



PNX Metals Limited
ABN 67 127 446 271

Financial Report – 30 June 2022

DIRECTORS' REPORT

The Directors of PNX Metals Limited ('PNX' or 'Company') present their report for the financial year ended 30 June 2022.

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 is a senior resources executive with more than 30 years of industry experience evaluating mineral projects and resources in Australia and overseas. He has had broad industry involvement ranging from playing a leading role in setting the strategic direction for significant country-wide exploration programs to working directly with mining and exploration companies.

Mr. Ascough is a geophysicist by training and was the Managing Director of ASX listed Mithril Resources Ltd from October 2006 until June 2012. Prior to joining Mithril in 2006, Mr. Ascough was the Australian Manager of Nickel and PGM Exploration at the major Canadian resources house, Falconbridge Ltd (acquired by Xstrata Plc in 2006).

He is a Member of the Australasian Institute of Mining and Metallurgy ("AusIMM") and is a Professional Geoscientist of Ontario, Canada.

In the 3 years immediately prior to 30 June 2022, Mr. 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)

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 2022, Mr. Schmidt held no directorships of other ASX listed companies.

Hansjoerg Plaggemars, Non-executive Director

Appointed 28 November 2020

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 2022, Mr. 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 2022, Dr. Bierlein held the following directorships of other ASX listed companies:

- Non-executive Director, Impact Minerals Limited – since October 2021
- Non-executive Director, Firetail Resources Limited – since November 2021 (IPO 12 April 2022)
- Non-executive Director, Blackstone Minerals Limited – since November 2021

Richard Willson, Non-executive Director

Appointed 18 June 2021

Richard Willson is an experienced, Non-Executive Director, Company Secretary and CFO with more than 20 years' experience predominantly within the mining, technology and agricultural sectors for both publicly listed and private companies.

Mr. Willson has a Bachelor of Accounting 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), MedTEC Holdings Limited, and Unity Housing Company Ltd; 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, 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 2022, 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, Lanyon Investment Company Ltd – from April 2021 to May 2022
- 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 25 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 2022, Mr. Fox held no directorships of other listed companies.

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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 Pty Ltd.

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.

Interests in Shares and Performance Rights of the Company

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

Graham Ascough, Non-Executive Chairman

Graham Ascough has an indirect interest in 17,291,459 Shares.

James Fox, Managing Director & CEO

James Fox holds 25,800,000 Performance Rights, and a related party of Mr Fox holds 12,000,000 Shares.

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 and Hayes Creek zinc-gold-silver Projects 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

During the year, the Group continued to advance its program for the sequential development of the Group's 100% owned Fountain Head gold and Hayes Creek zinc-gold-silver Projects (Project), which host considerable zinc-gold-silver resources, in order for an investment decision to be made once Government and Environmental approvals and Project financing have been achieved.

The Group's Global Mineral Resources (MREs) (reported in accordance with the JORC Code 2012) now contain a total metal inventory of 472,700 ounces gold, 16.2 million ounces silver, 177,000 tonnes zinc, 37,000 tonnes lead and 10,000 tonnes copper. (refer ASX release 30 August 2022).

On 28 February 2022, the Group agreed to divest the Moline project (tenements ML24173, MLN1059, MLN41 and EL28616) in the Northern Territory to Sovereign Metallurgical Pty Ltd, a subsidiary of Ausgold Trading Pty Ltd. The completion of this transaction to occur within 18 months of the date of the Agreement. (refer ASX release 1 March 2022 for further information).

There were no reportable safety or environmental incidents during the year.

The safety of the Group's employees and contractors is paramount and the Group maintains a comprehensive risk register and regularly reviews its safe operating procedures.

Geology and Exploration

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

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

The Group completed 4,470 metres of reverse circulation drilling, and 220 metres of diamond drilling to test for near-surface extensions of known gold mineralisation and increase confidence in geological model. An updated

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MRE was then completed (refer ASX release 30 August 2022) where the geological classification was significantly improved with 77.4% of the MRE now reporting to the higher-confidence Measured and Indicated categories. Further drilling to test potential extensions to the Glencoe gold mineralisation is scheduled to commence during the 2022 Northern Territory dry season upon receipt of Government approvals.

The Group's Burnside exploration project covers more than 1,000 km² of contiguous, highly prospective granted tenure between Adelaide River and Pine Creek. The Group's Project development is located within the Burnside tenure. Regional exploration continued during the year, with geological mapping and surface geochemical sampling focussed on prospective target areas at Fountain Head South, Bartons and the Golden Dyke Dome prospects. Mine Management Plans have been approved to drill validated gold targets at Cookies Corner, Western Arm North, Chimera and Medusa. The timing to complete this drilling is finalised.

Grants NT approved the Group's application for co-funding in Round 15 of the Northern Territory Geophysics and Drilling Collaborations program (refer ASX release 2 June 2022). The Geophysics and Drilling Collaborations program is part of the NT Government's 'Resourcing the Territory' initiative, <https://resourcingtheterritory.nt.gov.au/>. This is a competitive grants program administered by the Northern Territory Geological Survey ("NTGS") to address geoscientific knowledge gaps, advance exploration activity and support the discovery and development of resources in the NT.

The Group's application for a 1,099 line-km drone magnetic survey and LiDAR to over the Hayes Creek, Fountain Head and Glencoe areas was successful under the new Brownfields Targeting component. The grant amounted to \$34,404 (inclusive of GST) and covers 50% of the direct cost of the survey, which was flown in August 2022. The results and analysis are pending as at the date of this report.

Government and Environmental Approvals

The Fountain Head Environmental Impact Statement (EIS) is an important component of the project approval process and contains a comprehensive risk assessment, including studies on groundwater and surface water, biodiversity, Aboriginal and cultural heritage, socioeconomic impacts, transport, air quality, noise, and closure/rehabilitation. A detailed body of work was completed by the Group and its Environmental Consultants, ERIAS Group, to identify potential Project environmental impacts and risks and mitigate these through careful and considered management.

A considerable amount of additional work was completed over the first half of the 2022 calendar year, including engagement of an independent expert to review and provide advice regarding the surface and groundwater modelling approach, parameters used and interpretation. The independent experts report was included as part of the suite of documents submitted in late July 2022 in response to feedback from the NT Environmental Protection Authority (NT EPA).

Feedback from the NT EPA has been positive to date with EIS approval expected late in 2022 based on statutory timeframes.

The Fountain Head Mining Management Plan (MMP) will be submitted once the EIS has been approved, and will include any recommended actions from NT EPA.

Project Financing

The Group has received several term sheet proposals for project debt finance. The Group has commenced a period of discussion and negotiation with various parties as to the key terms, with the requirement for an updated Project feasibility assessment.

The board will then consider each proposal to ensure appropriate management of cost and risk to the Company in funding the Project.

