

PNX METALS LIMITED

ABN 67 127 446 271



FINANCIAL REPORT For the Half-Year Ended 31 December 2021

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DIRECTORS' REPORT

The directors of PNX Metals Limited (PNX, or Company) are pleased to present the financial report for the half-year ended 31 December 2021 in accordance with the Corporations Act 2001.

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

Graham Ascough (Chairman)
James Fox
Hans-Jörg Schmidt
Hansjoerg Plaggemars
Richard Willson
Frank Bierlein

REVIEW OF OPERATIONS

The total comprehensive profit for the half-year was \$507,246 (2020: total comprehensive loss of \$501,908). Net assets at 31 December 2021 were \$21.7 million, including \$1.7 million in cash.

As at the date of this report, the following securities were on issue:

- 4,444,057,807 ordinary shares; and
- 49,300,000 performance rights.

Project Developments

During the half-year ended 31 December 2021, PNX continued to advance its program for the sequential development of the Company's 100% owned Fountain Head gold and Hayes Creek gold-silver-zinc Projects (**Project**) in order for an investment decision to be made once Government and Environmental approvals and Project financing have been achieved.

There were no reportable safety or environmental incidents during the half-year ended 31 December 2021.

The safety of PNX employees and contractors is paramount and appropriate measures regarding COVID-19 are being taken in-line with government advice, particularly in relation to interstate travel. Northern Territory field-based activities are safely continuing however personnel movements were impacted during the half-year period due to border closures.

All tenements remain in good standing with statutory reporting up to date.

Government and Environmental Approvals

Following the close of the Environmental Impact Statement (EIS) public comment period in early August 2021, the Company received a Direction from the Northern Territory Environmental Protection Authority (NT EPA) at the end of September 2021 to prepare the Supplement to the EIS, specifically to address comments from Government agencies relating to the assessment of potential environmental impacts. These comments were addressed, with additional information provided where required in the Supplement which was submitted in November 2021.

PNX and its Environmental Consultants met with the NT EPA in mid-February 2022 to receive an update to the process and is working with the EPA to clarify questions and responses relating specifically to Flora and Fauna and Groundwater.

The Fountain Head Mining Management Plan (MMP) is also being prepared to be submitted once the EIS is finalised. An approved MMP is required before any works can commence on site. The lead time for approval of the MMP is 4-6 months and consequently the Company is advancing both the MMP and EIS approvals in parallel in order to minimise any delays.

Project Financing

Specialist natural resources investment house Argonaut PCF Limited were appointed to act as the Company's exclusive debt advisor. PNX expects that the appointment of Argonaut PCF, will result in funding optionality for the board to consider to ensure appropriate management of shareholder dilution, cost and risk to the Company in funding the Projects.

Mining and Site Establishment

Mining tenders are to be distributed once the EIS has been finalised. Various contracting models will be considered to provide the lowest cost of construction and mining. The mining contract is expected to include all drill and blast, mining activities, remote site ore haulage, and crushing services.

Site establishment works are planned to commence upon grant of Project approvals.

Plant and Infrastructure Engineering and Design

PNX Project Engineering partner Como Engineers (**Como**) provided updated capital costs based on a refined process design and contractor quotes. Quoted 3rd party contractor costs have increased by approximately 20% over the course of 2021 and when compared to those utilised in the PFS (July 2021, provide ASX announcement reference). Numerous contributing factors include inflation, global supply shortages and demand increase, shipping, logistical bottlenecks, raw material price increases, and ongoing uncertainty and OHS&E considerations relating to border restrictions. Mitigation strategies have been employed to limit the impact of these increases, including the use of second-hand equipment where possible.

The Company has reached an in-principle agreement to acquire suitable second-hand tailings filtration equipment for the Project. Perth-based Como are assessing the equipment with a site visit scheduled for late-March 2022. Relocation and rebuild costs will then be included as part of the Project budget. A significant capital cost reduction is envisaged when compared to acquiring new tailings filtration equipment.

Additional time and cost savings will also be realised by incorporating modular designs into the plant, something that Como have applied successfully at other operations, and will include construction and fabrication of transportable modules that will be essentially bolted together on site with a minimum of additional engineering.

