



## **Annual Report**

**for the year ended 30 June 2019**

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## CORPORATE INFORMATION

**ABN 84 618 935 372**

### Directors

Mr Mark Connelly	Non-Executive Chairman
Mr Patric Glovac	Executive Director
Mr Jason Brewer	Non-Executive Director

### Company secretary

Mrs Anna MacKintosh

### Registered and Principal Office

22 Townshend Road  
Subiaco WA 6008

Telephone: 08 6380 2470  
Website: [www.taocommodities.com.au](http://www.taocommodities.com.au)  
Email: [info@taocommodities.com.au](mailto:info@taocommodities.com.au)

### Share register

Automic Pty Ltd  
Level 2, 267 St George's Terrace  
Perth WA 6000

Telephone: 02 9698 5414  
Facsimile: 02 8583 3040

### Solicitors

Nova Legal  
Level 22 50 Kings Park Road  
West Perth WA 6005

### Bankers

NAB  
100 St. Georges Terrace  
Perth WA 6000

### Auditors

BDO Audit (WA) Pty Ltd  
38 Station Street  
Subiaco WA 6008

### Securities Exchange Listing

TAO Commodities Limited shares are listed on the Australian Securities Exchange (ASX: TAO)

## DIRECTORS' REPORT

Your directors present their report together with the financial statements of the Group consisting of TAO Commodities Limited ("the Company") and the entities it controlled during the year for the financial year ended 30 June 2019. In order to comply with the provisions of the Corporations Act 2001, the Directors' report as follows:

### Directors

The names of directors who held office during or since the end of the year and until the date of this report are as follows. Directors were in office for this entire year unless otherwise stated.

#### Mark Connelly (Non-Executive Chairman) appointed 5 May 2017

Experience and expertise	Mr Connelly has more than 29 years of experience in the mining industry, and has held senior executive positions with Newmont Mining Corporation and Inmet Mining Corporation. He is the former managing director and chief executive officer of Papillon Resources Limited, a Mali-based gold developer which merged with B2Gold Corp in a US\$570 million deal. He was chief operating officer of Endeavour Mining Corporation following its merger with Adamus Resources, where he was managing director and CEO. Mr Connelly has extensive experience in financing, development, construction and operation of mining projects in a variety of commodities including gold, base metals and other resources in West Africa, Australia, North America and Europe.
Other current directorships	West African Resources Ltd (ASX: WAF) Calidus Resources (ASX:CAI) Primero Group (ASX:PGX)
Former listed directorships in last 3 years	Ausdrill Limited (ASX: ASL) resigned 29/6/2018 Tiger Resources Limited (ASX: TGS) resigned 30/6/2018 Saracen Minerals Ltd (ASX: SAR) resigned 23/11/2017 Cardinal Resources Limited (ASX.CDV) resigned 11/10/2017
Special Responsibilities	Mr Connelly is a member of the Audit Committee

#### Mr Patrick Glovac (Executive Director) appointed 5 May 2017

Experience and expertise	Mr Glovac holds a Bachelor of Commerce majoring in Finance, Banking, Management and also holds a Diploma of Management. In 2013 Mr Glovac co-founded GTT Ventures Pty Ltd, a boutique corporate advisory firm, specialising in the resource and technology sector. GTT has funded numerous listed and private companies since its inception across multiple markets including Australia, USA and the United Kingdom. Previously he worked as an investment advisor for Bell Potter Securities Limited since 2003, focusing on high net-worth clients and corporate advisory services.
Other current directorships	Robo 3D Limited (ASX.RBO) Global Vanadium Ltd (formerly Baraka Energy & Resources Ltd) (ASX.GLV)
Former listed directorships in last 3 years	Cirrus Networks Limited (ASX: CNW) resigned 23/7/2018 Force Commodities Ltd (4CE) resigned 17/10/2017 Search Party Ltd (formerly Applabs Technologies Ltd (ASX.SP1) resigned 2/8/2016 Kalia Ltd (formerly GB Energy Limited (ASX: KLH) resigned 22/4/2016
Special responsibilities	Mr Glovac is a member of the Audit Committee

**DIRECTORS' REPORT cont.****Mr Jason Brewer (Non-Executive Director) appointed 11 August 2017**

Experience and expertise	<p>Mr Brewer has 18 years' experience in mining, equity investment, corporate and project financing, capital raising, investment advising and evaluation of resource companies. Mr Brewer is a qualified mining engineer with a Master's degree, with honours, from the Royal School of Mines, London. Mr Brewer has experience in a variety of commodities having worked in underground and open-cast mining operations in the UK, Australia, Canada and South Africa. In addition, Mr Brewer has worked for a number of major global investment banks including Dresdner Kleinwort Benson, NM Rothschild &amp; Sons (Australia) Limited and Investec Bank (Australia) Limited in London, Sydney and Perth where he had responsibility for structuring and arranging corporate and project financing facilities for mining companies operating in Asia and Africa.</p> <p>Mr Brewer is also a director of Kupang Resources Limited and its subsidiary Chalceus Pty Ltd. Kupang Resources Limited was involved in significant litigation with Murchison Metals Limited and subsequently with the litigation funder for that action. The litigation funder appointed receivers and managers on 7 August 2014 and, while the company challenged this, ultimately a voluntary administrator was appointed on 29 July 2015. Kupang Resources Limited's insolvency was primarily due to unfavourable court decisions.</p> <p>Further, Mr Brewer was a director of Scooby Holdings Pty Ltd, the trustee of Mr Brewer's family trust. An application for winding up of Scooby Holdings Pty Ltd was commenced by the Deputy Commissioner of Taxation on 4 December 2014 in respect of outstanding income tax payments. External administrators were appointed to the company on 18 February 2015.</p>
Other current directorships	<p>Cape Lambert Resources Ltd (ASX: CFE)  Vector Resources Ltd (ASX: VEC)  Force Commodities Limited (ASX: 4CE)  Global Vanadium Ltd (formerly Baraka Energy &amp; Resources Ltd) (ASX:GLV)  Metalsearch Limited (ASX: MSE)</p>
Former listed directorships in last 3 years	Nil
Special Responsibilities	Mr Brewer is a member of the Audit Committee

**Company Secretary**

Anna MacKintosh B.Com (UWA) CPA

Anna MacKintosh has over 30 years' commercial experience including 11 years with BHP, 10 years with AFSL holder Kirke Securities Ltd as Compliance Manager, Finance Manager and Responsible Executive. Since then Ms MacKintosh has been the Company Secretary/CFO for listed entity Kalia Limited (formerly GB Energy Ltd) (ASX: KLH), Financial Controller for Force Commodities (ASX: 4CE) and previously XTV Networks Ltd (ASX: XTV) and Applabs Technologies Ltd (ASX: ALA). She is also currently Company Secretary of Marquee Resources Ltd (ASX.MQR) and Global Vanadium Ltd (ASX.GLV)

**DIRECTORS' REPORT cont.****Interests in the shares and options of the Company and related bodies corporate**

The following relevant interests in shares and options of the Company or a related body corporate were held by the directors as at the date of this report.

Directors	Number of fully paid ordinary shares	Number of options over ordinary shares
Mr Mark Connelly	Nil	3,000,000
Mr Patric Glovac	1,359,445	3,679,723
Mr Jason Brewer	Nil	2,000,000

There are no unpaid amounts on the shares issued.

**Dividends**

No dividends have been paid or declared since the start of the financial year and the directors do not recommend the payment of a dividend in respect of the financial year.

## **DIRECTORS' REPORT cont.**

### **Principal Activities**

The primary objective of the Company is to focus on mineral exploration opportunities that have the potential to deliver growth of the Company for the benefit of the Shareholders. The Company has commenced exploration activities on the Milford Project in Utah USA. The Company will also seek to pursue new projects in the resource sector which are complementary to the Project.

### **Review of operations**

The net loss of the Group for the year ending 30 June 2019 is \$769,634 (30 June 2018 \$1,312,389). The cash balance at the end of the year was \$2,466,133.