Plant and Infrastructure Engineering and Design

Construction projects globally, including those in the mining industry, are being impacted by an unprecedented series of supply chain issues and inflationary conditions which have resulted in significant increases and uncertainty relating to costs, timeframes and delivery schedules.

There is also continued pressure on availability of qualified personnel to undertake planned work within satisfactory timeframes.

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The Group has been working closely with its preferred contractors and consultants to manage the impact to its Project development schedule, and overall capital and operating cost estimates to an appropriate level of accuracy and confidence to report on.

Detailed options analysis on various aspects of the Project's plant and infrastructure design criteria has been completed and included a review of filtration equipment, tailings storage, and mill optimisation. The result of this work and simplification of the flowsheet will provide inputs to equipment lists, production schedules and more accurate cost estimates.

This is expected to partly offset cost inflation pressures being experienced for resource projects globally, and will be used to update the Project's financial model and for ongoing discussions with prospective financiers

The Project construction schedule is yet to be finalised, but expected to be up to 12 months from the decision to proceed. Site establishment works are planned to commence upon grant of Project approvals.

Business Development

The Group satisfied the terms of a Farm-In Agreement with private companies Oz Uranium Pty Ltd and Rockland Resources Pty Ltd covering two granted Mineral Leases, one Mineral Lease Application, and five Exploration Licences (refer ASX release 28 June 2022). Foreign Investment Review Board approval has been received with Ministerial Approval pending prior to title transfers.

This acquisition continues to strengthen the Group's footprint in the Pine Creek region as the new licenses are contiguous with the Group's existing tenements at Iron Blow, part of the Project, and along strike from the historic Princess Louise gold mine.

Due diligence has been completed on a number of other 'bolt-on' gold projects which have the potential to extend and improve Project economics. Discussions with vendors are ongoing and PNX will provide updates if and when the outcome of these discussions becomes more definite.

Corporate

The Group reported a loss after tax for the year of \$764,024 (2021: \$1,256,079). 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 cash inflows of \$0.1 million for the year, primarily reflect net payments for investing activities, including exploration of \$2.8 million and net payments for operating activities of \$0.95 million, and financing activities, including the issue of new shares under a non-renounceable Rights Issue, raising \$3.85 million (net of costs).

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

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.

Likely Developments

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

Environment Regulation and Performance

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

Options and Performance Rights

No options were issued during the year, however, a total of 359,125,000 unquoted options at a price of \$0.01464 per share, expired on 30 September 2021. As at the date of this report, there were no options on issue.

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No new Performance Rights were issued during the year. No Performance Rights vested during the year and therefore no shares were issued under the Company's Performance Rights Plan. 5,000,000 Performance Rights lapsed during the year as the vesting conditions were not met. At the date of this report, 49,300,000 unvested Performance Rights remain on issue.

Indemnification and Insurance of Directors and Officers

The Company entered into a Deed of Access, Insurance and Indemnity with 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.

Directors' attendance at Meetings

There were ten 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) ¹	Hans-Jörg Schmidt ¹	Hansjoerg Plaggemars (Audit Committee Chairman) ¹	Frank Bierlein ²	Richard Willson ^{2&3}	James Fox ²
Year Ended 30 June 2022	Meetings attended	Meetings attended	Meetings attended	Meetings attended	Meetings attended	Meetings attended	Meetings attended
Board Meetings	10	10	9	9	10	9	10
Audit Committee Meetings	3	3	2	2	3	3	3
¹ Audit Committee member							
² Invited to attended Audit Committee meetings.							
³ Richard Willson acted as Chairman of the Audit Committee in the absence of Mr. Plaggemars on 9 March 2022							

Auditor's Independence Declaration

The auditor's independence declaration is included on page 15.

Non-Audit Services

There were no non-audit services provided during the financial year by the auditor as outlined in note 23 to the financial statements.

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 when approval is obtained, the date on which key terms of the Shares or Performance Rights (e.g. 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)
- Frank Bierlein (Non-Executive Director)
- Richard Willson (Non-Executive Director)
- James Fox (Managing Director & CEO)

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)
- Craig Wilson (Mining, Infrastructure and Studies Manager)

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

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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.

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 (2021: \$ Nil). There have 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. During the year, Mr. Fox was entitled to an annual salary of \$275,000 up to 30 September 2021 and from 1 October 2021 he is entitled to an annual salary of \$302,500, 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 2022 and as of the date of this report, Mr. Fox held no Shares in the Company directly. At 30 June 2022 and the date of this report, a related party of Mr. Fox held 12,000,000 Shares in the Company.

During the year, 5,000,000 of 30,800,000 Performance Rights held by Mr. Fox lapsed, as the performance conditions were not met. During the year no additional Performance Rights were issued to Mr. Fox. The Performance Rights are held, whilst Mr. Fox remains employed by the Company, and subject to performance conditions related to key Company objectives, including:

- 1) 25% will vest if the Company's share price increases by at least 100% based on a 12-month VWAP for a financial year under review during the term of the performance rights when compared to the previous financial year.
- 2) 25% will vest if the Company receives all required government approvals for the construction of an operating mine at Fountain Head.
- 3) 25% will vest upon the receipt of payment for the first sale of product from the commencement of production on the Fountain Head mining lease.
- 4) 25% will vest if the Company delineates through exploration, or secures through acquisition, new resources and reserves to extend mine life by at least 2 years (or at least double the Fountain Head resource inventory either at Fountain Head or elsewhere within trucking distance of Fountain Head)

At 30 June 2022, a total of 25,800,000 Performance Rights subject to performance conditions were held by Mr Fox.

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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.

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 provided his services on a part-time basis at a rate of \$10,000 per month and from October 2021 at a rate of \$12,500 per month plus GST and reimbursement of out-of-pocket expenses. The services may be terminated by either party on one month's notice. During the 2022 financial year, Mr. Gaudio was paid fees of \$142,500 (excluding GST).

During the previous financial year, Mr. Gaudio was granted 5,000,000 Performance Rights subject to performance conditions and at the date of this report Mr. Gaudio continues to hold a total of 5,000,000 Performance Rights, whilst he remains engaged by the Company, and subject to performance conditions related to key Company objectives, including:

- 1) 25% will vest if the Company's share price increases by at least 100% based on a 12-month VWAP for a financial year under review during the term of the performance rights when compared to the previous financial year.
- 2) 25% will vest if the Company receives of all required government approvals for the construction of an operating mine at Fountain Head.
- 3) 25% will vest upon the receipt of payment for the first sale of product from the commencement of production on the Fountain Head mining lease.
- 4) 25% will vest if the Company delineates through exploration, or secures through acquisition, new resources and reserves to extend mine life by at least 2 years (or at least double the Fountain Head resource inventory either at Fountain Head or elsewhere within trucking distance of Fountain Head)

Mining, Infrastructure and Studies Manager Remuneration

Craig Wilson has been an employee of the Company since 1 March 2021. Mr. Wilson is employed as Mining, Infrastructure and Studies Manager and is entitled to an annual salary of out-of-pocket \$260,000 plus mandated superannuation contributions, 20 days annual leave and 10 days sick leave each year.