A mobile crushing plant has been chosen over a fixed unit to reduce capital costs and time to production, and to achieve greater operational flexibility and ease of financing. The Company is working with several contract groups to finalise the cost of this component.

By applying the above measures, the Project Capital cost inclusive of contingency and margins, first fill and critical spares will be in-line with the original PFS estimate of A\$46 million, and is testament to the hard work of the engineering team under challenging conditions currently faced by the entire industry.

The Project construction schedule is yet to be finalised but expected to be up to 12 months from the decision to proceed.

Power

Sunrise Energy Group is PNX's preferred power partner and will complete the Front-End Engineering and Design (**FEED**) to deliver a standalone hybrid power station to be located at Fountain Head. The proposed power solution contract is via an energy-as-a-service model through a Power Purchase Agreement with included buy-out option.

A hybrid renewable energy plant has been agreed to in principle, comprising solar, battery energy storage system, diesel generators and a hybrid energy controller. The benefits of this type of system are significant, and result in an overall reduction in the Project carbon footprint and initial 41% green power. Importantly, hybrid renewable energy unit operating costs are lower when compared to those of base-case diesel generators.

Geology and Mineral Resources

Project gold and silver Mineral Resources used to inform the mining optimisation and Project financial model are derived from mineralisation at Mt Bonnie, Glencoe and Fountain Head (combined as Stage 1).

Since publishing the Project PFS in July 2021, approximately 4,000 metres of Reverse Circulation (RC) drilling was completed at Glencoe to test for near-surface extensions to gold mineralisation, and increase confidence in the current Mineral Resource Estimate (**MRE**) that currently stands at 2.1Mt @ 1.2g/t Au for

79,000oz Au (Inferred category) (reported in accordance with the JORC Code, 2012 (refer ASX 28 April 2021 for original MRE and JORC Tables).

The drilling to date has been extremely successful and identified immediate extensions to near-surface gold mineralisation, extending the strike and demonstrating excellent continuity by more than 280 metres to the southeast of the current MRE, and 450 metres from the historic North-Central pit. Importantly, several thicker near-surface zones of gold mineralisation were intersected (refer ASX release 25 November 2021, and 14 January 2022). A further outline of exploration activities undertaken at Glencoe during the half-year are outlined below.

Exploration Update - Glencoe

Glencoe is located on a granted Mineral Lease approximately 170 km south of Darwin and 3 km north of PNX's Fountain Head Gold Project in the Pine Creek region of the Northern Territory. The Glencoe Project ("Glencoe") represents a 'bolt-on' asset that has significantly expanded the proposed Fountain Head development (refer ASX release 20 December 2021).

A total of 54 RC holes were drilled by PNX at Glencoe in 2021 to test the near-surface extent of gold mineralisation and demonstrates good continuity over a 1,400-metre strike extent. Only six holes extended beyond 80 metres vertical depth, as delineating near-surface gold lodes was prioritised to maximise the gold reporting to the optimised mining studies and conceptual pit designs. The deposit remains open at depth and further down-dip testing will occur during 2022. The drilling was complemented by other work at Glencoe, including surface geological mapping and sampling, which will also assist in informing an updated MRE, which is being finalised and due in March 2022.

SUBSEQUENT EVENTS

On 20 January 2022 and subsequent to the half-year end, the Company announced a capital raising pursuant to a non-renounceable rights issue (NRRI) of one (1) share for every four (4) shares held at a price of \$0.005 (0.5 cents) per share to raise up to ~\$4.6m (before costs).

Subscriptions were received from eligible shareholders for 791,864,296 shares raising \$3,959,321, representing an approximate 87% take-up (including oversubscriptions). A shortfall of 121,184,082 shares was notified to the ASX on 14 February 2022. The Company issued 791,864,296 shares on 16 February 2022 and the directors of PNX may consider the placement of the shortfall within 3 months of the close of the NRRI.

