value of the assets or cash-generating units to which assets are allocated. The fair value of exploration assets is inherently difficult to estimate, particularly in the absence of comparable transactions and where a purchase offer has not been made, and relies on management judgement.

No impairment loss was recognised during the year (2020: \$500,000) in relation to Exploration and Evaluation Assets - refer to Note 10 for detail.

***Equity-based payments***

The determination of the fair value at grant date of options and Performance Rights utilises a financial asset pricing model with a number of assumptions, the most critical of which is an estimate of the Company's future share price volatility. Refer to Note 18 for more information regarding equity-based payments made during the year.

***Research & Development (R&D) tax offset incentive***

The Group is entitled to claim R&D tax offset incentives in Australia. The R&D tax offset incentive is calculated based on management's assessment of eligible expenditure multiplied by 43.5%.

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<b>4.</b>	<b>LOSS FROM CONTINUING OPERATIONS</b>		
		<b>Year Ended 30/06/21 \$</b>	<b>Year Ended 30/06/20 \$</b>
	<b>a) Interest income</b>		
	Interest on bank deposits	4,836	43,417
	<b>b) Depreciation</b>		
	Depreciation of plant and equipment	11,077	7,591
	<b>c) Occupancy</b>		
	Short-term lease expenses	56,931	66,501
	<b>d) Impairment</b>		
	Exploration and evaluation assets	-	500,000
	<b>e) Professional fees</b>		
	Accounting & taxation expenses	44,085	32,639
	Legal fees	139,563	38,472
	Contractor Services	6,313	20,189
	Company Promotion	247,974	203,147
	Secretarial Services	120,000	120,000
	<b>Total Professional fees</b>	<b>557,935</b>	<b>414,447</b>

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<b>5. INCOME TAX</b>			
		<b>Year Ended 30/06/21 \$</b>	<b>Year Ended 30/06/20 \$</b>
<b>(a) Income tax recognised in profit or loss</b>			
	Current tax expense/(benefit)	196	(55,000)
	Deferred tax expense/(benefit)	-	(95,189)
	<b>Total tax expense/(benefit)</b>	<b>196</b>	<b>(150,189)</b>
The prima facie income tax benefit on the loss before income tax reconciles to the tax expense/(benefit) in the financial statements as follows:			
	Total loss for the year before tax	1,255,883	1,655,714
	Income tax benefit calculated at 26.0% (2020: 27.5%)	(326,530)	(455,321)
	Equity-based remuneration – Performance Rights	26,884	9,302
	Current year tax losses and movements in temporary differences not recognised	299,646	446,019
	Recognition of estimated research and development tax offset refund related to the current tax year	-	(55,000)
	Recognition of actual research and development tax offset refund related to the previous tax year	196	(95,189)
	<b>Tax expense (benefit)</b>	<b>196</b>	<b>(150,189)</b>
The tax rate used in the above reconciliation is the corporate tax rate of 26.0% payable by Australian base rate entities (those with turnover less than \$50 million of revenue, and 80% or less of their assessable income is base rate entity passive income).			
<b>(b) Recognised tax assets and liabilities</b>			
Deferred tax assets and (liabilities) are attributable to the following:			
		<b>30/06/21 \$</b>	<b>30/06/20 \$</b>
	Exploration and evaluation expenditure	(4,884,098)	(4,471,844)
	Plant and equipment	(15,079)	(4,061)
	Trade and other payables	7,454	6,930
	Employee benefits	43,514	41,207
	Share issue costs	116,186	106,092
	<b>Net deferred tax liabilities</b>	<b>(4,732,023)</b>	<b>(4,321,676)</b>
	Tax losses recognised	4,732,023	4,321,676
	<b>Net deferred tax assets / (liabilities)</b>	<b>-</b>	<b>-</b>

A net deferred tax liability will only arise if the Group generates taxable income in the future (for example via a profitable mining operation). Deferred tax balances shown above have been calculated utilising a 26.0% tax rate. The potential benefit of unrecognised tax losses (shown below) has similarly been calculated utilising a 26.0% tax rate.