At 30 June 2022 and as of the date of this report, Mr. Wilson held 3,562,519 Shares in the Company.

During the previous financial year, Mr. Wilson was granted 15,000,000 Performance Rights subject to performance conditions and at the date of this report. Mr. Wilson continues to hold a total of 15,000,000 Performance Rights whilst Mr. Wilson remains employed by the Company, and subject to performance conditions related to key Company objectives, including:

- 1) 25% will vest if the Company's share price increases by at least 100% based on a 12-month VWAP for a financial year under review during the term of the performance rights when compared to the previous financial year.
- 2) 25% will vest if the Company receives of all required government approvals for the construction of an operating mine at Fountain Head.
- 3) 25% will vest upon the receipt of payment for the first sale of product from the commencement of production on the Fountain Head mining lease.
- 4) 25% will vest if the Company delineates through exploration, or secures through acquisition, new resources and reserves to extend mine life by at least 2 years (or at least double the Fountain Head resource inventory either at Fountain Head or elsewhere within trucking distance of Fountain Head)

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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 2022:

Financial Year Ended 30 June 2022	Short term employment benefits		Post- Employment	Equity		
	Salary & Fees	Non-Cash benefits ¹	Superannuat- ion	Shares and Performance Rights	Total	% of total remunerat- ion consisting of equity
<u>Directors</u>						
Graham Ascough	\$75,000	-	-	-	\$75,000	0%
Hans-Jörg Schmidt	\$36,364	-	\$3,636	-	\$40,000	0%
Hansjoerg Plaggemars	\$40,000	-	-	-	\$40,000	0%
Frank Bierlein	\$36,364	-	\$3,636	-	\$40,000	0%
Richard Willson	\$36,364	-	\$3,636	-	\$40,000	0%
James Fox	\$297,687	\$11,696 ¹	\$27,500	\$87,848 ²	\$424,731	20.7%
<u>Chief Financial Officer & Company Secretary</u>						
Angelo Gaudio	\$142,500	-	-	\$11,640 ²	\$154,140	7.6%
<u>Other Key Management Personnel</u>						
Craig Wilson ³	\$260,000	-	\$26,000	\$34,912 ²	\$320,912	10.9%
TOTALS	\$924,279	\$11,696	\$64,408	\$134,400	\$1,134,783	11.8%

¹ Use of a Company provided motor vehicle.

² Value of Performance Rights issued in prior periods attributable to the 2022 financial year that have not yet vested.

³ Craig Wilson included as Key Management Personnel from 1 July 2021 in his role as Mining, Infrastructure and Studies Manager.

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Directors' and Key Management Personnel remuneration 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 ⁵	Superannuat- ion	Shares and Performance Rights	Total	% of total remunerat- ion consisting of equity
<u>Directors</u>						
Graham Ascough	\$75,000	-	-	-	\$75,000	0%
Paul Dowd ³	\$26,127	-	\$2,352	-	\$28,479	0%
Peter Watson ³	\$26,127	-	\$2,352	-	\$28,479	0%
David Hillier ¹	\$16,329	-	-	-	\$16,329	0%
Hans-Jörg Schmidt	\$36,530	-	\$3,470	-	\$40,000	0%
Hansjoerg Plaggemars ²	\$23,716	-	-	-	\$23,716	0%
Frank Bierlein ⁴	\$1,305	-	\$124	-	\$1,429	0%
Richard Willson ⁴	\$1,305	-	\$124	-	\$1,429	0%
James Fox	\$276,125	\$10,334 ⁵	\$25,000	\$80,617 ⁶	\$392,076	20.6%
<u>Chief Financial Officer & Company Secretary</u>						
Angelo Gaudio	\$120,000	-	-	\$4,848 ⁶	\$124,848	3.9%
TOTALS	\$602,564	\$10,334	\$33,422	\$85,465	\$731,785	11.7%

¹ David Hillier resigned as a director on 26 November 2020.

² Hansjoerg Plaggemars was appointed as a director on 28 November 2020.

³ Paul Dowd and Peter Watson resigned as a director on 5 March 2021.

⁴ Frank Bierlein and Richard Willson were appointed as directors on 18 June 2021.

⁵ Use of a company provided motor vehicle.

⁶ Value of Performance Rights issued in prior periods 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 2022

Equity holdings of Directors and Key Management Personnel

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

	Balance 1 July 2021	Net Changes ³	Balance 30 June 2022
Directors			
Graham Ascough	13,833,166	3,458,293	17,291,459
Hans-Jörg Schmidt	-	-	-
Hansjoerg Plaggemars	-	-	-
Frank Bierlein	-	-	-
Richard Willson	-	-	-
James Fox ¹	-	-	-
Key Management Personnel			
Angelo Gaudio	-	-	-
Craig Wilson ²	2,850,015	712,504	3,562,519

¹ Shares held by related party at 30 June 2022: 12,000,000 (2021: 11,000,000).

² Craig Wilson included as a Key Management Personnel from 1 July 2021 in his role as Mining, Infrastructure and Studies Manager.

³ Shares acquired on 16 February 2022 under a non-renounceable rights issue.

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

	Balance 1 July 2021	Net Changes ³	Balance 30 June 2022
Directors			
Graham Ascough	3,125,000	(3,125,000)	-
Hans-Jörg Schmidt	-	-	-
Hansjoerg Plaggemars	-	-	-
Frank Bierlein	-	-	-
Richard Willson	-	-	-
James Fox ¹	-	-	-
Key Management Personnel			
Angelo Gaudio	-	-	-
Craig Wilson ²	-	-	-

¹ Options held by related party at 30 June 2022: Nil (2021: 1,875,000).

² Craig Wilson included as Key Management Personnel from 1 July 2021 in his role as Mining, Infrastructure and Studies Manager.

³ Unquoted options exercisable at 1.464 cents, expired on 30 September 2021

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

	Balance 1 July 2021					Balance 30 June 2022	
Directors	Vested	Unvested	Granted	Vested	Lapsed ¹	Vested	Unvested
James Fox	-	30,800,000	-	-	(5,000,000)	-	25,800,000
Key Management Personnel							
Angelo Gaudio	-	5,000,000	-	-	-	-	5,000,000
Craig Wilson ²	-	15,000,000	-	-	-	-	15,000,000

¹ 5,000,000 Unvested Performance Rights, originally issued on 3 December 2018, lapsed on 3 December 2021.

² Craig Wilson included as Key Management Personnel from 1 July 2021 in his role as Mining, Infrastructure and Studies Manager, the performance rights disclosed above relate to performance rights issues to Craig Wilson in prior periods.