### **Milford Project Utah**

Located near the town of Milford, Utah the company has secured 200 claims prospective for replacement or manto/pipe-style base and precious metals. The project area has numerous old workings, which were exploited for precious and base metals in the 1800s. Very little systematic modern day exploration has been completed, with little if any drilling data known to exist despite the evidence of extensive historical mining activity. The Project is considered prospective for epithermal and replacement style precious and base metal mineralisation along structural corridors in reactive host rocks. Of primary interest are three areas prospective for replacement or manto/pipe-style base and precious metals.

### **Phase 1 Exploration Program**

Early in the December 2018 half, the Company identified a new structure (West Edge Prospect) during recent field-work from the Company's ongoing phase 1 exploration program.

A new prospect was discovered on the previously staked claims. As the name implies, the prospect occurs on the western edge of the original claim block. The prospect is exposed in bulldozer cuts into the side of a hill. The dozer cuts expose a major structure that appears to be approximately 75 feet (23 metres) to 100 feet (30 metres) thick with considerable alteration. It was difficult to determine from the exposure, but the structure appears to strike about N45°E and dip about 25° SE. The prospect occurs in the Permian Talisman Quartzite.

There were 3 obvious bands of mineralised rock within the structure, each approximately 6 feet (2 metres) to 10 feet (3 metres) wide. Copper minerals were evident in the mineralised band at the southeast end of the exposure. A sample from each of the mineralised zones was collected for assay. The size of the structure and presence of mineralisation warrant further investigation. The structure could be easily drilled with 2 or 3 short holes from the road cut into the hillside above the structure. No road building would be required to access the drill sites.

During the June 2018 financial year, 88 samples were collected across all three of the company's prospects within the greater Milford Project.

### **Additional Mining Claims**

During the financial year, the Company staked an additional 100 mining claims. The new mining claims are located south west to the Company's existing Captain Jack prospect, where recent samples were collected, and the new claims also border tenure held by Alderan Resources Limited (ASX:AL8).

### **Tenure Map**

Location of existing claims held by TAO, new claims staked and competitor claims held by Alderan Resources Limited (ASX:AL8). See Figure 1.

DIRECTORS' REPORT cont.

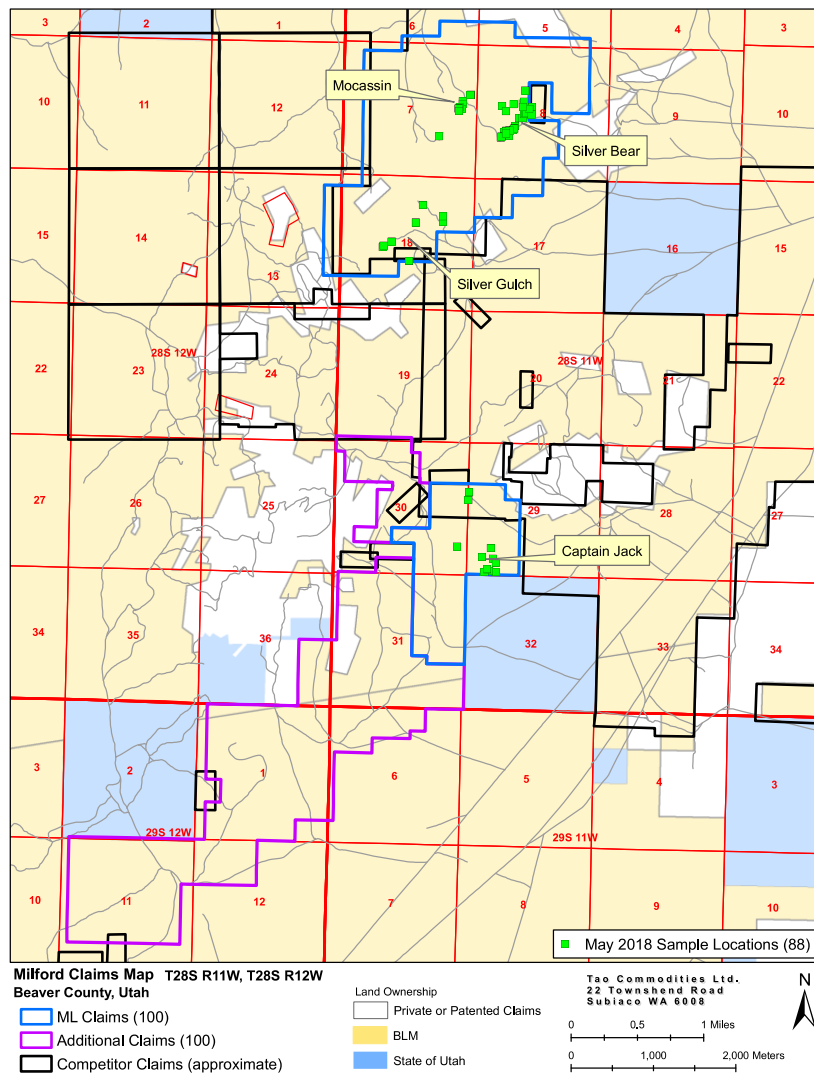


Figure 1 – Milford Project with the newly staked claims

**Maiden Phase 2 Exploration Program**

In June 2019 the maiden drilling program was completed and results were announced to shareholders June 25 2019. Four HQ core holes were drilled and assays received for all samples.

Prior to drilling, an additional claim (ML-051a) was staked to allow the Company to undertake the planned drilling locations as highlighted in figure 2 showing drill locations on claims ML-050 and ML-051



DIRECTORS' REPORT cont.

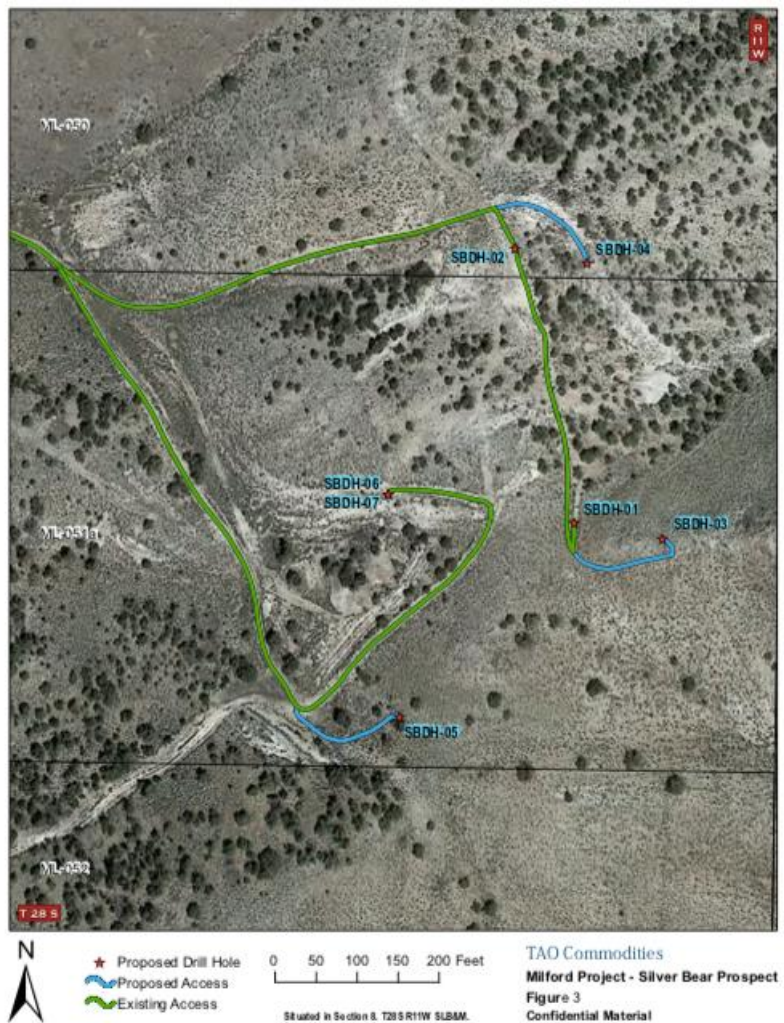


Figure 2: Drill locations (ML-050) and additional claim (ML-051a)

All four holes were drilled at a -60° angle and encompassed 1993.5 feet (607.6 metres) of total drilling (Table 1). Geologically, the drill holes encountered Permian limestones, altered limestones, argillites and numerous faulted and broken zones.