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### 5. INCOME TAX (continued)

#### (c) Unrecognised tax losses:

A deferred tax asset has not been recognised in respect of the following:

	30/06/21	30/06/20
	\$	\$
Tax Losses – operating (tax effected)	8,098,833	8,167,833
Tax Losses – capital (tax effected)	138,932	146,948

Of the total operating tax losses of approximately \$49.3 million in the Group at 30 June 2021, \$31 million are unrecognised as shown above as a \$8.098 million potential tax benefit. A deferred tax asset has not been recognised in respect of these losses because it is not considered probable at this time that future taxable profit will be available against which to utilise the losses.

6. CASH AND CASH EQUIVALENTS AND TERM DEPOSITS			
	30/06/21	30/06/20	
	\$	\$	
Cash and cash equivalents	3,632,252	1,972,721	

Cash and cash equivalents comprise cash on hand, cash held at financial institutions and bank term deposits with a maturity of not greater than 3 months.

At 30 June 2021, the Group did not hold any term deposits with maturity terms of greater than 3 months (2020: \$Nil).

7. TRADE AND OTHER RECEIVABLES			
	30/06/21	30/06/20	
	\$	\$	
Interest	52	3,150	
Research & Development Tax Offset Incentive	-	55,000	
Goods & Services Tax	49,951	34,914	
Other	2,311	518	
	<b>52,314</b>	<b>93,582</b>	

8. PREPAYMENTS AND DEPOSITS			
	30/06/21	30/06/20	
	\$	\$	
Prepayments	15,237	14,193	
Environmental Deposits – Northern Territory	132,122	108,212	
Deposit – office bond	32,760	32,760	
	<b>180,119</b>	<b>155,165</b>	

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### 8. PREPAYMENTS AND DEPOSITS (continued)

Environmental deposits are required to be lodged with the Department of Industry, Tourism and Trade (DITT) in the Northern Territory prior to the commencement of exploration activities.

Environmental bonds totalling \$132,122 have been lodged with the DITT in relation to exploration activities in the Northern Territory.

The office bond of \$32,760 is invested in a 365 day term deposit maturing February 2022 and earning 0.4% interest.

9. OTHER FINANCIAL ASSETS			
		30/06/21	30/06/20
		\$	\$
	Investment in Sunstone Metals Ltd	193,380	90,244

The Group continues to hold 12,892,013 shares in ASX listed Sunstone Metals Limited ('Sunstone', previously Avalon Minerals Limited). This investment is recognised as "Fair Value through Other Comprehensive Income (FVOCI)", under AASB 9 *Financial Instruments* – refer to Note 3 (f).

At 30 June 2021, the investment was reflected at fair value of \$193,380, with the incremental movement recorded at fair value through other comprehensive income (FVOCI) - refer to Note 18.

10. EXPLORATION AND EVALUATION EXPENDITURE			
		30/06/21	30/06/20
		\$	\$
	Costs brought forward	16,364,563	12,505,077
	Expenditure incurred during the year	4,479,015	4,394,205
	South Australian expenditure not capitalised	2,710	(34,719)
	Impairment charges	-	(500,000)
	Security Bonds offset against the carrying costs <sup>#</sup>	(1,273,254)	-
		19,573,034	16,364,563

<sup>#</sup> During the 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. A total of \$1,273,254 was recorded and offset against the carrying costs for the Fountain Head and Moline projects.

The focus of the Group continues to be on the NT projects and in particular the development of the Fountain Head Gold and the Hayes Creek Projects, in the Pine Creek region of the Northern Territory.

There has been significant improvement in the Fountain Head Gold and Hayes Creek Projects economics during the financial year ended 30 June 2021, particularly related to gold, silver and zinc prices, with forecasts for metal prices remaining relatively strong. In addition, the acquisition of the Glencoe tenement has added 79Koz gold based on the Mineral Resource Estimate as announced on 28 April 2021.

The PFS for the Fountain Head Gold and Hayes Creek Gold-Silver-Zinc Projects was announced on 17 June 2021 showing the potential for positive economic returns. Evaluation of additional gold prospects is progressing that the Company believes may have the potential to augment overall Project returns. The Fountain Head Environmental Impact Statement (EIS) was lodged on 1 June 2021 and the Project development approval process is being progressed.

Concurrent with activities underway at Fountain Head, the Group continues with its review of the Burnside and Moline regional prospectivity, with the aim of identifying new targets within those projects with the potential to host significant "stand alone" gold deposits, and to supplement future gold production at Fountain Head.