PNX Metals Limited (ASX: PNX) Financial Report for the year ended 30 June 2022

Other related party transactions

Mr. Fox had incurred out of pocket expenses throughout the year on behalf of the Group. At 30 June 2022 a reimbursement to Mr. Fox of \$464 was outstanding (2021: \$585).

End of Remuneration Report

Signed on 21st September 2022 in accordance with a resolution of the Board made pursuant to section 298(2) of the *Corporations Act 2001*.



Graham Ascough

Chairman



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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 2022, 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 stylized, handwritten signature of "Grant Thornton" in dark ink.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A handwritten signature of "I S Kemp" in dark ink.

I S Kemp
Partner – Audit & Assurance

Adelaide, 21 September 2022

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PNX Metals Limited (ASX: PNX) Financial Report for the year ended 30 June 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2022

		Year Ended 30/06/22	Year Ended 30/06/21
	Note	\$	\$
Interest income	4(a)	4,329	4,836
Other income	4(b)	105,000	112,681
Gain on sale of exploration assets	10	534,545	-
Employee benefits		(131,373)	(212,955)
Professional fees	4(e)	(625,800)	(557,935)
Directors' fees		(235,000)	(212,124)
Exploration – tenement maintenance		-	2,710
Occupancy	4(d)	(10,100)	(56,931)
Insurance		(34,414)	(26,265)
Share registry and regulatory		(65,550)	(65,296)
Communication		(12,267)	(17,233)
Audit fees	23	(46,174)	(39,473)
Equity-based remuneration	19	(142,544)	(103,401)
Other expenses		(16,552)	(73,017)
Depreciation	4(c)	(78,455)	(11,077)
Interest charges		(9,669)	(403)
Loss before income tax		(764,024)	(1,255,883)
Income tax benefit	5(a)	-	(196)
Loss for the year		(764,024)	(1,256,079)
Other comprehensive income/loss:			
<i>Items that will not be subsequently reclassified to profit or loss:</i>			
Financial assets - Fair Value through OCI	9, 19	759,321	103,136
Total comprehensive loss for the year, attributable to equity holders of the parent		(4,703)	(1,152,943)
Loss Per Share – continuing operations and Total			
Basic and Diluted (cents per share)	28	(0.02)	(0.04)

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 2022

Consolidated Statement of Financial Position as at 30 June 2022

	Note	30/06/22 \$	30/06/21 \$
CURRENT ASSETS			
Cash and cash equivalents	6	3,701,939	3,632,252
Trade and other receivables	7	37,589	52,314
Prepayments and deposits	8	184,004	180,119
Other financial assets	9	270,000	193,380
TOTAL CURRENT ASSETS		4,193,532	4,058,065
NON-CURRENT ASSETS			
Trade and other receivables	10	1,810,624	-
Exploration and evaluation expenditure	11	21,519,844	19,573,034
Plant and equipment	12	205,499	56,424
Other financial assets	13	784,055	1,090,585
TOTAL NON-CURRENT ASSETS		24,320,022	20,720,043
TOTAL ASSETS		28,513,554	24,778,108
CURRENT LIABILITIES			
Trade and other payables	14	568,151	1,075,865
Provisions	15	203,161	152,269
Lease liabilities	16	90,152	8,886
TOTAL CURRENT LIABILITIES		861,464	1,237,020
NON-CURRENT LIABILITIES			
Provisions	15	-	15,091
Lease liabilities	16	115,709	41,026
Financial liabilities	17	2,400,000	2,400,000
TOTAL NON-CURRENT LIABILITIES		2,515,709	2,456,117
TOTAL LIABILITIES		3,377,173	3,693,137
NET ASSETS		25,136,381	21,084,971
EQUITY			
Issued capital	18	57,458,856	53,545,287
Reserves	19	413,316	127,143
Accumulated losses	20	(32,735,791)	(32,587,459)
TOTAL EQUITY		25,136,381	21,084,971

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 2022

**Consolidated Statement of Changes in Equity for the
year ended 30 June 2022**

	Issued capital \$	Equity-based payment Reserves \$	Fair Value OCI Reserves \$	Accumulated losses \$	Total \$
Balance at 1 July 2020	47,072,054	83,839	(103,136)	(31,391,477)	15,661,280
Total Loss for the Year	-	-	-	(1,256,079)	(1,256,079)
Other Comprehensive Income	-	-	103,136	-	103,136
Total Comprehensive Loss for the year	-	-	103,136	(1,256,079)	(1,152,943)
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	-
Balance at 30 June 2021	53,545,287	127,143	-	(32,587,459)	21,084,971
Balance at 1 July 2021	53,545,287	127,143	-	(32,587,459)	21,084,971
Total Loss for the Year	-	-	-	(764,024)	(764,024)
Other Comprehensive Loss	-	-	759,321	-	759,321
Total Comprehensive Loss for the year	-	-	759,321	(764,024)	(4,703)
Shares issued	3,959,322	-	-	-	3,959,322
Share issue costs	(45,753)	-	-	-	(45,753)
Fair value of equity settled payments	-	142,544	-	-	142,544
Lapsed performance rights transferred to accumulated losses	-	(36,371)	-	36,371	-
Valuation adjustment to Retained earnings for Investment Shares sold	-	-	(579,321)	579,321	-
Balance at 30 June 2022	57,458,856	233,316	180,000	(32,735,791)	25,136,381

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 2022

**Consolidated Statement of Cash Flows for the
year ended 30 June 2022**

	Inflows/(Outflows)	
	Year Ended 30/06/22	Year Ended 30/06/21
	\$	\$
Cash flows relating to operating activities		
Other Income	100,000	-
Receipt of Research and Development tax offsets	-	54,804
COVID-19 stimulus support received	-	102,500
Payments to suppliers and employees	(1,048,364)	(1,341,492)
Net operating cash flows	(948,364)	(1,184,188)
Cash flows relating to investing activities		
Interest received	4,349	7,934
Proceeds from disposal of investments	682,701	-
Proceeds from disposal of plant and equipment	5,000	-
Payments for exploration activities	(3,549,229)	(2,406,998)
Payments for plant and equipment	(8,980)	(10,486)
Deposits paid for acquisition of Glencoe tenement	-	(1,175,000)
Deposit received for sale of Moline project	50,000	-
Payments for tenement security bonds	(2,756)	(42,002)
Net investing cash flows	(2,818,915)	(3,626,552)
Cash flows relating to financing activities		
Proceeds from share issues	3,959,321	6,657,432
Payments for capital raising costs	(45,753)	(184,199)
Payments for leases	(76,602)	(2,962)
Net financing cash flows	3,836,966	6,470,271
Net increase/(decrease) in cash	69,687	1,659,531
Cash at beginning of financial year	3,362,252	1,972,721
Cash at end of financial year	3,701,939	3,632,252
Reconciliation of loss to net operating cash flow		
Loss for the year	(764,024)	(1,256,079)
Interest income	(4,349)	(7,934)
Gain on sale of plant and equipment	(5,000)	-
Equity-based remuneration	142,544	103,401
Depreciation and amortisation	3,399	7,384
Depreciation on right of use assets	75,057	3,693
Unwinding discount on Lease liability	9,669	371
Exploration not capitalised – investing	-	(2,710)
Gain on sale of exploration assets	(534,545)	-
(Increase)/decrease in receivables - operating	(50,748)	35,228
(Increase)/decrease in other current assets – operating	(5,224)	(1,044)
Increase/(decrease) in payables - operating	149,055	(84,014)
Increase/(decrease) in employee provisions	35,802	17,516
Net operating cash flows	(948,364)	(1,184,188)

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 2022

Notes to the Financial Statements for the Year Ended 30 June 2022

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 20th September 2022.