On 1 March 2022 and subsequent to the half-year end, the Company announced that it has agreed to divest its Moline project in the Northern Territory to Sovereign Metallurgical Pty Ltd (Sovereign) for a total consideration of up to \$3.0 million, plus refund the existing tenement bond of approximately \$300,000 (refer ASX Announcement dated 1 March 2022 for Key Terms and further information). The Moline project is located approximately 65km east of the Company's Fountain Head and Hayes Creek development.

The acquisition of Glencoe ML29679 was completed on 28 February 2022, contemporaneous with the execution of the Moline Agreement. Ausgold Trading Pty Ltd (Ausgold), a related party to Sovereign, waived the final payment, equal to \$700,000, for the Glencoe ML that was payable by PNX to Ausgold (refer ASX Announcement dated 1 March 2022 for Key Terms and further information).

There were no other events occurring subsequent to 31 December 2021 requiring adjustment to, or disclosure in, the 31 December 2021 half-year financial statements.

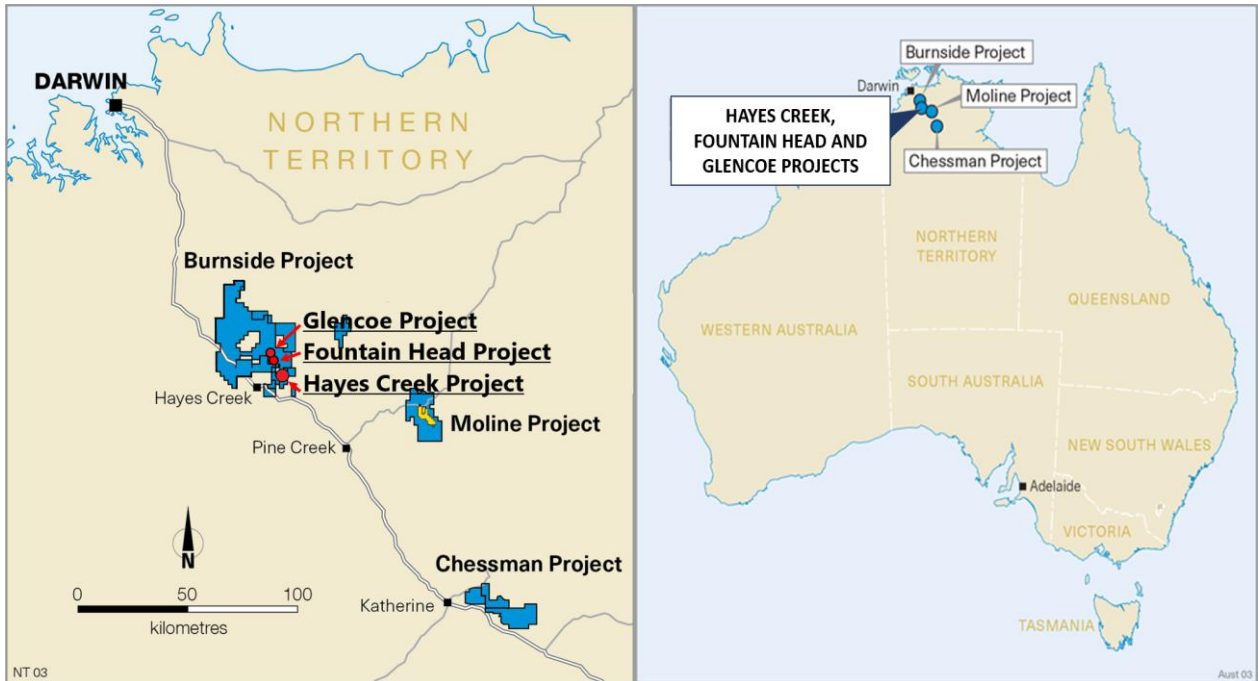


Figure 1: NT Project locations

AUDITOR’S INDEPENDENCE DECLARATION

The auditor's independence declaration, as required under Section 307C of the Corporations Act 2001, is included on page 6 of the half-year financial report and forms part of this Directors’ Report.

Signed in accordance with a resolution of the directors made pursuant to Section 306 (3) of the Corporations Act 2001.