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### 10. EXPLORATION AND EVALUATION EXPENDITURE (continued)

There was no impairment of the Group's Exploration & Evaluation Expenditure during the year ended 30 June 2021

<b>11.</b>	<b>MOTOR VEHICLES, PLANT, EQUIPMENT AND RIGHT OF USE</b>	
	<b>Cost</b>	<b>\$</b>
	<b>Balance at 30 June 2019</b>	<b>545,676</b>
	Additions	-
	Disposals	-
	<b>Balance at 30 June 2020</b>	<b>545,676</b>
	Additions	56,258
	Disposals	-
	<b>Balance at 30 June 2021</b>	<b>601,934</b>
	<b>Accumulated Depreciation</b>	
	<b>Balance at 30 June 2019</b>	<b>519,916</b>
	Depreciation Expense	7,591
	Depreciation capitalised to exploration assets	3,400
	Disposals	-
	<b>Balance at 30 June 2020</b>	<b>530,907</b>
	Depreciation Expense	11,077
	Depreciation capitalised to exploration assets	3,526
	Disposals	-
	<b>Balance at 30 June 2021</b>	<b>545,510</b>
	<b>Net book value – Motor Vehicles, Plant, Equipment and Right of Use</b>	
	<b>Balance at 30 June 2020</b>	<b>14,769</b>
	<b>Balance at 30 June 2021</b>	<b>56,424</b>

The useful lives applied in the determination of depreciation for all items of plant and equipment is 3-5 years. Of the year ended 30 June 2021 balance of \$56,424 for the net book value, an amount of \$47,079 relates to right of use Assets.

<b>12.</b>	<b>OTHER FINANCIAL ASSETS – NON CURRENT</b>		
		<b>30/06/21</b>	<b>30/06/20</b>
		<b>\$</b>	<b>\$</b>
	Environmental Bonds (Care & Maintenance)	1,090,585	-

During the 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 DITT by Kirkland Lake were transferred to the Company and offset against the carrying costs for the Fountain Head and Moline projects.

Environmental bonds totalling \$1,090,585 were lodged with the DITT in relation to the Care and Maintenance conditions of the Fountain Head and Moline mineral leases, in the Northern Territory.



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<b>13. TRADE AND OTHER PAYABLES</b>			
		<b>30/06/21</b>	<b>30/06/20</b>
		<b>\$</b>	<b>\$</b>
Trade payables		313,425	358,139
Accrued expenses		36,670	108,982
Accrued completion payment for the acquisition of Glencoe		700,000	-
Other payables		25,770	12,799
		<b>1,075,865</b>	<b>479,920</b>

Average credit period on trade payables is 30 days.

<b>14. PROVISIONS</b>			
		<b>30/06/21</b>	<b>30/06/20</b>
		<b>\$</b>	<b>\$</b>
<b>Current</b>			
Employee benefits – Annual Leave		70,933	57,241
Employee benefits – Long Service Leave		81,336	73,345
		<b>152,269</b>	<b>130,586</b>
<b>Non-current</b>			
Employee benefits – Long Service Leave		15,091	19,258

<b>15. LEASE LIABILITIES</b>			
		<b>30/06/21</b>	<b>30/06/20</b>
		<b>\$</b>	<b>\$</b>
Lease Liabilities - Current		8,886	-
Lease Liabilities – Non Current		41,026	-

<b>16. CONTRACT LIABILITIES</b>			
		<b>30/06/21</b>	<b>30/06/20</b>
		<b>\$</b>	<b>\$</b>
Silver streaming receipts		2,400,000	2,400,000

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

The Company has previously received a total of \$2.4 million under these agreements, for the forward sale of a total of 336,000 oz of silver, to be delivered over a 3 year period once commissioning and ramp up of the 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.

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These agreements have been 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 previously 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.