2. New and revised Accounting Standards

New or amended Accounting Standards and Interpretations adopted

The Group 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.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2022. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

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.

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 2022, the Group made a loss of \$764,024 (2021: loss of \$1,256,079) and recorded a net cash outflow from operating and investing activities of \$3,767,279 (2021: \$4,810,740). At 30 June 2022, the Group had cash of \$3,701,939 (2021: \$3,632,252), net current assets, excluding the investment in Sunstone Metals Ltd of \$3,062,068 (2021: \$2,627,665) and net assets of \$25,136,381 (2021: \$21,084,971).

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.

A material uncertainty exists as to whether the Group will be able to raise sufficient capital and if the 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 when approval is obtained, 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 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. During the year the Group was committed to a short-term tenancy lease which expired on 31 August 2021, and the total commitment was \$11,336.

The office tenancy lease was subsequently extended for a period of 24 Months from 1 September 2021. This 2-year tenancy lease has been recorded under AASB16.

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.

3. Significant accounting policies (continued)

o) Lease Liabilities (continued)

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.

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 29. 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).

3. Significant accounting policies (continued)

p) Income tax (continued)

Tax consolidation (continued)

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.

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.

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.

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.

3. Significant accounting policies (continued)

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 (2021: \$Nil) in relation to Exploration and Evaluation Assets - refer to Note 11 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 21 for more information regarding equity-based payments made during the year.

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4.	LOSS FROM CONTINUING OPERATIONS		
		Year Ended 30/06/22 \$	Year Ended 30/06/21 \$
	a) Interest income		
	Interest on bank deposits	4,329	4,836
	b) Other income		
	Exclusivity fee received	100,000	-
	Gain on sale of equipment	5,000	-
	Miscellaneous income	-	112,681
	Other income	105,000	112,681
	c) Depreciation		
	Depreciation of plant and equipment	3,398	7,383
	Depreciation of Right of Use (ROU) Assets	75,057	3,694
	Total Depreciation	78,455	11,077
	d) Occupancy		
	Short-term lease expenses #	10,100	56,931
	e) Professional fees		
	Accounting & taxation expenses	48,317	44,085
	Legal fees	75,658	139,563
	Contractor services	71,537	6,313
	Company promotion	146,015	247,974
	Corporate financing	141,773	-
	Secretarial services	142,500	120,000
	Total Professional fees	625,800	557,935

A short-term lease for the Rose Park office tenancy expired on 31 August 2021 and the payments, in relation to the short-term lease, were recognised as an expense in profit or loss. Following subsequent negotiation, it was agreed to extend the tenancy lease for a period of 24 Months. This 2-year lease was recorded under AASB16 - Leases.

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5. INCOME TAX			
		Year Ended 30/06/22	Year Ended 30/06/21
		\$	\$
(a) Income tax recognised in profit or loss			
	Current tax expense/(benefit)	-	196
	Deferred tax expense/(benefit)	-	-
	Total tax expense/(benefit)	-	196
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	764,024	1,255,883
	Income tax benefit calculated at 25.0% (2021: 26.0%)	(191,006)	(326,530)
	Equity-based remuneration – Performance Rights	35,636	26,884
	Current year tax losses and movements in temporary differences not recognised	155,370	299,646
	Recognition of actual research and development tax offset refund related to the previous tax year	-	196
	Tax expense (benefit)	-	196
The tax rate used in the above reconciliation is the corporate tax rate of 25.0% 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) Recognised tax assets and liabilities			
Deferred tax assets and (liabilities) are attributable to the following:			
		30/06/22 \$	30/06/21 \$
	Exploration and evaluation expenditure	(5,358,633)	(4,884,098)
	Plant and equipment	(51,375)	(15,079)
	Trade and other payables	8,254	7,454
	Employee benefits	50,790	43,514
	Share issue costs	105,059	116,186
	Net deferred tax liabilities	(5,245,905)	(4,732,023)
	Tax losses recognised	5,245,905	4,732,023
	Net deferred tax assets / (liabilities)	-	-

A net deferred tax liability will only arise if the Company generates taxable income in the future (for example via a profitable mining operation). Deferred tax balances shown above have been calculated utilising a 25.0% tax rate. The potential benefit of unrecognised tax losses (shown below) has similarly been calculated utilising a 25.0% 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:

	30/06/22	30/06/21
	\$	\$
Tax Losses – operating (tax effected)	7,773,606	8,098,833
Tax Losses – capital (tax effected)	133,589	138,932

Of the total operating tax losses of approximately \$52.1 million in the Group at 30 June 2022, \$31.6 million are unrecognised as shown above as a \$7.77 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

	30/06/22	30/06/21
	\$	\$
Cash and cash equivalents	3,701,939	3,632,252

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 2022, the Group did not hold any term deposits with maturity terms of greater than 3 months (2021: \$Nil).

7. TRADE AND OTHER RECEIVABLES

	30/06/22	30/06/21
	\$	\$
Interest	33	52
Goods & Services Tax	37,556	49,951
Other	-	2,311
	37,589	52,314

8. PREPAYMENTS AND DEPOSITS

	30/06/22	30/06/21
	\$	\$
Prepayments	20,460	15,237
Environmental Deposits – Northern Territory	130,784	132,122
Deposit – office bond	32,760	32,760
	184,004	180,119

On renewal of insurance policies, insurance premiums paid are recognised as Prepayments and allocated to insurance expenses on a monthly basis. As at 30 June 2022, \$20,460 prepaid insurance was held under Prepayments.

Environmental bonds 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. The environmental bonds are held until rehabilitation of worksites are carried out. Rehabilitation and monitoring is typically completed within 12 months. Environmental bonds totalling \$130,784 are held by the DITT as security in relation to current exploration activities in the Northern Territory and excludes \$4,094 of the bonds that relate to the Moline project, which have been recorded with the sale of the Moline assets (refer to note 10).

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8. PREPAYMENTS AND DEPOSITS (continued)

The office bond of \$32,760 is invested in a 365-day term deposit maturing February 2023 and earning 0.25% interest.