On behalf of the directors

Graham Ascough
 Graham Ascough
 Chairman
 Adelaide, 9 March 2022

Auditor's Independence Declaration

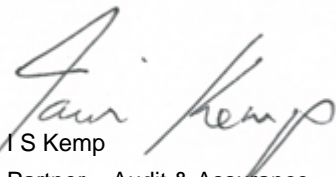
To the Directors of PNX Metals Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of PNX Metals Limited for the half-year ended 31 December 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 review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



Grant Thornton Audit Pty Ltd
Chartered Accountants



I S Kemp
Partner – Audit & Assurance

Adelaide, 9 March 2022

PNX METALS LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	Note	Consolidated	
		Half-year ended 31 Dec 2021	Half-year ended 31 Dec 2020
Interest income		698	2,405
Other income	2	100,000	102,500
Employee benefits		(50,706)	(146,358)
Exploration		-	2,751
Share registry and regulatory		(49,245)	(31,774)
Professional fees		(236,208)	(273,339)
Occupancy		(30,939)	(34,008)
Directors' fees		(117,500)	(117,555)
Equity based compensation	9	(71,272)	(15,230)
Audit fees		(12,430)	(10,768)
Insurance		(14,774)	(12,631)
Finance charges		(2,844)	-
Depreciation		(15,498)	(3,720)
Other expenses		(57,357)	(54,425)
Loss before income tax expense		(558,075)	(592,152)
Income tax benefit	12	-	-
Loss for the period		(558,075)	(592,152)
Other comprehensive income/(loss):			
Investments revalued to Fair Value OCI	6	1,065,321	90,244
Total comprehensive profit/(loss) for the period attributable to equity holders of the parent		507,246	(501,908)
Profit/(loss) per share from continuing operations:			
Basic (cents per share)	13	(0.02)	(0.02)
Diluted (cents per share)	13	(0.02)	(0.02)

Condensed notes to the consolidated financial statements are included on pages 11 to 15.

PNX METALS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

		Consolidated	
		31 Dec	30 June
		2021	2021
Note		\$	\$
CURRENT ASSETS			
		1,698,792	3,632,252
		35,480	52,314
	4	194,067	180,119
	6	576,000	193,380
TOTAL CURRENT ASSETS		2,504,339	4,058,065
NON-CURRENT ASSETS			
	5	21,690,086	19,573,034
		250,376	56,424
	4	1,090,585	1,090,585
TOTAL NON-CURRENT ASSETS		23,031,047	20,720,043
TOTAL ASSETS		25,535,386	24,778,108
CURRENT LIABILITIES			
		1,043,570	1,075,865
		187,713	152,269
	7	80,360	8,886
TOTAL CURRENT LIABILITIES		1,311,643	1,237,020
NON-CURRENT LIABILITIES			
		-	15,091
	7	165,254	41,026
	8	2,400,000	2,400,000
TOTAL NON-CURRENT LIABILITIES		2,565,254	2,456,117
TOTAL LIABILITIES		3,876,897	3,693,137
NET ASSETS		21,658,489	21,084,971
EQUITY			
	9	53,540,287	53,545,287
		648,044	127,143
		(32,529,842)	(32,587,459)
TOTAL EQUITY		21,658,489	21,084,971

Condensed notes to the consolidated financial statements are included on pages 11 to 15.

PNX METALS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	Consolidated					
	Note	Ordinary Issued Capital \$	Equity-based Payment Reserve \$	Fair Value OCI Reserve \$	Accumulated Losses \$	Total \$
Balance at 1 July 2020		47,072,054	83,839	(103,136)	(31,391,477)	15,661,280
Loss attributable to members of the parent entity		-	-	-	(592,152)	(592,152)
Other comprehensive income		-	-	90,244	-	90,244
Total comprehensive loss for the period		-	-	90,244	(592,152)	(501,908)
Fair value of equity-based payments		-	15,230	-	-	15,230
Placement - shares issued		2,270,000	-	-	-	2,270,000
Rights Issue - shares issued		3,167,701	-	-	-	3,167,701
Services provided - shares issued		6,000	-	-	-	6,000
Share issue costs		(79,448)	-	-	-	(79,448)
Balance at 31 December 2020		52,436,307	99,069	(12,892)	(31,983,629)	20,538,855
Balance at 1 July 2021		53,545,287	127,143	-	(32,587,459)	21,084,971
Loss attributable to members of the parent entity		-	-	-	(558,075)	(558,075)
Other comprehensive income		-	-	1,065,321	-	1,065,321
Total comprehensive income for the period		-	-	1,065,321	(558,075)	507,246
Fair value of equity-based payments		-	71,272	-	-	71,272
Lapsed Performance Rights transferred to accumulated losses		-	(36,371)	-	36,371	-
Fair Value OCI Reserve adjust transferred to accumulated losses		-	-	(579,321)	579,321	-
Share issue costs		(5,000)	-	-	-	(5,000)
Balance at 31 December 2021		53,540,287	162,044	486,000	(32,529,842)	21,658,489