17. ISSUED CAPITAL			
		30/06/21	30/06/20
		\$	\$
	3,652,193,511 fully paid ordinary shares (2020: 2,542,621,476)	53,545,287	47,072,054

Movement in ordinary shares for the year:

		No.	30/06/21 \$	No.	30/06/20 \$
Ref					
	Balance at beginning of year	2,542,621,476	47,072,054	2,435,288,142	45,469,675
a	Placement Shares issued at 0.6 cents	378,333,333	2,270,000	-	-
b	Shares issued at 0.6 cents under a Non Renounceable Rights Issue (NRRI)	527,950,076	3,167,700	-	-
c	Shares issued at 0.6 cents per share to a service provider.	1,000,000	6,000		
d	Shares issued at 0.6 cents for the placement of the shortfall under the NRRI.	202,288,626	1,213,732		
e	Shares issued at 1.5 cents	-	-	33,333,334	500,000
f	Shares issued on the exercise of unlisted options at 1.5 cents	-	-	74,000,000	1,110,000
	Share issue costs		(184,199)		(7,621)
	<b>Balance at end of year</b>	<b>3,652,193,511</b>	<b>53,545,287</b>	<b>2,542,621,476</b>	<b>47,072,054</b>

Fully paid shares carry one vote per share and a right to dividends.

- 378,333,333 Shares were issued at 0.6 cents under a placement to sophisticated and professional investors on 2 December 2020.
- 527,950,076 Shares were issued to Shareholders who subscribed for shares under a Non Renounceable Rights Issue at 0.6 cents per share (NRRI) on 24 December 2020.
- 1,000,000 Shares were issued at 0.6 cents per share to a service provider on 24 December 2020, in lieu of cash payment for services rendered to the Company.
- 202,288,626 Shares were issued at 0.6 cents per share under the placement of the NRRI Shortfall on 29 January 2021.
- 33,333,334 Shares were issued at 1.5 cents under a placement to sophisticated and professional investors on 23 March 2020.
- 74,000,000 Shares were issued on the exercise of 74,000,000 unlisted options at 1.5 cents per share to major shareholder, DELPHI UNTERNEHMENSBERATUNG AKTIENGESELLSCHAFT\ C on 23 March 2020.

## PNX Metals Limited (ASX: PNX) Financial Report for the year ended 30 June 2021

18. RESERVES			
		30/06/21	30/06/20
		\$	\$
	FVOCI investment	-	(103,136)
	Equity-settled benefits	127,143	83,839
		<b>127,143</b>	<b>(19,297)</b>

The change in Fair Value through Other Comprehensive Income (FVOCI) investment reserve reflects the current year increase in the fair value of the Group's investment in Sunstone Metals Ltd of \$103,136 as at 30 June 2021.

The equity-settled benefits reserve arises on the fair value of the Performance Rights granted to employees, consultants and executives under the PNX Metals Limited Employee Performance Rights Plan. The reserve at 30 June 2021, includes an adjustment for lapsed rights together with changes in fair value due to the passage of time to 30 June 2021. Amounts are transferred out of the reserve and into Issued Capital when the rights are converted into shares, or to accumulated losses if rights lapse.

During the year, 53,500,000 Performance Rights were granted to employees, consultants and executives. The Performance Rights have performance conditions related to key Group objectives, including development of the Fountain Head and Hayes Creek projects and the Company safety and share price performance. Performance conditions are required to be achieved within specified time periods (extending to 2 February 2024) in order for the Rights to vest.

10,000,000 Performance Rights lapsed during the year and there were no Performance Rights that vested and converted to ordinary shares. During the year the fair value of equity-settled benefit payments was \$103,401. During the year 10,000,000 Performance Rights lapsed and together with previously lapsed Performance Rights, an amount of \$60,098 was transferred to retained earnings and the total of \$127,143 held in the equity-settled benefits reserve represents the value relating to the Performance Rights on issue as at 30 June 2021.

Further information on share-based payments is disclosed in Note 20.

19. ACCUMULATED LOSSES			
		30/06/21	30/06/20
		\$	\$
	Balance at beginning of year	<b>31,391,478</b>	<b>29,885,952</b>
	Lapsed performance rights transferred to accumulated losses (Note 18)	(60,098)	
	Loss for the year	1,256,079	1,505,526
	<b>Balance at end of year</b>	<b>32,587,459</b>	<b>31,391,478</b>

## 20. PERFORMANCE RIGHTS AND SHARE OPTIONS

### Performance Rights

Under PNX's Employee Performance Rights Plan ('Plan'), Directors may issue Performance Rights to Company executives, employees and consultants. Performance Rights are granted for no monetary consideration and entitle the holder to be issued one fully paid ordinary share per performance right upon vesting.