9. OTHER FINANCIAL ASSETS			
		30/06/22	30/06/21
		\$	\$
	Investment in Sunstone Metals Ltd	270,000	193,380

During the financial year, the Group 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.

The Group continues to hold a balance of 6,000,000 shares in Sunstone. 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 2022, the investment was reflected at fair value of \$270,000, with the incremental movement of \$180,000 recorded at fair value through other comprehensive income (FVOCI) - refer to Note 19.

10. SALE OF EXPLORATION ASSETS			
			\$
	Consideration:		
	Non-refundable deposit		50,000
	Tranche 1 - forgiveness of the final payment on Glencoe acquisition		700,000
	Tranche 2 - \$1,500,000 cash receivable on completion		1,500,000
	Total consideration		2,250,000
	Carrying amount of the assets sold		1,715,455
	Gain on sale of assets		534,545

On 28 February 2022, PNX Metals Limited agreed to divest the Moline project (tenements ML24173, MLN1059, MLN41 & EL28616) in the Northern Territory to Sovereign Metallurgical Pty Ltd. The balance of capitalised Exploration and Evaluation expenditure of \$1,715,455 for the Moline project as at 30 June 2022 was sold for total proceeds of \$2,250,000. Completion of this transaction can occur within 18 months of the Agreement (Refer ASX release 1 March 2022), however the risks and rewards of these assets have transferred to the purchaser at the time of the agreement.

Environmental bonds totalling \$4,094 that relate to the Moline project are held by the DITT as security in relation to exploration activities in the Northern Territory are to be refunded by Sovereign Metallurgical Pty Ltd on completion of the transaction.

Environmental bonds totalling \$306,530 relating to the care and maintenance conditions for the Moline mineral leases are expected to be returned to the Company pursuant to the Sale Agreement for the sale of the Moline tenements.

The total amount receivable at 30 June 2022 of \$1,810,624 consists of the \$1,500,000 Tranche 2 payment due on completion, and the environmental bonds noted above for \$310,624.

The Tranche 1 - forgiveness of the final payment on Glencoe acquisition has been treated as a non-cash transaction for cash flow statement purposes (refer note 14).

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11. EXPLORATION AND EVALUATION EXPENDITURE			
		30/06/22	30/06/21
		\$	\$
	Costs brought forward	19,573,034	16,364,563
	Expenditure incurred during the year	3,662,265	4,479,015
	South Australian expenditure not capitalised	-	2,710
	Sale of Moline assets [#]	(1,715,455)	-
	Security Bonds offset against the carrying costs ⁺	-	(1,273,254)
		21,519,844	19,573,034

[#] Balance of capitalised Exploration and Evaluation expenditure of \$1,715,455 for the Moline project as at 30 June 2022 was sold. Refer to Note 10.

⁺ During the year ended 30 June 2021, 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.

Project economics have remained positive for the Fountain Head Gold and Hayes Creek Projects during the financial year ended 30 June 2022, 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 (MRE) as announced on 28 April 2021 and updated MRE as announced on 30 August 2022.

The PFS for the Fountain Head gold and Hayes Creek zinc-gold-silver- 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 following the lodgement of a suite of documents in late July 2022 in response to the second Direction from the NTEPA. Feedback from the NT EPA has been positive to date with EIS approval expected late in 2022 based on statutory timeframes.

The Group continues with its review of the Burnside and other 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.

There was no impairment of the Group's Exploration & Evaluation Expenditure during the year ended 30 June 2022.

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12. MOTOR VEHICLES, PLANT, EQUIPMENT AND RIGHT OF USE ASSETS	Motor Vehicles, Plant & Equip	Right of Use Assets	Total
Cost	\$	\$	\$
Balance at 30 June 2020	545,676		545,676
Additions	5,486	50,772	56,258
Disposals	-	-	-
Balance at 30 June 2021	551,162	50,772	601,934
Additions	8,980	221,422	230,402
Disposals	(140,000)	-	(140,000)
Balance at 30 June 2022	420,142	272,194	692,336
Accumulated Depreciation			
Balance at 30 June 2020	530,907	-	530,907
Depreciation Expense	7,384	3,693	11,077
Depreciation capitalised to exploration assets	3,526	-	3,526
Disposals	-	-	-
Balance at 30 June 2021	541,817	3,693	545,510
Depreciation Expense	3,398	75,057	78,455
Depreciation capitalised to exploration assets	2,872	-	2,872
Disposals	(140,000)	-	(140,000)
Balance at 30 June 2022	408,087	78,750	486,837
Net book value – Motor Vehicles, Plant, Equipment and Right of Use			
Balance at 30 June 2021	9,345	47,079	56,424
Balance at 30 June 2022	12,055	193,444	205,499

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 2022 balance of \$205,499 for the net book value, an amount of \$193,444 relates to right of use Assets.

13. OTHER FINANCIAL ASSETS – NON CURRENT	30/06/22	30/06/21
	\$	\$
Environmental Bonds (Care & Maintenance)	784,055	1,090,585

Environmental bonds are required to be lodged with the Department of Industry, Tourism and Trade (DITT) in the Northern Territory in relation to the Care and Maintenance conditions mineral leases, in the Northern Territory. Accordingly, environmental bonds totalling \$784,055 are held by the DITT as security in relation to the conditions of the Fountain Head mineral leases. Environmental bonds totalling \$306,530 relating to the Moline mineral leases are expected to be returned to the Company as part of the sale of the Moline project as at 30 June 2022. Refer to Note 10.

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14. TRADE AND OTHER PAYABLES			
		30/06/22	30/06/21
		\$	\$
Trade payables		469,076	313,425
Accrued expenses		77,449	36,670
Accrued completion payment for the acquisition of Glencoe [#]		-	700,000
Other payables		21,626	25,770
		568,151	1,075,865

[#] On 28 February 2022, PNX Metals Limited agreed to divest the Moline project (tenements ML24173, MLN1059, MLN41 & EL28616) in the Northern Territory to Sovereign Metallurgical Pty Ltd, a subsidiary of Ausgold Trading Pty Ltd (**Ausgold**). The completion of this transaction to occur within 18 months of the Agreement. (Refer ASX release 1 March 2022). As The Glencoe title was transferred to PNX contemporaneous with execution of the Moline Agreement, the tranche #1 payment of \$700,000 pursuant to the Moline agreement was waived and offset against the \$700,000 payment for the completion payment of the acquisition of the Glencoe tenement (refer to note 10).

Average credit period on trade payables is 30 days.

15. PROVISIONS			
		30/06/22	30/06/21
		\$	\$
Current			
Employee benefits – Annual Leave		86,166	70,933
Employee benefits – Long Service Leave		116,995	81,336
		203,161	152,269
Non-current			
Employee benefits – Long Service Leave		-	15,091

16. LEASE LIABILITIES			
		30/06/22	30/06/21
		\$	\$
Lease Liabilities - Current		90,152	8,886
Lease Liabilities – Non Current		115,709	41,026

17. FINANCIAL LIABILITIES			
		30/06/22	30/06/21
		\$	\$
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 Fountain Head 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 Fountain Head Project, and will be paid for a 5-year period. PNX can buy back the NSR royalty from an investor prior to the commencement of production for \$0.4 million.