	Easting UTM	Northing UTM	Elevation (ft)	Elevation (m)	Total Depth (ft)	Total Depth (m)	Azimuth (Degrees)	Dip (Degrees)
SBDH-01	315103	4250890	6,296	1,919	500	152.4	345	-60
SBDH-02	315160	4250873	6,260	1,908	496	151.2	345	-60
SBDH-03	315097	4250986	6,265	1,910	498.5	151.9	168	-60
SBDH-04	315117	4250985	6,256	1,907	499	152.1	168	-60
<b>Total</b>					<b>1993.5</b>	<b>607.6</b>		

Table 1 – Completed drill hole data. Locations are in UTM NAD83, Zone 12.

**DIRECTORS' REPORT cont.**

The core was sampled by sawing the core in half and shipping half of the core to ALS Laboratories in Reno, Nevada for assay. The other half of the core was retained for possible future visual inspection or sampling.

The Company will now review its current exploration activities for the Milford Project with a view of undertaking further sampling, mapping and geophysics ahead of any further drilling.

**New Projects**

The Company also continues to advance reviews on several advanced resource assets that would add significant shareholder value through exposure to a larger more advanced Project.

**Significant changes in the state of affairs**

There was no significant change in the state of affairs during the 2019 financial year.

**Significant events after reporting date**

There are no subsequent events to report after the 30 June 2019 financial year.

**Likely developments and expected results**

The company continues to review a number of potential resource acquisitions with a particular focus on brownfields exploration and production assets.

**Environmental regulation**

In the course of its normal exploration activities, the Group adheres to environmental regulations imposed on it by the various regulatory authorities, particularly those regulations relating to ground disturbance and the protection of rare and endangered flora and fauna. The Group has complied with all material environmental requirements during the financial year. The Board believes that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of these environmental requirements as they apply to the Group. The Group believes it is in compliance with NGER Act 2007.

**Indemnification and insurance of Directors and Officers**

The Company has agreed to indemnify all the directors of the Company for any liabilities to another person (other than the Company or related body corporate) that may arise from their position as directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith.

## **DIRECTORS' REPORT cont.**

### **Remuneration report (Audited)**

This report, which forms part of the directors' report, outlines the remuneration arrangements in place for the key management personnel ("KMP") of TAO Commodities Limited for the financial year ended 30 June 2019. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

The remuneration report details the remuneration arrangements for KMP who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent Company.

### **Key Management Personnel**

#### **Directors**

Mr Mark Connelly	Non-Executive Chairman appointed 5 May 2017
Mr Patrick Glovac	Managing Director appointed 5 May 2017
Mr Jason Brewer	Non-Executive Director appointed 11 August 2017

### **Remuneration philosophy**

The performance of the Company depends upon the quality of the directors and executives. The Board has the authority and responsibility for planning, directing and controlling the activities of the company and the Group, including directors of the company and of the senior management. Compensation levels for directors and senior management of the Group are competitively set to attract and retain appropriately qualified and experienced directors and executives.

Remuneration levels are not dependent upon any performance criteria as the Company and the Group are not generating a profit.

### **Remuneration committee**

The Board of Directors of the Company is responsible for determining and reviewing compensation arrangements for the directors and the executive team.

The Board assesses the appropriateness of the nature and amount of remuneration of directors and executives on a periodic basis by reference to relevant employment market conditions with an overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

### **Remuneration structure**

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

### **Non-executive director remuneration**

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The aggregate level (\$250,000) was set at the time of the company's incorporation and has not changed since.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers advice from external shareholders as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

The remuneration of non-executive directors for the year ended 30 June 2019 is detailed in page 13 of this report.

### **Executive director remuneration**

Remuneration consists of fixed remuneration and share based payments detailed in the remuneration table.

### **Fixed Remuneration**

Fixed remuneration is reviewed annually by the Board of Directors. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices.

## DIRECTORS' REPORT cont.

The Committee has access to external, independent advice where necessary. No consultants were engaged during the reporting year.

### Share based payment arrangements

Directors were granted options (in the previous financial year) to purchase ordinary shares at an exercise price determined by the Board with regard to the market value of the shares when it resolved to offer the options. These options were issued in accordance with their employment agreements.

Each share option converts into one ordinary share of the Company on exercise. No amounts were paid to the Company by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of expiry.

The options, vested immediately upon grant, however they are subject 24 months escrow (16 April 2020). The expiry date of the options is 16/4/2020.

### *Use of remuneration consultants*

The Company did not employ the services of remuneration consultants during the financial year. The remuneration of the Company Directors and executives is detailed in page 13 of this report.

### *2018 Annual General Meeting*

The Company received more than 99.8% of votes in favour of the Remuneration Report for the 2018 financial year at the 2018 AGM. The Company did not receive specific feedback at the annual general meeting or during the financial year regarding its remuneration practises.

## Employment Contracts

### Mark Connelly – Non Executive Chairman

The key terms of Mr Connelly's contract are:

- Chairman Fees of \$60,000 per annum plus statutory superannuation and approved employment expenses
- No termination benefits
- 3 million options (Exercise price \$0.30 expiry 16/4/2020) on ASX Listing

### Patric Glovac–Executive Director

The key employment terms of Mr Glovac's service contract are:

- Executive Director fee of \$84,000 per annum plus statutory superannuation and approved employment expenses
- Termination Notice 6 months by either party.
- 3 million options (Exercise price \$0.30 expiry 16/4/2020) on ASX Listing

### Jason Brewer – Non-Executive Director

The key employment terms of Mr Brewer's contract are:

- Director's fee of \$36,000 per annum plus statutory superannuation and approved employment expenses
- No termination benefits
- 2 million options (Exercise price \$0.30 expiry 16/4/2020) on ASX Listing

**DIRECTORS' REPORT cont.****Remuneration of Key Management Personnel**

Key Management Personnel remuneration for the year ended 30 June 2019

30 June 2019	Short-term employment benefits		Post-employment benefit	Equity Share based payments	Total
	Salary & fees	AL Provision Movement	Superannuation		
	\$	\$	\$	\$	\$
<b>Directors</b>					
M Connelly	60,000	-	5,700	-	65,700
P Glovac	84,000	3,538	7,980	-	95,518
J Brewer	39,000 (i)	-	3,705	-	42,705
<b>Total</b>	<b>183,000</b>	<b>3,538</b>	<b>17,385</b>	<b>-</b>	<b>203,923</b>

(i) Mr Brewer's fees include a prepayment of his July 2019 fees of \$3,000 plus \$285 superannuation.

30 June 2018	Short-term employment benefits		Post-employment benefit	Equity Share based payments	Total
	Salary & fees	AL Provision Movement	Superannuation		
	\$	\$	\$	\$	\$
<b>Directors</b>					
M Connelly (i)	30,000	-	2,850	260,100	292,950
P Glovac (i)	42,000	8,160	3,990	260,100	314,250
J Brewer (ii)	18,000	-	1,713	173,400	193,113
B Lambert (iii)	-	-	-	86,700	86,700
<b>Total</b>	<b>90,000</b>	<b>8,160</b>	<b>8,553</b>	<b>780,300</b>	<b>887,013</b>

(i) Appointed 5 May 2017

(ii) Appointed 11 August 2017

(iii) Resigned 11 August 2017

No member of key management personnel appointed during the year received a payment as part of his or her consideration for agreeing to hold the position.

**Bonuses**

No bonuses were granted during the year.

**DIRECTORS' REPORT cont.****Shareholdings of Key Management Personnel**

	Balance at beginning of year	Granted as remuneration	On Exercise of Options	Net Change Other	Balance at end of year
	Number	Number	Number	Number	Number
<b>30 June 2019</b>					
<b>Directors</b>					
Mr Mark Connelly	-	-	-	-	-
Mr Patrick Glovac	1,359,445	-	-	-	1,359,445
Mr Jason Brewer	-	-	-	-	-

All equity transactions with key management have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

**Option holdings of Directors**

Mark Connelly (3 million), Patrick Glovac (3 million) and Jason Brewer (2 million) were granted options (series 1 exercise price \$0.30 with an expiry of 16/04/2020). All options are escrowed until 16/04/2020. See Note 13 also.