## PNX Metals Limited (ASX: PNX) Financial Report for the year ended 30 June 2021

### 20. PERFORMANCE RIGHTS AND SHARE OPTIONS (continued)

As at 1 July 2020, there were 10,800,000 unvested Performance Rights on issue under the Plan as follows:

- 800,000 Performance Rights were held by the Company's Managing Director & CEO were originally issued on 8 February 2017; and
- 10,00,000 Performance Rights were held by the Company's Managing Director & CEO were originally issued on 3 December 2018.

On 27 January 2021, 25,000,000 Performance Rights (approved by shareholders at the AGM held during October 2020) were issued under the Plan to the Company's Managing Director & CEO, subject to performance vesting conditions related to key Company objectives. For valuation of these Performance Rights, a 5-day VWAP was used at the grant date, being the 27 October 2020 when shareholder approval was received at the AGM. The 5-day VWAP (calculated as 1.1 cents) was considered a better estimate of the market value of PNX shares than the spot price and the 5-day VWAP was used to calculate the total fair value of the rights issued.

On 1 February 2021, a further 28,500,000 Performance Rights were issued under the Plan to Company executives, employees and consultants, subject to performance vesting conditions related to key Company objectives. For valuation of these Performance Rights, a 5-day VWAP at the grant date was used, being the date of issue on 1 February 2021. The 5-day VWAP (calculated as 0.7 cents) was considered a better estimate of the market value of PNX shares than the spot price and accordingly the 5-day VWAP was used to calculate the total fair value of the rights at the time of issue.

During the year, 5,000,000 Performance Rights held by the Company's Managing Director & CEO, originally issued on 3 December 2018, did not meet performance vesting conditions, and accordingly lapsed unvested.

During the year, 5,000,000 Performance Rights held by the Company's Exploration Manager, originally issued on 1 February 2021, were forfeited following his resignation.

The total remaining 54,300,000 unvested Performance Rights at 30 June 2021 are subject to various performance vesting conditions related to key Company objectives, including development of the Hayes Creek project, development of the Fountain Head project, exploration discoveries and Company share price performance. Performance conditions are required to be achieved within specified time periods (extending to 1 February 2024) in order for the Performance Rights to vest.

#### Options

At the discretion of the Directors, and subject to ASX listing rules (including the requirement for shareholder approval in some circumstances), options to acquire shares can be issued. Options may be used as part of corporate and asset acquisitions or as part of a capital raising process for example. There were no new options issued during the financial year.

Of the 379,125,000 unquoted options on issue as at 1 July 2020, 20,000,000 options with an exercise price of 1.47 cents each, expired on 30 October 2020. The balance of 359,125,000 unquoted options are exercisable at 1.464 cents each and expire on 30 September 2021.

At 30 June 2021, a total of 359,125,000 unlisted options were on issue, as shown in the table below.

Options	30/06/21		30/06/20	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at beginning of the year	379,125,000	0.01498	453,125,000	0.01499
Options granted	-	-	-	-
Options exercised	-	-	(74,000,000)	0.015
Options lapsed	20,000,000	0.01470	-	-
Balance at end of the year	359,125,000	0.01464	379,125,000	0.01498

## PNX Metals Limited (ASX: PNX) Financial Report for the year ended 30 June 2021

### 21. KEY MANAGEMENT PERSONNEL DISCLOSURE

The Key Management Personnel of the Group during the year were:

- Graham Ascough (Non-Executive Chairman)
- Hans-Jörg Schmidt – (Non-Executive Director)
- Hansjoerg Plaggemars – appointed 28 November 2020 (Non-Executive Director)
- Frank Bierlein – appointed 18 June 2021 (Non-Executive Director)
- Richard Willson – appointed 18 June 2021 (Non-Executive Director)
- James Fox (Managing Director & Chief Executive Officer)
- David Hillier – resigned 26 November 2020 (Non-Executive Director)
- Paul Dowd – resigned 5 March 2021 (Non-Executive Director)
- Peter Watson – resigned 5 March 2021 (Non-Executive Director)
- Angelo Gaudio – (Chief Financial Officer and Company Secretary)

The aggregate compensation of Key Management Personnel of the Group is set out below:

	30/06/21	30/06/20
	\$	\$
Short-term employee benefits	612,898	613,307
Post-employment benefits	33,422	33,635
Share-based payments	85,465	33,825
	<b>731,785</b>	<b>680,767</b>

Details of Key Management Personnel compensation are disclosed within the Remuneration Report in the Directors' Report.