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17. FINANCIAL LIABILITIES (continued)

These original 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 financial 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 may be converted to shares in the Company.

18. ISSUED CAPITAL		30/06/22	30/06/21
		\$	\$
	4,444,057,807 fully paid ordinary shares (2021: 3,652,193,511)	57,458,856	53,545,287

Movement in ordinary shares for the year:

		No.	30/06/22 \$	No.	30/06/21 \$
Ref					
	Balance at beginning of year	3,652,193,511	53,545,287	2,542,621,476	47,072,054
a	Shares issued at 0.5 cents under a Non-Renounceable Rights Issue (NRRI)	791,864,296	3,959,321		
b	Placement Shares issued at 0.6 cents			378,333,333	2,270,000
c	Shares issued at 0.6 cents under a Non-Renounceable Rights Issue (NRRI)			527,950,076	3,167,700
d	Shares issued at 0.6 cents per share to a service provider.	-	-	1,000,000	6,000
e	Shares issued at 0.6 cents for the placement of the shortfall under the NRRI.	-	-	202,288,626	1,213,732
	Share issue costs		(45,752)		(184,199)
	Balance at end of year	4,444,057,807	57,458,856	3,652,193,511	53,545,287

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

- 791,864,296 Shares were issued to Shareholders who subscribed for shares under a Non-Renounceable Rights Issue at 0.5 cents per share (NRRI) on 16 February 2022
- 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.

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19. RESERVES			
		30/06/22	30/06/21
		\$	\$
	FVOCI investment	180,000	-
	Equity-settled benefits	233,316	127,143
		413,316	127,143

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 ASX listed Sunstone Metals Ltd (**STM**) of \$270,000 as at 30 June 2022.

During the financial year, the Group sold 6,892,013 shares held in STM (refer to Note 9 for further information). The Group continues to hold a balance of 6,000,000 shares in Sunstone as at 30 June 2022. An adjustment of \$579,321 was transferred to Retained Earnings to move excess FVOCI reserve relating to the Non-Renounceable STM shares that were sold during the year.

At 30 June 2022, the investment was reflected at fair value of \$270,000, with the incremental movement of \$180,000 recorded at fair value through other comprehensive income (FVOCI).

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 2022, includes an adjustment for lapsed rights during the financial year. 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, no new 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. For the Rights to vest, participants of the Group's Performance Rights Plan are subject to remain employed by the Company, and also subject to performance conditions related to key Company objectives, including:

- 1) 25% will vest if the Company's share price increases by at least 100% based on a 12-month VWAP for a financial year under review during the term of the performance rights when compared to the previous financial year.
- 2) 25% will vest if the Company receives of all required government approvals for the construction of an operating mine at Fountain Head.
- 3) 25% will vest upon the receipt of payment for the first sale of product from the commencement of production on the Fountain Head mining lease.
- 4) 25% will vest if the Company delineates through exploration, or secures through acquisition, new resources and reserves to extend mine life by at least 2 years (or at least double the Fountain Head resource inventory either at Fountain Head or elsewhere within trucking distance of Fountain Head)

5,000,000 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 \$142,544. 5,000,000 Performance Rights lapsed during the year and an amount of \$36,371 was transferred to retained earnings. A total of \$233,316 held in the equity-settled benefits reserve represents the value relating to the Performance Rights on issue as at 30 June 2022.

Further information on share-based payments is disclosed in Note 21.

PNX Metals Limited (ASX: PNX) Financial Report for the year ended 30 June 2022

20. ACCUMULATED LOSSES			
		30/06/22	30/06/21
		\$	\$
	Balance at beginning of year	32,587,459	31,391,477
	Lapsed performance rights transferred to accumulated losses (Note 19)	(36,371)	(60,097)
	Fair Value OCI adjustment to Retained Earnings (Note 19)	(579,321)	-
	Loss for the year	764,024	1,256,079
	Balance at end of year	32,735,791	32,587,459

21. 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.

During the financial year ended 30 June 2022 no performance rights were granted under the plan. As at 1 July 2021, there were 54,300,000 unvested Performance Rights on issue under the Plan as follows:

- 800,000 Performance Rights were held by the Company's Managing Director & CEO and were originally issued on 8 February 2017;
- 5,000,000 Performance Rights were held by the Company's Managing Director & CEO were originally issued on 3 December 2018;
- 25,000,000 Performance Rights were held by the Company's Managing Director & CEO were originally issued on 27 January 2021; and
- 23,500,000 Performance Rights were held by Company executives and employees were originally issued on 1 February 2021.

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.

The total remaining 49,300,000 unvested Performance Rights at 30 June 2022 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.

For the Rights to vest, participants of the Group's Performance Rights Plan are subject to remain employed by the Company, and also subject to performance conditions related to key Company objectives, including:

- 1) 25% will vest if the Company's share price increases by at least 100% based on a 12-month VWAP for a financial year under review during the term of the performance rights when compared to the previous financial year.
- 2) 25% will vest if the Company receives of all required government approvals for the construction of an operating mine at Fountain Head.
- 3) 25% will vest upon the receipt of payment for the first sale of product from the commencement of production on the Fountain Head mining lease.
- 4) 25% will vest if the Company delineates through exploration, or secures through acquisition, new resources and reserves to extend mine life by at least 2 years (or at least double the Fountain Head resource inventory either at Fountain Head or elsewhere within trucking distance of Fountain Head)

PNX Metals Limited (ASX: PNX) Financial Report for the year ended 30 June 2022

21. PERFORMANCE RIGHTS AND SHARE OPTIONS (continued)

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.

During the year, the balance of 359,125,000 unquoted options exercisable at 1.464 cents each, expired on 30 September 2021.

At 30 June 2022, there were no options on issue, as per the table below.

Options	30/06/22		30/06/21	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at beginning of the year	359,125,000	0.01464	379,125,000	0.01498
Options granted	-	-	-	-
Options exercised	-	-	-	-
Options lapsed	(359,125,000)	0.01464	20,000,000	0.01470
Balance at end of the year	-	-	359,125,000	0.01464

22. 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 – (Non-Executive Director)
- Frank Bierlein – (Non-Executive Director)
- Richard Willson – (Non-Executive Director)
- James Fox (Managing Director & Chief Executive Officer)
- Angelo Gaudio – (Chief Financial Officer and Company Secretary)
- Craig Wilson – (Mining, Infrastructure and Studies Manager)

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

	30/06/22	30/06/21
	\$	\$
Short-term employee benefits	935,975	612,898
Post-employment benefits	64,408	33,422
Share-based payments	134,400	85,465
	1,134,783	731,785

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

PNX Metals Limited (ASX: PNX) Financial Report for the year ended 30 June 2022

23. REMUNERATION OF AUDITOR			
		30/06/22	30/06/21
		\$	\$
	Audit and Review of the financial reports	46,174	39,473
	Other services - Tax advisory services	-	10,500
		46,174	49,973

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.