Condensed notes to the consolidated financial statements are included on pages 11 to 15.

PNX METALS LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	Note	Consolidated	
		Half-year ended 31 Dec 2021 \$	Half-year ended 31 Dec 2020 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Government grants received		-	102,500
Exclusivity fee received	2	100,000	-
Payments to suppliers and employees		(483,701)	(646,086)
NET CASH USED IN OPERATING ACTIVITIES		(383,701)	(543,586)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration activities		(2,184,826)	(858,645)
Payments for Acquisition of Plant & Equipment		(8,980)	-
Payments for MMP security bond	4	(2,756)	(18,092)
Proceeds from sale of Investment (STM Shares)		682,701	-
Deposit paid for acquisition of Glencoe tenement	4	-	(500,000)
Interest received		632	5,199
NET CASH USED IN INVESTING ACTIVITIES		(1,513,229)	(1,371,538)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of shares, net of costs		(5,000)	5,364,253
Payments for Lease Liabilities		(31,530)	-
NET CASH (USED IN)/PROVIDED BY FINANCING ACTIVITIES		(36,530)	5,364,253
Net increase/(decrease) in cash & cash equivalents		(1,933,460)	3,449,129
Cash at the beginning of the reporting period		3,632,252	1,972,721
CASH AT THE END OF THE REPORTING PERIOD		1,698,792	5,421,850

Condensed notes to the consolidated financial statements are included on pages 11 to 15.

1 SIGNIFICANT ACCOUNTING POLICIES

These general-purpose financial statements for the interim half-year reporting period ended 31 December 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general-purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

(a) Going Concern Basis

The financial report has been prepared on the going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

For the half-year ended 31 December 2021, the Group made a total comprehensive profit of \$507,246 (2020: total comprehensive loss of \$501,908) and recorded a net cash outflow from operating and investing activities of \$1,896,930 (2020: net outflow \$1,915,124). At 31 December 2021, the Group had cash of \$1,698,792 (30 June 2021: \$3,632,252). The Group has net current assets of \$616,695 excluding the investment in Sunstone Metals Ltd of \$576,000 (30 June 2021: net current assets of \$2,627,664) and net assets of \$21,658,489 (30 June 2021: \$21,084,971).

The Directors believe that it is appropriate to prepare the financial statements on the going concern basis. The Group completed a capital raising during February 2022 to allow for forecast exploration and activities to progress towards the development of the Fountain Head Gold Project and administrative activities to continue over at least the next 12 months. The Directors have the ability to review operational and exploration forecast activities in order to reduce costs if needed.

(b) Estimates

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

The judgments, estimates and assumptions applied in the half-year financial statements, including the key sources of estimation uncertainty, were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2021.

2 OTHER INCOME

The details included in Other Income are as follows:

	31 Dec 2021 \$	31 Dec 2020 \$
Government grants (COVID-19 stimulus support)	-	102,500
Exclusivity fee #	100,000	-
Total other income	100,000	102,500

Non-refundable exclusivity fee from an unrelated party to undertake due diligence in relation to project tenements.