22.	REMUNERATION OF AUDITOR	30/06/21	30/06/20
		\$	\$
	Audit and Review of the financial reports	39,473	36,028
	Other services - Tax advisory services	10,500	-
		<b>49,973</b>	<b>36,028</b>

During the financial year the above fees were paid or payable for services provided by Grant Thornton Audit Pty Ltd, the auditor of the Group, its network firms and unrelated firms.

### 23. RELATED PARTY DISCLOSURES

#### a) Subsidiaries

Detail of the percentage of ordinary shares held in the Company's subsidiary is disclosed in Note 28.

#### b) Other related party transactions

During the year the Company engaged Piper Alderman, an entity in which a Director (Peter Watson) is a senior consultant, to advise on legal matters. The cost of those services during the financial year inclusive of GST was \$120,614 (2020: \$34,438). \$2,509 inclusive of GST was owed to Piper Alderman at 30 June 2021 (2020: \$11,922).

## **24. COMMITMENTS FOR EXPENDITURE AND CONTINGENT LIABILITIES**

### **(a) Expenditure Commitments**

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

These obligations vary from time to time, subject to statutory approval. The terms of current and future joint ventures, the grant or relinquishment of licences and changes to licence areas at renewal or expiry will alter the expenditure commitments of the Group.

Total expenditure commitments at 30 June 2021 in respect of minimum expenditure requirements not provided for in the financial statements are approximately:

	<b>30/06/21</b>	<b>30/06/20</b>
	<b>\$</b>	<b>\$</b>
Minimum exploration expenditure on exploration licences	513,130	154,250

The Group's office tenancy is located in Rose Park, South Australia, with annual lease payments of \$68,754 exclusive of GST, and extended to August 2021 as at year end. Subsequent to 30 June 2020, the Group secured the extension of the office lease for a further 12 months.

### **(b) Royalty Agreements**

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

- Newmarket Gold NT Holdings Pty Ltd (Newmarket) - 2% royalty on the market value of any future production of gold and silver from the 14 mineral leases in the Northern Territory comprising the Hayes Creek Project.
- Newmarket - 2% net smelter return royalty on precious metals produced from the Moline and Fountain Head tenements.

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

Newmarket can re-acquire 90% of any gold or silver deposits when a JORC compliant resource is defined on certain tenements subject to PNX's farm-in agreement by paying PNX three times the Group's accumulated expenditure on the deposit(s).

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

## PNX Metals Limited (ASX: PNX) Financial Report for the year ended 30 June 2021

### 25. FINANCIAL INSTRUMENTS & FINANCIAL RISK MANAGEMENT

#### Categories of financial instruments

	30/06/21	30/06/20
	\$	\$
<b>Financial assets</b>		
Cash and cash equivalents	3,632,252	1,972,721
Financial assets – Term deposits	-	-
Deposits	164,882	140,972
Trade and other receivables	2,362	3,668
Environmental Bonds	1,090,585	-
Other financial assets – Investment in Sunstone	193,380	90,244
<b>Financial liabilities</b>		
Trade and other payables	1,050,095	467,120
Lease Liabilities	49,912	-

The Group's activities expose it to several financial risks which impact on the measurement of, and potentially could affect the ultimate settlement amount of, its financial instruments including market risk, credit risk, and liquidity risk.

#### Market risk

The development prospects of the Fountain Head Gold and Hayes Creek Projects are to some extent exposed to the risk of unfavourable movements in the US/Australian dollar exchange rate and gold, silver and zinc prices. However, the Group has no direct exposure to foreign exchange or commodity price risk at present.

The Group has some exposure to movements in the share price of Sunstone Metals Limited, as the Group's investment of 12,892,013 shares is carried at fair value, and price movements are reflected through profit or loss and other comprehensive income/loss. Each one cent change in the market value of Sunstone's shares changes the fair value of the Group's investment by \$128,920.

The Group's exposure to interest rate movements is limited to increases or decreases in interest earned on cash, cash equivalents, and deposits.

If interest rates had been 50 basis points higher or lower during the financial year and all other variables were held constant, the Group's net loss would increase or decrease by approximately \$2,989 (2020: increase or decrease by approximately \$7,535).