	Balance at beginning of year	Granted as remuneration	Options exercised	Net Change Other	Balance at end of year	Grant Value	Percentage vested
	Number	Number	Number	Number	Number		
<b>30 June 2019</b>							
<b>Directors</b>							
Mr Mark Connelly (i) Series 1	3,000,000	-	-	-	3,000,000	\$0.0867	100%
Mr Patrick Glovac (i) Series 1	3,000,000	-	-	-	3,000,000	\$0.0867	100%
Mr Patrick Glovac Listed Options	-	-	-	679,723 <sup>(iii)</sup>	679,723	\$0.01	100%
Mr Jason Brewer (ii) Series 1	2,000,000	-	-	-	2,000,000	\$0.0867	100%

(i) Appointed 5 May 2017

(ii) Appointed 11 August 2017

(iii) Purchased under the Bonus Option Issue September 2018

**No Options were Exercised during 2019 financial year****Other transactions with Key Management Personnel**

The following is a summary of transactions with GTT Ventures Pty Ltd, a company that Patrick Glovac is a Director and shareholder and related party:

- Consultancy fees amounting to \$138,000 have been paid to GTT Ventures Pty Ltd with \$10,500 payable as at 30 June 2019.
- A sub lease for the rental of the office premises in Subiaco is in place with GTT Ventures Pty Ltd. Total rent paid to 30 June 2019 is \$33,000.

**Loans to Key Management Personnel**

There are no loans to key management personnel.

**End of Audited Remuneration Report**

**DIRECTORS' REPORT cont.****Shares under Option**

Unissued ordinary shares in TAO Commodities Ltd under option at the date of this report are as follows:

	Grant date	Expiry date	Exercise price	Number
Unlisted Options (escrowed until 16/4/2020)	16/4/2018	16/4/2020	\$0.30	11,000,000
Listed Options	3/9/2018	1/9/2020	\$0.20	12,182,284
Listed Options	2/10/2018	1/9/2020	\$0.20	3,192,734
Listed Options	22/10/2018	1/9/2020	\$0.20	73,333
Total under option				26,448,351

No options were exercised during the year and up until the date of this report.

**Directors' Meetings**

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

	<u>Directors meetings</u>	
Number of meetings held:	3	
Number of meetings attended:		
Mr Mark Connelly	3	Appointed 5 May 2017
Mr Patrick Glovac	3	Appointed 5 May 2017
Mr Jason Brewer	3	Appointed 11 August 2017

**Proceedings on behalf of the Company**

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

**Auditor's Independence and Non-Audit Services**

Section 307C of the Corporations Act 2001 requires our auditors, BDO Audit (WA), to provide the directors of the Company with an Independence Declaration in relation to the audit of the financial report. This Independence Declaration is set out on page 17 and forms part of this directors' report for the year ended 30 June 2019

**Non-Audit Services**

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company are important.

Details of the amounts paid or payable to the auditor (BDO(WA) Pty Ltd) for audit and non-audit services provided during the year are set out below.

The board of Directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor, as set out below did not compromise the auditors independence requirements of the Corporations act 2001 for the following reasons:

- All non-audit services have been reviewed by the Board to ensure they do not impact the impartiality and objectivity of the auditor.
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

During the year the following fees were paid or payable for non-audit services provided by the auditor of the parent entity, its related practises and non-related audit firms:.

**DIRECTORS' REPORT cont.**

	2019	2018
	\$	\$
<i>Auditor of the parent entity</i>		
Audit or review of the financial statements	30,000	18,000
	<u>30,000</u>	<u>18,000</u>
 <i>Taxation and other advisory services</i>		
Taxation	5,610	-
Advisory Services	-	-
	<u>-</u>	<u>-</u>

Signed in accordance with a resolution of the directors.

Dated: 27 September 2019



Mark Connelly  
Chairman



## DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF TAO COMMODITIES LIMITED

As lead auditor of TAO Commodities Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of TAO Commodities Limited and the entity it controlled during the period.



Dean Just  
Director

BDO Audit (WA) Pty Ltd  
Perth, 27 September 2019

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2019**

	Notes	2019 \$	2018 \$
<b>Continuing operations</b>			
Interest income	2	44,078	2,999
Administrative expenses		(509,709)	(437,148)
Staff expenses		(271,004)	(97,940)
Share Based Payment	11, 13a	(33,000)	(780,300)
<b>Loss before income tax expense</b>		<b>(769,634)</b>	<b>(1,312,389)</b>
Income tax benefit	3	-	-
<b>Loss after income tax for the year</b>		<b>(769,634)</b>	<b>(1,312,389)</b>
<b>Other comprehensive income, net of income tax</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Exchange differences arising on translation of foreign operations		36,438	20,502
Other comprehensive income/(loss) for the year, net of tax		36,438	20,502
Total comprehensive loss for the year attributable to owners of the parent		<b>(733,196)</b>	<b>(1,291,887)</b>
Basic loss per share for the year attributable to the members of TAO Commodities Ltd (cents per share)	5	(2.490)	(14.951)
Diluted loss per share for the year attributable to the members of TAO Commodities Ltd (cents per share)	5	(2.490)	(14.951)

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2019**

	Notes	2019 \$	2018 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	2,466,133	3,639,293
Trade and other receivables	7	15,131	92,179
Prepayments	8	19,883	19,500
		<u>2,501,147</u>	<u>3,750,972</u>
<b>Total current assets</b>		<b>2,501,147</b>	<b>3,750,972</b>
<b>Non-current assets</b>			
Deferred exploration and evaluation expenditure	9	1,081,149	576,083
<b>Total non-current assets</b>		<b>1,081,149</b>	<b>576,082</b>
<b>Total assets</b>		<b>3,582,296</b>	<b>4,327,055</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	10	40,241	182,640
Accruals	10	28,066	72,578
<b>Total current liabilities</b>		<b>68,307</b>	<b>255,218</b>
<b>Total liabilities</b>		<b>68,307</b>	<b>255,218</b>
<b>Net assets</b>		<b>3,513,989</b>	<b>4,071,837</b>
<b>Equity</b>			
Issued capital	11	4,527,709	4,506,110
Reserves	12	1,164,390	974,202
Accumulated losses	12	(2,178,110)	(1,408,476)
<b>Total equity</b>		<b>3,513,989</b>	<b>4,071,837</b>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

Consolidated	Note	Issued capital \$	Option based premium reserve \$	Foreign currency translation reserve \$	Accumulated Losses \$	Total equity \$
<b>Balance at 1 July 2017</b>		3,000	-	-	(96,087)	(93,087)
Loss for the year		-	-	-	(1,312,389)	(1,312,389)
Exchange differences arising on translation of foreign operations		-	-	20,502	-	20,502
<b>Total comprehensive loss for the year</b>		-	-	20,502	(1,312,389)	(1,291,887)
<i>Transactions with owners in their capacity as owner</i>						
Issue of Shares		5,550,000	-	-	-	5,550,000
Share Issue Costs		(1,046,890)	-	-	-	(1,046,890)
Issue of Options			953,700			953,700
<b>Balance at 30 June 2018</b>		4,506,110	953,700	20,502	(1,408,476)	4,071,836
<b>Balance at 1 July 2018</b>		4,506,110	953,700	20,502	(1,408,476)	4,071,836
Loss for the year		-	-	-	(769,634)	(769,634)
Exchange differences arising on translation of foreign operations		-	-	36,438	-	36,438
<b>Total comprehensive loss for the year</b>		-	-	36,438	(769,634)	(733,196)
<i>Transactions with owners in their capacity as owner</i>						
Issue of Shares		33,000	-	-	-	33,000
Share Issue Costs		(11,402)	-	-	-	(11,402)
Issue of Options	11	-	153,750	-	-	153,750
<b>Balance at 30 June 2019</b>		4,527,708	1,107,450	56,940	(2,178,110)	3,513,989