24. RELATED PARTY DISCLOSURES

a) Subsidiaries

Detail of the percentage of ordinary shares held in the Company's subsidiary is disclosed in Note 29.

b) Other related party transactions

Mr. Fox incurred out of pocket expenses throughout the year on behalf of the Group. At 30 June 2022 a reimbursement to Mr. Fox of \$464 was outstanding (2021: \$585).

25. COMMITMENTS FOR EXPENDITURE AND CONTINGENCIES

(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 2022 in respect of minimum expenditure requirements not provided for in the financial statements are approximately:

	30/06/22	30/06/21
	\$	\$
Minimum exploration expenditure on exploration licences	472,056	513,130

(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.
- Ausgold Trading Pty Ltd – 1% gold and silver and 2% other metals net smelter return royalty for product produced from the Glencoe tenement.
- Oz Uranium Pty Ltd – 1% hard rock mineral net smelter royalty for production from 2 mineral leases, 1 mineral lease application and 5 exploration leases in the Northern Territory.

PNX Metals Limited (ASX: PNX) Financial Report for the year ended 30 June 2022

25. COMMITMENTS FOR EXPENDITURE AND CONTINGENCIES (continued)

(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.

(d) Moline asset sale

On 28 February 2022, PNX Metals Limited agreed to divest the Moline project (tenements ML24173, LN1059, MLN41 & EL28616) in the Northern Territory to Sovereign Metallurgical Pty Ltd. As settlement for Tranche 2 of the agreement, PNX at its election can receive cash of \$1,500,000, or shares in any listing transaction, of up to a further \$2.25 million upon transfer of Moline title.

26. FINANCIAL INSTRUMENTS & FINANCIAL RISK MANAGEMENT

Categories of financial instruments

	30/06/22	30/06/21
	\$	\$
Financial assets		
Cash and cash equivalents	3,701,939	3,632,252
Deposits	163,544	164,882
Trade and other receivables	1,810,657	2,362
Environmental Bonds	784,055	1,090,585
Other financial assets – Investment in Sunstone	270,000	193,380
Financial liabilities		
Trade and other payables	546,025	1,050,095
Lease liabilities	205,861	49,912
Financial liabilities	2,400,000	2,400,000

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 6,000,000 shares as at 30 June 2022 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 \$60,000.

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 \$1,285 (2021: increase or decrease by approximately \$2,989).

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.

PNX Metals Limited (ASX: PNX) Financial Report for the year ended 30 June 2022

26. FINANCIAL INSTRUMENTS & FINANCIAL RISK MANAGEMENT (continued)

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.

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
2022	%	\$	\$	\$	\$
Non-interest bearing	-	469,576	99,075	-	2,400,000
Fixed Interest bearing	6.6%	-	24,875	74,626	106,360
2021					
Non-interest bearing	-	232,551	36,670	700,000	2,400,000
Fixed Interest bearing	2.9%	-	2,222	6,664	41,026

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 17) 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.

PNX Metals Limited (ASX: PNX) Financial Report for the year ended 30 June 2022

27. SEGMENT INFORMATION

The Group has a number of exploration tenements in the Northern Territory, which it manages on a portfolio basis. 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.

The Group operates as one segment being exploration and evaluation for minerals in the 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.

28. EARNINGS PER SHARE

	30/06/22	30/06/21
	Cents per share	Cents per share
Basic and Diluted loss per share- continuing operations	(0.02)	(0.04)
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 \$	(764,024)	(1,256,079)
Weighted average number of ordinary shares	3,945,074,826	3,120,018,894

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.

29. CONTROLLED ENTITIES

Name of Entity		Country of Incorporation	Ownership Interest	
			2022 %	2021 %
Parent Entity				
PNX Metals Limited	(i)	Australia		
Subsidiaries				
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.

PNX Metals Limited (ASX: PNX) Financial Report for the year ended 30 June 2022

30. PARENT ENTITY DISCLOSURES

See below the supplementary information about the parent entity.

Commitments for expenditure and contingent liabilities of the parent entity

Note 25 discloses the Group's commitments for expenditure and contingent liabilities, which are also applicable to the parent entity.

Statement of Financial Position		30/06/22 \$	30/06/21 \$
Current Assets		4,193,532	4,058,065
TOTAL ASSETS		28,513,554	24,778,108
Current Liabilities		861,464	1,237,020
TOTAL LIABILITIES		3,377,173	3,693,137
NET ASSETS		25,136,381	21,084,971
EQUITY			
Issued capital		57,458,856	53,545,287
Reserves		413,316	127,143
Accumulated losses		(32,735,791)	(32,587,459)
TOTAL EQUITY		25,136,381	21,084,971
Statement of Profit or Loss and Other Comprehensive Income			
Income		643,874	117,517
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		4,703	1,152,943

31. SUBSEQUENT EVENTS

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 2022


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 2022 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

21st September 2022



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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 2022, 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 2022 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.

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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 \$764,024 during the year ended 30 June 2022, and as of that date, the Group's net operating cash out flow from operating and investing activities is \$3,767,279. 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.

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
Exploration and evaluation assets - Notes 3(g) and 11	
At 30 June 2022 the carrying value of exploration and evaluation assets was \$21,519,844.	Our procedures included, amongst others:
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.	<ul style="list-style-type: none"> obtaining the management reconciliation of capitalised exploration and evaluation expenditure and agreeing to the general ledger; reviewing management's area of interest considerations against AASB 6; conducting a detailed review of management's assessment of trigger events prepared in accordance with AASB 6 including: <ul style="list-style-type: none"> tracing projects to statutory registers, exploration licenses and third party confirmations to determine whether a right of tenure existed; 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; 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; evaluating the competence, capabilities and objectivity of management's experts in the evaluation of potential impairment triggers; reviewing the sale contract for Moline assets and related accounting; and assessing the appropriateness of the related financial statement disclosures.
The process undertaken by management to assess whether there are any impairment triggers in each area of interest involves an element of management judgement.	
This area is a key audit matter due to the significant judgement involved in determining the existence of impairment triggers.	

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 2022, 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 Company/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. This description forms part of our auditor's report.

Report on the remuneration report

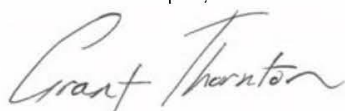
Opinion on the remuneration report

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of PNX Metals Limited, for the year ended 30 June 2022 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.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



I S Kemp
Partner – Audit & Assurance

Adelaide, 21 September 2022