As the Group's exposure to market risks is not significant, management of these risks is limited to monitoring movements in commodity prices, foreign exchange rates, interest rates, and the market value of the shares of Sunstone Metals Ltd.

#### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from activities.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

## PNX Metals Limited (ASX: PNX) Financial Report for the year ended 30 June 2021

### 25. FINANCIAL INSTRUMENTS & FINANCIAL RISK MANAGEMENT (continued)

#### Liquidity risk

Ultimate responsibility for managing liquidity risk rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Board and senior management manage liquidity risk by continuously monitoring forecast and actual cash flows, and raising capital as needed, primarily through new equity issuances, in order to meet the Group's exploration expenditure commitments and corporate and administrative costs.

#### Liquidity and interest risk tables

The following table details the Company's and the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows.

	Weighted average effective interest rate	Less than one month	1-3 months	3-12 months	1-5 years
2021	%	\$	\$	\$	\$
Non-interest bearing	-	232,551	36,670	700,000	-
Fixed Interest bearing	2.9%	-	2,222	6,664	41,026
2020					
Non-interest bearing	-	370,938	108,981	-	-
Fixed Interest bearing	-	-	-	-	-

#### Fair value of financial instruments

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

#### Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns through the optimisation of debt and equity balances. Due to the nature of the Group's activities, the Directors believe that the most appropriate and advantageous way to fund activities is through equity issuances, and all capital raised to date with the exception of the silver streaming transactions (see Note 16) has been equity based.

The Group closely monitors and forecasts its cash flow and working capital to ensure that adequate funds are available in the future to meet project development, exploration and administrative activities.

### 26. SEGMENT INFORMATION

There was a change in the operating segments during the financial year.

The Group has a number of exploration tenements in South Australia and Northern Territory, which it manages on a portfolio basis. The tenements in South Australia have been fully impaired and the decision to allocate resources to individual projects in the portfolio is predominantly based on available cash assets, technical data and the expectation of future metal prices. Accordingly, the Group now operates as one segment being exploration for minerals in Northern Territory. This is the basis on which its internal reports are reviewed and used by the Board of Directors (the 'chief operating decision maker') in monitoring, assessing performance and in determining the allocation of resources.

The results, asset and liabilities from this segment are equivalent to the consolidated financial statements



## PNX Metals Limited (ASX: PNX) Financial Report for the year ended 30 June 2021

### 27. EARNINGS PER SHARE

	30/06/21	30/06/20
	Cents per share	Cents per share
Basic and Diluted loss per share- continuing operations	(0.04)	(0.06)
The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:		
Loss after tax – continuing operations \$	(1,256,079)	(1,505,525)
Weighted average number of ordinary shares	3,120,018,894	2,466,080,492

The weighted average number of ordinary shares in the calculation of diluted earnings per share is the same as for basic earnings per share, as the inclusion of potential ordinary shares in the diluted earnings per share calculation is anti-dilutive due to the loss incurred for the year.

### 28. CONTROLLED ENTITIES

Name of Entity		Country of Incorporation	Ownership Interest	
			2021 %	2020 %
<b>Parent Entity</b> PNX Metals Limited	(i)	Australia		
<b>Subsidiaries</b> Wellington Exploration Pty Ltd	(ii)	Australia	100%	100%

(i) Head entity in tax consolidated group

(ii) Member of tax consolidated group

The ultimate parent entity in the wholly-owned group is PNX Metals Limited. During the financial year, PNX Metals Limited provided accounting and administrative services at no cost to the controlled entity and advanced interest free loans to the entity. Tax losses have been transferred to PNX Metals Limited by way of inter-company loans.

### 29. PARENT ENTITY DISCLOSURES

The summarised Statement of Financial Position and Statement of Profit or Loss for PNX Metals Limited as parent entity in the Group is identical to that of the Group, as the investment in subsidiary and intercompany loan receivable (parent) and related exploration and evaluation asset (subsidiary) are both non-current assets.

#### Commitments for expenditure and contingent liabilities of the parent entity

Note 24 discloses the Group's commitments for expenditure and contingent liabilities, which are also applicable to the parent entity.