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 \$	2018 \$
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(760,067)	(308,587)
Interest received		44,078	2,999
<b>Net cash (outflows) from operating activities</b>	6	<b>(715,989)</b>	<b>(305,589)</b>
<b>Cash flows from investing activities</b>			
Exploration and evaluation expenditure		(599,521)	(21,395)
Acquisition of Calatos Pty Ltd LLC		-	(85,000)
<b>Net cash (outflows) from investing activities</b>		<b>(599,521)</b>	<b>(106,395)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of equities		153,750	4,750,000
Payments for equities issue costs		(11,402)	(448,723)
Repayment of Borrowings		-	(250,000)
<b>Net cash inflows from financing activities</b>		<b>142,349</b>	<b>4,051,277</b>
Net increase/(decrease) in cash and cash equivalents		(1,173,161)	3,639,293
Cash and cash equivalents at the beginning of the year		3,639,293	-
<b>Cash and cash equivalents at the end of the year</b>	6	<b>2,466,132</b>	<b>3,639,293</b>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of preparation

This General Purpose Financial Report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (including Australian Interpretations) and the *Corporations Act 2001*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

##### *Going Concern*

The financial statements have been prepared on a going concern basis.

##### *Historical Cost Convention*

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

##### *Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 1(e).

##### *Functional and presentation currency*

The functional currency of the Group is measured using the currency of the primary economic environment in which the entity operates (United States), however the financial statements are presented in Australian dollars, which is the economic environment that the parent operates.

#### (b) Adoption of new and revised standards

A number of new or amended standards became applicable for the current reporting year and the Group has changed its accounting policies as a result of the adoption of the following standards:

- AASB 9 *Financial Instruments*; and
- AASB 15 *Revenue from Contracts with Customers*.

The impact of the adoption of these standards and the new accounting policies are disclosed below. The impact of these standards, and the other new standards and amended standards adopted by the Group, has not had a material impact on the amounts presented in the Group's financial statements.

##### **AASB 9 Financial Instruments – Impact of Adoption**

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement* that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of AASB 9 from 1 July 2018 did not give rise to any material transitional adjustments, but has changed the Group's accounting policies in relation to the adoption of AASB 9's new expected credit loss model. Under AASB 9, the Group was required to revise the impairment methodology used in the calculation of its provision for doubtful debts to the expected credit loss model.

##### **Impairment**

From 1 July 2018 the group assesses on a forward looking basis the expected credit losses (ECLs) associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For long term receivables, the ECL is based on either the 12-month or lifetime ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. When there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. In all cases, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES cont.

The Group considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

#### **AASB 15 Revenue from Contract with Customers – Impact of Adoption**

The Group has adopted AASB 15 from 1 July 2018 which has no material impact to the amounts recognised in the financial statements.

#### *Standards and Interpretations in issue not yet adopted*

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2019.

#### **AASB 16 Leases**

If a lessee has significant operating leases outstanding at the date of initial application, right-of-use assets will be recognised for the amount of the unamortised portion of the useful life, and lease liabilities will be recognised at the present value of the outstanding lease payments.

This will increase EBITDA as operating leases that were previously expensed will be amortised as a right-of-use asset, and an interest expense on the lease liability. However, there will be an overall reduction in net profit before tax in the early years of a lease because the amortisation and interest charges will exceed the current straight-line expense incurred under the existing standard. This trend will reverse in the later years.

There will be no change to the accounting treatment for short-term leases less than 12 months and leases of low value items, which will continue to be expensed on a straight-line basis.

The Company has considered this standard and identified there will be minimal impact on the financial statements.

#### **(c) Statement of compliance**

The financial report was authorised for issue by the directors on 27 September 2019. The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

#### **(d) Basis of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of TAO Commodities Limited ('Company' or 'parent entity') as at 30 June 2019 and the results of all subsidiaries for the year then ended. TAO Commodities Limited and its subsidiaries are referred to in this financial report as the Group.

The financial statements of the subsidiaries are prepared for the same reporting year as the parent entity, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit or losses resulting from intra-Group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing when the Group controls another entity.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139 'Financial Instruments: Recognition and Measurement' or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

#### (e) Critical accounting estimates and judgements

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the year in which the estimate is revised if it affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

#### *Asset Acquisition:*

When an asset acquisition does not constitute a business combination, the assets and liabilities are assigned a carrying amount based on their relative fair values in an asset purchase transaction and no deferred tax will arise in relation to the acquired assets and assumed liabilities as the initial recognition exemption for deferred tax under AASB 112 applies. No goodwill will arise on the acquisition and transaction costs of the acquisition will be included in the capitalised cost of the asset. Asset's acquired during the year were exploration expenditure.

#### *Share-based payment transactions:*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black and Scholes model.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the consolidated entity's estimate of equity instruments that will eventually vest. At the end of each reporting year, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

#### *Impairment of exploration expenditure*

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. When assessing impairment of exploration and evaluation assets, the carrying amount of exploration and evaluation is compared to its recoverable amount. The estimated recoverable amount is used to determine the extent of the impairment loss (if any).

As at 30 June 2019 the Directors reviewed the Group's exploration portfolio for indicators of impairment. As a result of this review, the Board made that decision that no impairment was required in the current year's accounts. Refer to Note 9 also.

#### (f) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of TAO Commodities Limited.

#### (g) Foreign currency translation

Both the functional and presentation currency of TAO Commodities Limited and its Australian subsidiaries is Australian dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

As at the reporting date the assets and liabilities of this subsidiary are translated into the presentation currency of TAO Commodities Limited at the rate of exchange ruling at the reporting date and income and expense items are translated at the average exchange rate for the year, unless exchange rates fluctuated significantly during that year, in which case the exchange rates at the dates of the transactions are used.

The exchange differences arising on the translation are taken directly to a separate component of equity, being recognised in the foreign currency translation reserve.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

In addition, in relation to the partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting year. Exchange differences arising are recognised in equity.

#### (h) Revenue recognition

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

#### *Interest income*

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

#### (i) Income tax

The income tax expense or benefit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary difference and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting year in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management yearically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

#### **(j) Goods and Services taxes**

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

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

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **(k) Impairment of tangible and intangible assets other than goodwill**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

#### **(l) Cash and cash equivalents**

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

#### **(m) Trade and other receivables**

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

#### **(n) Financial assets**

##### *Classification*

The consolidated entity classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *(i) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

#### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter year.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'.

#### *Recognition and derecognition*

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the consolidated entity commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed to the Statement of Profit or Loss and Other Comprehensive Income. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the Statement of Profit or Loss and Other Comprehensive Income as gains and losses from investment securities.

#### *Subsequent measurement*

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in Statement of Profit or Loss and Other Comprehensive Income within other income or other expenses in the year in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the Statement of Profit or Loss and Other Comprehensive Income as part of revenue from continuing operations when the consolidated entity's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

#### *Fair value*

The fair values of quoted investments are based on last trade prices. If the market for a financial asset is not active (and for unlisted securities), the consolidated entity establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

#### *Impairment*

The consolidated entity assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments classified as available-for-sale are not reversed through the statement of comprehensive income.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (o) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

#### (p) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Profit or Loss and Other Comprehensive Income net of any reimbursement.

Provisions are measured at the present value or management's best estimate of the expenditure required to settle the present obligation at the end of the reporting year.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

#### (q) Share-based payment transactions

##### *Equity settled transactions*

The Group in a previous financial year provided benefits to employees of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black-Scholes model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of TAO Commodities Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the year in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting year).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting year has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The Statement of Profit or Loss and Other Comprehensive Income charge or credit for a year represents the movement in cumulative expense recognised as at the beginning and end of that year.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share. Refer Note 5.

#### (r) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a new business are not included in the cost of acquisition as part of the purchase consideration.