3 SEGMENT INFORMATION

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

4 PREPAYMENT AND DEPOSITS

Details included under other assets are as follows:

	31 Dec 2021 \$	30 June 2021 \$
Prepayments and deposits - Current		
(a) Prepaid insurance	26,429	15,237
(b) Term Deposit – Office tenancy security bond	32,760	32,760
(c) Security Bond – various Exploration MMP's	134,878	132,122
Total Other Assets - Current	194,067	180,119
Other Assets - Non-Current		
(d) Security Bond – Fountain Head project area	784,055	784,055
(e) Security Bond – Moline project area	306,530	306,530
Total Other Assets - Non-current	1,090,585	1,090,585

- (a) Prepaid insurance balance as at 31 December 2021
- (b) A bank Term Deposit has been provided as security in relation to the landlord's bond requirements for the Company's Adelaide office tenancy.
- (c) Security bond held by the Company with NT Dept of Primary Industry and Resources (DPIR) in relation to approved exploration related mine management plans (MMP's).
- (d) Security bond held by the Company with DPIR in relation to Care and Maintenance Conditions of the Fountain Head mineral lease in the Northern Territory.
- (e) Security bond held by the Company with DPIR in relation to Care and Maintenance Conditions of the Moline mineral lease in the Northern Territory.

5 EXPLORATION AND EVALUATION EXPENDITURE

	31 Dec 2021 \$	30 June 2021 \$
Costs brought forward	19,573,034	16,364,563
(a) Expenditure incurred during the period	2,117,052	4,479,015
(b) Expenditure expensed to the P&L	-	2,710
(c) Impairment Losses	-	-
(d) Security Bonds transferred to PNX	-	(1,273,254)
Total Exploration and Evaluation Expenditure	21,690,086	19,573,034

6 OTHER FINANCIAL ASSETS – INVESTMENT IN SUNSTONE METALS LTD

During the half-year period, the Company sold 6,892,013 of shares held in ASX listed Sunstone Metals Limited ('Sunstone' or 'STM', previously Avalon Minerals Ltd) to net \$677,434 (after costs). As at 31 December 2021, the Company continues to hold a balance of 6,000,000 shares carried at a fair value of \$576,000.

At each reporting period, the carrying value of the investment in Sunstone is revalued to fair value, based on the market value of STM shares held at that time. The increase in the fair value of the investment from 30 June 2021 to 31 December 2021 is \$1,065,321 and is recorded to a FV-OCI Reserve in shareholders' equity, and shown in Other Comprehensive Income in accordance with AASB 9. The increase in fair value reflects the increase in Sunstone's share price from 1.5 cents at 30 June 2021 to 9.6 cents at 31 December 2021. At 31 December 2021 the balance of \$486,000 in the FV-OCI Reserve represents the fair value movement in the remaining 6,000,000 shares held.

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

7 LEASE LIABILITIES

Included under Current and Non-Current Liabilities as follows:

	31 Dec 2021 \$	30 June 2021 \$
Current Lease Liabilities		
(a) Motor vehicle (ROU) leases	22,611	8,886
(b) Office tenancy (ROU) lease	57,749	-
Total Current Lease Liabilities	80,360	8,886
Non-Current Lease Liabilities		
(c) Motor vehicle (ROU) leases	125,453	41,026
(d) Office tenancy (ROU) lease	39,801	-
Total Non-current Lease Liabilities	165,254	41,026

8 CONTRACT LIABILITIES

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

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

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

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

9 ISSUE OF SECURITIES

No securities were issued during the half-year ended 31 December 2021.

359,125,000 unquoted options, exercisable at 1.464 cents, expired on 30 September 2021. There are no remaining options on issue as at 31 December 2021.

A share-based payment expense of \$71,272 was recorded (2020: \$15,230) for the half-year period in relation to the balance of 49,300,000 performance issued under the Company's Employee Performance Rights Plan in previous periods.

As at 31 December 2021, the following securities were on issue:

- 3,652,193,511 ordinary shares; and
- 49,300,000 performance rights.

10 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no changes in contingent liabilities or contingent assets from those disclosed in the annual report for the year ended 30 June 2021.

11 INVESTMENT IN SUBSIDIARY

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

12 INCOME TAX

Consistent with prior periods, an income tax benefit on the loss for the half-year has not been recognised in the Statement of Profit or Loss and Comprehensive Income, as the likelihood of utilising the loss against future taxable income is not considered probable at this time.