## PNX Metals Limited (ASX: PNX) Financial Report for the year ended 30 June 2021

### 29. PARENT ENTITY DISCLOSURES (continued)

Statement of Financial Position		30/06/21	30/06/20
		\$	\$
Current Assets		4,058,065	2,311,712
<b>TOTAL ASSETS</b>		<b>24,778,108</b>	<b>18,691,043</b>
Current Liabilities		1,237,021	610,506
<b>TOTAL LIABILITIES</b>		<b>3,693,137</b>	<b>3,029,764</b>
<b>NET ASSETS</b>		<b>21,084,971</b>	<b>15,661,279</b>
<b>EQUITY</b>			
Issued capital		53,545,287	47,072,054
Share option reserve		127,413	(19,297)
Accumulated losses		(32,587,459)	(31,391,478)
<b>TOTAL EQUITY</b>		<b>21,084,971</b>	<b>15,661,279</b>
<b>Statement of Profit or Loss and Other Comprehensive Income</b>			
Income		117,517	113,417
<b>(LOSS) FOR THE YEAR</b>		<b>1,152,943</b>	<b>1,943,854</b>

### 30. SUBSEQUENT EVENTS

The Group's office lease in Rose Park, South Australia, extended to August 2021 as at year end. Subsequent to 30 June 2021, the Group secured the extension of the office lease for a further 12 months.

There has been no other matter or circumstance that has occurred subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

## PNX Metals Limited (ASX: PNX) Financial Report for the year ended 30 June 2021

### Directors' Declaration

In the Directors' opinion:

- (a) the consolidated financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including
  - i. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
  - ii. giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the financial year ended on that date;
- (b) the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board;
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by Section 295A of the *Corporation Act 2001*.

Signed in accordance with a resolution of the Directors made pursuant to Section 295(5) of the Corporations Act 2001.



Graham Ascough

Chairman

14<sup>th</sup> September 2021



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## Independent Auditor's Report

To the Members of PNX Metals Limited

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of PNX Metals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, 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 year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group 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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Material uncertainty related to going concern

We draw attention to Note 3 (a) in the financial statements, which indicates that the Group incurred a net loss of \$1,256,079 during the year ended 30 June 2021, and as of that date, the Group's net operating cash out flow from operating and investing activities is \$4,810,740. As stated in Note 3 (a), these events or conditions, along with other matters as set forth in Note 3 (a), indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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#### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
<b>Exploration and evaluation assets - Notes 3(g) and 10</b>	
<p>At 30 June 2021 the carrying value of exploration and evaluation assets was \$19,573,034.</p> <p>In accordance with AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i>, the Group is required to assess at each reporting date if there are any triggers for impairment which may suggest the carrying value is in excess of the recoverable value.</p> <p>The process undertaken by management to assess whether there are any impairment triggers in each area of interest involves an element of management judgement.</p> <p>This area is a key audit matter due to the significant judgement involved in determining the existence of impairment triggers.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• obtaining the management reconciliation of capitalised exploration and evaluation expenditure and agreeing to the general ledger;</li> <li>• reviewing management's area of interest considerations against AASB 6;</li> <li>• conducting a detailed review of management's assessment of trigger events prepared in accordance with AASB 6 including;                         <ul style="list-style-type: none"> <li>– tracing projects to statutory registers, exploration licenses and third party confirmations to determine whether a right of tenure existed;</li> <li>– enquiry of management regarding their intentions to carry out exploration and evaluation activity in the relevant exploration area, including review of management's budgeted expenditure;</li> <li>– understanding whether any data exists to suggest that the carrying value of these exploration and evaluation assets are unlikely to be recovered through development or sale;</li> </ul> </li> <li>• evaluating the competence, capabilities and objectivity of management's experts in the evaluation of potential impairment triggers; and</li> <li>• assessing the appropriateness of the related financial statement disclosures.</li> </ul>

#### Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



#### Responsibilities of the Directors' for the financial report

The Directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Company's/Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

#### Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar1\\_2020.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1_2020.pdf). This description forms part of our auditor's report.

#### Report on the remuneration report

##### Opinion on the remuneration report

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of PNX Metals Limited, for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

#### Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

A stylized signature of the firm Grant Thornton in a cursive script.

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

A stylized signature of I S Kemp in a cursive script.

I S Kemp  
Partner – Audit & Assurance

Adelaide, 14 September 2021