#### (s) Loss per share

Basic loss per share is calculated as net loss attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted loss per share is calculated as net loss attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the year that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

#### (t) Exploration and evaluation

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

- the rights to tenure of the area of interest are current; and
- at least one of the following conditions is also met:
  - the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, 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 or otherwise 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 acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortised of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). 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 that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

#### (u) Parent entity financial information

The financial information for the parent entity, TAO Commodities Limited, disclosed in Note 17 has been prepared on the same basis as the consolidated financial statements, except as set out below.

#### *Investments in subsidiaries*

Investments in subsidiaries are accounted for at cost in the parent entity's financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019****NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(v) 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 they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 2: REVENUE AND EXPENSES**

	2019	2018
	\$	\$
<i>Revenue</i>		
Interest income	44,078	2,999
	<u>44,078</u>	<u>2,999</u>
	2019	2018
	\$	\$
<i>Other expenses</i>		
Administration	509,709	437,148
Staff expenses	271,004	97,940
Share based payment (See also Note 11)	33,000	780,300
	<u>813,713</u>	<u>1,315,388</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 3: INCOME TAX

*Income tax recognised in profit or loss*

The major components of tax expense are:

	2019	2018
	\$	\$
Current tax expense/(income)	-	-
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	-	-
	<u>-</u>	<u>-</u>

The prima facie income tax benefit on pre-tax accounting loss from operations reconciles to the income tax benefit in the financial statements as follows:

	2019	2018
	\$	\$
Accounting loss before tax from continuing operations	(769,634)	(1,312,389)
Gain before tax from discontinued operations	-	-
Accounting loss before income tax	<u>(769,634)</u>	<u>(1,312,389)</u>
Income tax benefit calculated at 30%	(230,890)	(393,717)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment	1,636	-
Share-based payment	9,900	234,090
Temporary movements	(18,224)	-
Other non-deductible expenditure	104,200	47,104
Deferred tax assets not brought to account	<u>133,377</u>	<u>112,523</u>
Income tax benefit reported in the consolidated statement of comprehensive income	<u>-</u>	<u>-</u>
Income tax attributable to discontinued operations	<u>-</u>	<u>-</u>

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

#### *Unrecognised deferred tax assets*

Deferred tax assets have not been recognised in respect of the following items:

	2019	2018
	\$	
Tax losses	232,609	82,380
Expenses taken into equity	85,846	107,694
Tax losses – capital	-	-
Other temporary differences	16,008	62,916
	<u>334,463</u>	<u>252,990</u>
Off-set of deferred tax liabilities	(5,965)	(5,850)
Net deferred tax asset unrecognised	<u>328,498</u>	<u>247,140</u>

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits thereof.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 4: SEGMENT REPORTING

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker in order to allocate resources to the segment and to assess its performance.

The Group's operating segments have been determined with reference to the monthly management accounts used by the Chief Operating Decision maker to make decisions regarding the Group's operations and allocation of working capital. Due to the size and nature of the Group, the Board as a whole has been determined as the Chief Operating Decision Maker.

Information reported to the Group's Board of Directors for the purposes of resource allocation and assessment of performance is more specifically focused on the exploration and development of mineral resource projects. The Group's reportable segments under AASB8 are therefore as follows:

- Exploration and evaluation – Utah
- Other sector

Exploration and evaluation - Utah refers to the Milford Project Exploration licenses (EL's) held in Utah USA. The Group holds a 100% interest in these licences through Calatos Pty Ltd LLC, a wholly owned subsidiary of TAO Commodities Limited.

The other sector relates to head office operations, including cash management. Information regarding these segments is presented below. The accounting policies of the reportable segments are the same as the Group's accounting policies.

#### Segment information

The following table presents revenue and profit information and certain asset and liability information regarding business segments for the year ended 30 June 2018 and 30 June 2019

	Continuing Operations		
	Exploration and Evaluation – Utah USA	Other	Consolidated
30 June 2019	\$	\$	\$
<b>Revenue</b>			
Total segment revenue	-	44,078	44,078
<b>Segment results</b>			
Segment Result	-	(769,634)	(769,634)
<b>Segment assets</b>			
Segment assets	1,081,149	2,501,147	3,582,296
<b>Segment liabilities</b>			
Segment liabilities	-	68,307	68,307
<b>Cash flow information</b>			
Net cash flow from operating activities	-	(715,989)	(715,989)
Net cash flow from investing activities	(599,521)	-	(599,521)
Net cash flow from financing activities	-	142,349	142,349

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 4: SEGMENT REPORTING cont.

30 June 2018	Continuing Operations		
	Exploration and Evaluation – Utah USA \$	Other \$	Consolidated \$
<b>Revenue</b>			
Total segment revenue	-	2,999	2,999
<b>Segment results</b>			
Segment Result	-	(1,312,389)	(1,312,389)
<b>Segment assets</b>			
Segment assets	576,083	3,750,972	4,327,055
<b>Segment liabilities</b>			
Segment liabilities	-	255,218	255,218
<b>Cash flow information</b>			
Net cash flow from operating activities	-	(305,589)	(305,589)
Net cash flow from investing activities	(106,395)	-	(106,395)
Net cash flow from financing activities	-	4,051,277	4,051,277

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 5: LOSS PER SHARE

	2019	2018
	Cents per share	Cents per share
<i>Basic loss per share</i>		
Continuing operations	(2.490)	(14.951)
Total basic loss per share	<u>(2.490)</u>	<u>(14.951)</u>

	2019	2018
	Cents per share	Cents per share
<i>Diluted loss per share</i>		
Continuing operations	(2.490)	(14.951)
Total diluted loss per share	<u>(2.490)</u>	<u>(14.951)</u>

#### *Basic loss per share*

The earnings and weighted average number of ordinary shares used in the calculation of basic loss per share is as follows:

	2019	2018
	\$	\$
Loss	(769,634)	(1,312,389)
Loss from continuing operations	<u>(769,634)</u>	<u>(1,312,389)</u>

	2019	2018
	Number	Number
Weighted average number of ordinary shares for Basic earnings per share	30,903,575	8,778,082
Diluted earnings per share	<u>30,903,575</u>	<u>8,778,082</u>

### NOTE 6: CASH AND CASH EQUIVALENTS

	2019	2018
	\$	\$
Cash at bank and on hand	<u>2,466,133</u>	<u>3,639,293</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Refer also to Note 14

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### Reconciliation of loss for the year to net cash flows from operating activities

	2019	2018
	\$	\$
Loss for the year	(769,634)	(1,312,389)
Depreciation and amortisation	-	-
Other non-cash items	102,954	70,548
Unrealised foreign exchange	36,438	20,502
Share based payment	33,000	780,300
(Increase)/decrease in assets:		
Trade and other receivables	77,048	(89,179)
Other current assets	(383)	(4,500)
Increase/(decrease) in liabilities:		
Trade and other payables	(195,410)	229,131
Net cash from operating activities	<u>(715,989)</u>	<u>(305,588)</u>

### Non-Cash Investing Activity

Issue of shares to acquire asset	-	201,833
Issue of options to acquire asset	-	173,400
	<u>-</u>	<u>375,233</u>

### NOTE 7: TRADE AND OTHER RECEIVABLES

	2019	2018
	\$	\$
Other receivables	3,454	3,454
GST receivables	11,677	88,725
	<u>15,131</u>	<u>92,179</u>

### NOTE 8: OTHER FINANCIAL ASSETS

	2019	2018
	\$	\$
<i>Current</i>		
Calatos Pty Ltd Prepayment	-	-
Prepayments – D&O Insurance	19,883	19,500
	<u>19,883</u>	<u>19,500</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 9: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	2019 \$	2018 \$
Costs carried forward in respect of:		
<i>Exploration and evaluation phase – at cost</i>		
Balance at beginning of year	576,083	-
Asset acquired	-	460,233
Exploration expenditure	448,127	97,052
Foreign Exchange	56,950	18,798
Total exploration and evaluation expenditure	<u>1,081,150</u>	<u>576,083</u>

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas.