The PNX Metals Limited tax consolidated group has carried forward losses of approximately \$49.9 million at 31 December 2021.

13 LOSS PER SHARE

The weighted-average number of shares underlying the basic and diluted loss of \$0.02 cents per share disclosed in the Statement of Profit or Loss and Other Comprehensive Income is 3,652,193,511 (2020: 2,627,304,088).

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

14 SUBSEQUENT EVENTS

On 20 January 2022 and subsequent to the half-year end, the Company announced a capital raising pursuant to a non-renounceable rights issue (NRRI) of one (1) share for every four (4) shares held at a price of \$0.005 (0.5 cents) per share to raise up to ~\$4.6m (before costs).

Subscriptions were received from eligible shareholders for 791,864,296 shares raising \$3,959,321, representing an approximate 87% take-up (including oversubscriptions). A shortfall of 121,184,082 shares was notified to the ASX on 14 February 2022. The Company issued 791,864,296 shares on 16 February 2022 and the directors of PNX may consider the placement of the shortfall within 3 months of the close of the NRRI.

As at the date of this report, the following securities were on issue:

- 4,444,057,807 ordinary shares; and
- 49,300,000 performance rights.

14 SUBSEQUENT EVENTS (continued)

On 1 March 2022 and subsequent to the half-year end, the Company announced that it has agreed to divest its Moline project in the Northern Territory to Sovereign Metallurgical Pty Ltd (Sovereign) for a total consideration of up to \$3.0 million, plus refund the existing tenement bond of approximately \$300,000 (refer ASX Announcement dated 1 March 2022 for Key Terms and further information). The Moline project is located approximately 65km east of the Company's Fountain Head and Hayes Creek development.

The acquisition of Glencoe ML29679 was completed on 28 February 2022, contemporaneous with the execution of the Moline Agreement. Ausgold Trading Pty Ltd (Ausgold), a related party to Sovereign, waived the final payment, equal to \$700,000, for the Glencoe ML that was payable by PNX to Ausgold (refer ASX Announcement dated 1 March 2022 for Key Terms and further information).

There were no other events occurring subsequent to 31 December 2021 requiring adjustment to, or disclosure in, the 31 December 2021 half-year financial statements.

DIRECTORS DECLARATION

In the opinion of the Directors:

- (a) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (b) The attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including complying with AASB 134 *Interim Financial Reporting* and giving a true and fair view of the financial position of the Group as at 31 December 2021 and of its performance for the half-year ended on that date.

Signed in accordance with a resolution of the directors made pursuant to Section 303 (5) of the Corporations Act 2001.

On behalf of the Directors


Graham Ascough
Chairman

Adelaide, 9 March 2022

Independent Auditor's Review Report

To the Members of PNX Metals Limited

Report on the review of the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of PNX Metals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

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

(a) giving a true and fair view of the PNX Metals Limited financial position as at 31 December 2021 and of its performance for the half year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

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

Material uncertainty related to going concern

We draw attention to Note 1(a) in the financial report, which indicates that the Group incurred a net loss of \$507,246 during the half year ended 31 December 2021, and as of that date, the Group's net operating cash out flow from operating and investing activities is \$1,896,930. As stated in Note 1(a), these events or conditions, along with other matters as set forth in Note 1(a), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

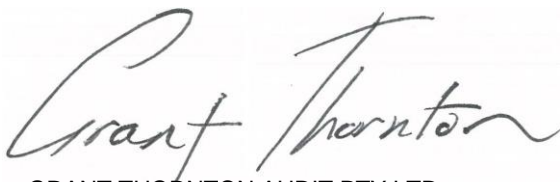
Directors' responsibility for the half year financial report

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

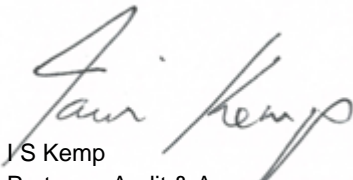
Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J S Kemp
Partner – Audit & Assurance

Adelaide, 9 March 2022