### NOTE 10: TRADE AND OTHER PAYABLES / BORROWINGS

	2019 \$	2018 \$
Trade payables (i)	3,211	147,081
Payroll Liabilities	28,531	35,559
Accruals	28,066	72,578
Credit Card	8,499	-
	<u>68,307</u>	<u>255,218</u>

(i) Trade payables are non-interest bearing and are normally settled on 30-day terms.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 11: ISSUED CAPITAL

	2019 \$	2018 \$
30,970,000 Ordinary shares issued and fully paid	4,527,709	4,506,110

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

#### *Movement in ordinary shares on issue*

	2019		2018	
	Number	\$	Number	\$
Balance at beginning of year	30,750,000	4,506,110	3,000,000	3,000
Shares issued to Consultant <sup>(i)</sup>	220,000	33,000	-	-
IPO April 2018	-	-	23,750,000	4,750,000
Lead Manager Shares	-	-	2,990,833	598,167
Calatos Pty Ltd LLC (USA) acquisition	-	-	1,009,167	201,833
Capital Raising Costs	-	(11,401)	-	(1,046,890) <sup>(i)</sup>
Balance at end of year	30,970,000	4,527,709	30,750,000	4,506,110

(i) In October 2018, 220,000 shares (valued at 15 cents per share) were issued to a non-related party in lieu of fees for services provided to the company

#### *Share options*

The Company during the current financial year offered shareholders Bonus Loyalty Listed Options for 1 cent per option (1 for 2) with an exercise price of 20 cents and expiry 1 Sep 2020. Total funds raised was \$153,750. Further to this 73,333 free attaching options (on the same terms) were issued to a Consultant in lieu of fees for services.

	2019		2018	
	Number	\$	Number	\$
Balance at beginning of year	11,000,000	953,700	-	-
Bonus loyalty option issue Sep 2018	15,375,018	153,750	-	-
Option issued to Consultant (free attaching) Oct 2018	73,333	-	-	-
Options granted April 2018 (Directors and former Director)	-	-	9,000,000	780,300
Options granted to Calatos Pty Ltd LLC (USA) (Vendor)	-	-	2,000,000	173,400
Balance at end of year	26,448,351	1,107,450	11,000,000	953,700

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 12: RESERVES AND ACCUMULATED LOSSES

#### Reserves

Movements in reserves were as follows:

	Option premium reserve	Share based payment reserve	Foreign currency translation reserve	Total
2019	\$	\$	\$	\$
Balance at beginning of year	953,700	-	20,502	974,202
Equity based payment (options)	153,750	-	-	153,750
Currency translation differences	-	-	36,438	36,438
Balance at end of year	1,107,450	-	56,940	1,164,390

	Option premium reserve	Share based payment reserve	Foreign currency translation reserve	Total
2018	\$	\$	\$	\$
Balance at beginning of year	-	-	-	-
Equity based payment (options)	953,700	-	-	953,700
Currency translation differences	-	-	20,502	20,502
Balance at end of year	953,700	-	20,502	974,202

#### *Nature and purpose of reserves*

##### Share based payment and option premium reserve

The share based payment reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration. The option premium reserve arises on the grant of share options for consideration.

##### Foreign currency translation reserve

Exchange differences relating to the translation from the functional currencies of the Group's foreign controlled entities into Australian dollars are brought to account by entries made directly to the foreign currency translation reserve.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### Accumulated Losses

Movements in accumulated losses were as follows:

	2019	2018
	\$	\$
Balance at beginning of year	(1,408,476)	(96,087)
Net loss for the year	(769,634)	(1,312,389)
Balance at end of year	<u>(2,178,110)</u>	<u>(1,408,476)</u>

### NOTE 13: SHARE BASED PAYMENT PLANS

#### 13.a Expenses arising from share based payments

Total expenses arising from share based payments transactions recognised during the year as part of employee benefit expense were as follows

	2019	2018
	\$	\$
Options issued to Directors (see also Note 13b)	-	780,300
Total share based payments	-	780,300
Shares issued to Director via associated entity (GTT Ventures), offset to equity	-	71,889
Shares issued to brokers, offset to equity	-	526,278
Shares (220,000 share @ \$0.15 per share) issued to Consultant in lieu of fees.	33,000	-

#### 13.b Employee Share Options

Options issued to Directors are not issued under an Employee Share Option Plan and are subject to approval by shareholders.

The following share-based payment arrangements were in place during the current year:

Series	Number	Grant date	Expiry date	Exercise price	Fair value at grant date
<u>Directors and former Director</u>					
1. Options issued 16/4/2018 (escrowed until 16/4/2020)	9,000,000	16/4/2018	16/4/2020	\$0.30	\$0.0867
<u>Vendor Calatos Pty Ltd LLC</u>					
2. Options issued 16/4/2018 (escrowed until 16/4/2020)	2,000,000	16/4/2108	16/4/2020	\$0.30	\$0.0867

The fair value of the unlisted options was determined using the Black Scholes Method. Inputs used to determine the valuation were:

Series 1
Number of Options: 11,000,000
Share Price: \$0.20
Exercise Price: \$0.30
Expected Volatility: 100%
Expiry date (years): 2
Expected dividend yield: nil
Risk free rate: 2.18%

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

The following table illustrates the number and weighted average exercise prices of, and movements in, share options on issue during the 2019 year.

	2019		2018	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Outstanding at the beginning of year	11,000,000	0.30	-	-
Granted during the year	15,448,351	0.20	11,000,000	0.30
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of year	26,448,351	0.24	11,000,000	0.30
Vested and exercisable at the end of year	26,448,351	-	11,000,000	-

No options expired during the years covered by the above tables.

No options were exercised during the year.

### NOTE 14: FINANCIAL INSTRUMENTS

#### *Capital risk management*

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of cash and cash equivalents (no debt) and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

None of the Group's entities are subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures such as tax, and general administrative outgoings.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### *Categories of financial instruments*

	2019	2018
	\$	\$
<b>Financial assets</b>		
Cash and cash equivalents	2,466,133	3,639,293
Receivables	15,131	92,179
Prepayments	19,833	19,500
<b>Financial liabilities</b>		
Trade and other payables	68,307	255,218

### *Financial risk management objectives*

The Group is exposed to market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

### *Market risk*

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, commodity prices and exchange rates.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk from the previous year

### *Interest rate risk management*

The Group's exposures to interest rates on financial assets and financial liabilities are confined to variable interest rates on its cash holdings of \$2,466,133 at reporting date.

### *Interest rate risk sensitivity analysis*

The sensitivity analysis below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the change in interest rates.

At reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the impact on the net loss and equity would be:

Net loss would decrease by \$12,331 and equity would increase by \$12,331

### *Credit risk management*

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 adopted 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 defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses publicly available financial information and its own trading record to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments 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 allowance for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

### *Fair Values*

The carrying amount of the Group's financial assets and liabilities approximates their carrying amounts at reporting date.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 15: COMMITMENTS AND CONTINGENCIES

a) *USA minerals exploration program*

As at 30 June 2019, Calatos Pty Ltd LLC (USA) (100% subsidiary of TAO Commodities) held Exploration licences in Utah USA. The annual financial commitment is as follows;

Licence	Annual Commitment
200 Claims Utah	\$65,983 (USD 48,900)
	\$65,983

b) *Operating lease commitments*

TAO Commodities Limited has entered into a three year lease arrangement commencing 1 April 2018, at \$3,000 per month including outgoings.

### NOTE 16: RELATED PARTY DISCLOSURE

The consolidated financial statements include the financial statements of TAO Commodities Limited and the subsidiaries listed in the following table.

	Country of incorporation	2019 \$
Parent Entity		
TAO Commodities Limited	Australia	
Subsidiaries		
Calatos Pty Ltd LLC (held 100% by TAO Commodities)	USA	100%

TAO Commodities Limited is the ultimate Australian parent entity and ultimate parent of the Group.

#### **Key Management Personnel Remuneration**

##### *Transactions with Key Management Personnel*

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report. Total remuneration paid to key management personnel is as follows:

	2019 \$	2018 \$
<i>Remuneration type</i>		
Short- term employee benefits	186,538	90,000
Post-employment benefits	17,385	8,553
Non monetary benefit	-	780,300
Total	203,923	878,853

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

The following is a summary of transactions with GTT Ventures Pty Ltd, a company that Patrick Glovac is a Director and shareholder and related party:

Consulting Fee \$138,000 with \$10,500 payable as at June 30 2019  
Rent and Outgoings \$33,000

All transactions were made under normal commercial terms and conditions and at market rates.

### *Loans to Key Management Personnel*

There were no loans to Key Management Personnel.

### *Other transactions and balances with Key Management Personnel*

Nil.

## NOTE 17: PARENT ENTITY DISCLOSURES

### *Financial position*

	2019	2018
	\$	\$
<b>Assets</b>		
Current assets	2,501,073	3,750,972
Non-current assets	1,024,208	555,580
Total assets	<u>3,525,355</u>	<u>4,306,552</u>
<b>Liabilities</b>		
Current liabilities	68,307	255,218
Non-current liabilities	-	-
Total liabilities	<u>68,307</u>	<u>255,218</u>
<b>Equity</b>		
Issued capital	4,527,708	4,506,110
Reserves		
• Option premium reserve	1,107,450	953,700
• Equity settled employee benefits	-	-
Accumulated losses	(2,178,110)	(1,408,476)
Total equity	<u>3,457,048</u>	<u>4,051,334</u>

### *Financial performance*

	2019	2018
	\$	\$
Loss for the year	(769,634)	(1,312,389)
Other comprehensive loss	-	-
Total comprehensive loss	<u>(769,634)</u>	<u>(1,312,389)</u>

### *Guarantees entered into by the parent entity in relation to the debts of its subsidiaries*

TAO Commodities Limited has not entered into any deed of cross guarantee with its wholly-owned subsidiaries during the year ended 30 June 2019.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 18: EVENTS AFTER THE REPORTING YEAR

There are no subsequent events to report after the 30 June 2019 financial year.

### NOTE 19: AUDITOR'S REMUNERATION

The auditor of TAO Commodities Limited is BDO Audit (WA) Pty Ltd . The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2019	2018
	\$	\$
<i>Auditor of the parent entity</i>		
Audit or review of the financial statements	30,000	18,000
	<u>30,000</u>	<u>18,000</u>
<i>Taxation and other advisory services</i>		
Taxation	5,610	-
Advisory Services	-	-
	<u>-</u>	<u>-</u>

**DIRECTORS' DECLARATION**

1. In the opinion of the directors of TAO Commodities Limited (the 'Company'):
  - a. the accompanying financial statements and notes are in accordance with the Corporations Act 2001 including:
    - i. giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the year then ended; and
    - ii. complying with Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements.
  - b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
  - c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2019.

This declaration is signed in accordance with a resolution of the Board of Directors.



Mark Connelly  
Chairman

Dated 27 September 2019

## INDEPENDENT AUDITOR'S REPORT

To the members of TAO Commodities Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of TAO Commodities Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, 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:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- (ii) 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 Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (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 confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

#### 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.



## Accounting for Exploration and Evaluation Asset

Key audit matter	How the matter was addressed in our audit
<p>At 30 June 2019, the Group held a significant carrying value of Exploration and Evaluation Assets as disclosed in Note 9.</p> <p>As the carrying value of the Exploration and Evaluation Asset represents a significant asset of the Group, we considered it necessary to assess whether any facts or circumstances exist to suggest that the carrying amount of this asset may exceed its recoverable amount.</p> <p>Judgement is applied in determining the treatment of exploration expenditure in accordance with Australian Accounting Standard AASB 6 Exploration for and Evaluation of Mineral Resources. In particular:</p> <ul style="list-style-type: none"> <li>• Whether the conditions for capitalisation are satisfied;</li> <li>• Which elements of exploration and evaluation expenditures qualify for recognition;</li> <li>• Recognition and valuation of purchase consideration for tenement acquisitions; and</li> <li>• Whether facts and circumstances indicate that the exploration and expenditure assets should be tested for impairment.</li> </ul>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Obtaining a schedule of the areas of interest held by the Group and assessing whether the rights to tenure of those areas of interest remained current at balance date;</li> <li>• Considering the status of the ongoing exploration programmes in the respective areas of interest by holding discussions with management, and reviewing the Group's exploration budgets, ASX announcements and director's minutes;</li> <li>• Considering whether any such areas of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed;</li> <li>• Verifying, on a sample basis, evaluation expenditure capitalised during the year for compliance with the recognition and measurement criteria of AASB 6;</li> <li>• Considering whether any facts or circumstances existed to suggest impairment testing was required; and</li> <li>• We also assessed the adequacy of the related disclosures in Note 1(t) and Note 9 to the financial report.</li> </ul>

### Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and the 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 ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has 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 (<http://www.auasb.gov.au/Home.aspx>) at:

[http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.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 pages 11 to 14 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of TAO Commodities Limited, for the year ended 30 June 2019, 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.

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink, appearing to read 'Dean Just', written over the printed name.

Dean Just

Director

Perth, 27 September 2019

## **CORPORATE GOVERNANCE STATEMENT**

The Company's Corporate Governance disclosure is available on the Company's website at:  
[www.taocommodities.com.au](http://www.taocommodities.com.au)

**ADDITIONAL SECURITIES EXCHANGE INFORMATION****ASX additional information as at 23 SEPTEMBER 2019****Number of holders of equity securities**Ordinary share capital

30,970,000 fully paid ordinary shares are held by 327 individual shareholders.

All issued ordinary shares carry one vote per share.

Options

	<b>Number on Issue</b>	<b>Number of Holders</b>
Unlisted options exercise price \$0.30 expiry 16/04/2020	11,000,000	5
Listed Options exercise price 20 cents expiry 1 Sep 2020	15,448,351	207

**Distribution of holders of equity securities**

	<b>Number of holders</b>	<b>Fully paid ordinary shares</b>	<b>Number of holders Unlisted Options</b>	<b>Number of holders Listed Options</b>
1 – 1,000	10	1,124		3
1,001 – 5,000	23	78,199		42
5,001 – 10,000	59	558,923		20
10,001 – 100,000	269	7,117,110		110
100,001 and over	66	23,214,644	5	32
	<u>327</u>	<u>30,970,000</u>	<u>5</u>	<u>207</u>

Holding less than a  
marketable parcel

22

**Substantial shareholders**

	<b>Fully paid ordinary shares % held</b>	<b>Number</b>
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**Ordinary shareholders**

Mounts Bay Investments PL	6.36%	1,969,444
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<b>Ordinary shareholders</b>	<b>Fully paid ordinary shares</b>	
	<b>Number</b>	<b>Percentage</b>
Mounts Bay Investments PL	1,969,444	6.36%
Kcirtap Securities PL	1,359,445	4.39%
Syracuse Capital PL <The Tenacity A/C>	1,359,444	4.39%
Ms Chunyan Niu	1,242,000	4.01%
Threebee Investment Group PL	1,100,000	3.55%
Mr Bruce McFarlane	1,009,167	3.26%
Cosimo Tassone	880,000	2.84%
Syracuse Capital PL	801,219	2.59%
Mr Fawzi Kassab	720,000	2.32%

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Rimoyne PL	650,115	2.10%
Mr Graeme Palmer	613,866	1.98%
Mr Wafa Muhammad Iqbal	515,000	1.66%
Mr Sufian Ahmad	510,000	1.65%
Slam Consulting PL	500,000	1.61%
Schammer PL	437,500	1.41%
Ratdog PL	437,500	1.41%
SC3 Promotions PL	379,171	1.22%
Mr A Trakilovic & Mrs Svjetlana Bjelac	340,144	1.10%
Fire City PL	330,000	1.07%
Crossroads (Aust) PL	325,000	1.05%
Mrs Vanessa Ruben	302,851	0.98%
	<b>15,781,866</b>	<b>50.96%</b>

**Company Secretary**

Mrs Anna MacKintosh

**On-market buy-back**

Currently there is no on-market buy-back of the Company's securities

**Registered and principal office**22 Townshend Road  
Subiaco WA 6008**Share registry**

Automic Pty Ltd

**TENEMENT SCHEDULE**

As at 27 September 2019

TENEMENT	LOCATION	INTEREST
ML-001 to ML-200	Utah USA	100%
Total Number of Claims	200	