



Annual Report

for the year ended 30 June 2018

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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
Email: 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)

CHAIRMANS REPORT

Dear Shareholder

On behalf of the Board of Directors of Tao Commodities Limited, I am pleased to provide the following summary of what has been the initial year for your Company, following our admission to the ASX on the 16th April 2018.

A major highlight was the strong investor support received on the formation and listing of the company, which enabled some \$4.75million raised to commence early stage exploration work on the Company acquired package of a 100 minerals claims over an 8.06km area located approximately 6km west of the town of Milford in Beaver County, Utah, United States (Milford Project).

The core strategy of your Company is to advance the Milford Project and undertake further exploration activities focusing on the Silver Bear and Captain Jack Prospects.

The Company's strategy will be to leverage the expertise of its management and Directors to monetise the Milford Project through a thorough evaluation of each of the Claims mineral exploration potential and the potential development scenarios.

During 2018, we continued our strategy for further consolidation and expansion around the current claims and as at June 2018, TAO now has 200 mineral claims under control, application or option, covering the entirety of the Milford Project.

Looking forward, the Company is well funded as we continue with its ongoing exploration campaign that commenced in May 2018. The initial soil sampling program has already highlighted a number of geological targets. The purpose of this ongoing exploration program is to verify new targets that lie adjacent to the Silver Bear and Captain Jack Prospects, which will lead into the Company's maiden drilling program anticipated to occur during 2018.

2019 is shaping up as a busy year for your company, Tao Commodities and news flow and activities will be reported as they come to hand.

Finally, I would like to take this opportunity to thank all staff, advisors, contractors and our shareholders who have allowed us to commence this journey together.



Mark Connolly
Non-executive Chairman

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 period for the financial period ended 30 June 2018. 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 period and until the date of this report are as follows. Directors were in office for this entire period 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 Patric 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) Baraka Energy & Resources Ltd (ASX.BKP)
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	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 & 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. 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. 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.
Other current directorships	Cape Lambert Resources Ltd (ASX: CFE) Vector Resources Ltd (ASX: VEC) Force Commodities Limited (ASX: 4CE) Baraka Energy & Resources Ltd (ASX:BKP) Metalsearch Limited (ASX: MSE)
Former listed directorships in last 3 years	Nil
Special Responsibilities	Mr Brewer is a member of the Audit Committee

Brett Lambert (Non-Executive Director) appointed 5 May 2017 and resigned 11 August 2017

Brett Lambert has a Mining Engineering Degree and holds a WA First Class Mine Managers Certificate. He started off his career working with WMC at a number of different operations. He later joined Herald Resources as a Resident Manager and then later joined Western Metals as General Manager Operations at their Pb/Zn/Cu & silver mines. Brett was the Managing Director of Thundelarra Exploration for five years and then became the Managing Director of Bullabulling Gold. He was in charge when the company was sold to Norton Goldfields. Brett was recently the interim CEO/Managing Director of ABM Resources. Brett is a very experienced Managing Director of exploration & mining companies.

Company Secretary

Anna MacKintosh B.Com (UWA) CPA appointed 10 June 2017

Mrs. Anna Maria MacKintosh, B.Com (UWA) CPA also serves as Company Secretary at Marquee Resources Ltd (**ASX:MQR**) and joint Company Secretary for Baraka Energy & Resource Ltd (**ASX:BKP**) .

She has over 26 years commercial experience including 11 years with BHP, 10 years with AFSL holder Kirke Securities Ltd as Compliance Manager, Finance Manager and Responsible Executive. Mrs. MacKintosh was previously the Company Secretary/CFO of Kalia Limited (ASX:KLH) (2009 -2018 formerly GB Energy Limited), Applabs Technologies Ltd , XTV Limited, and Financial Controller at Force Commodities Ltd.

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	3,000,000
Mr Jason Brewer	Nil	2,000,000

There are no unpaid amounts on the shares issued.

The Company currently has 11 million unlisted options on issue that are escrowed until 16/4/2020.

Dividends

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

DIRECTORS' REPORT cont.

Principal Activities

TAO Commodities was admitted to the ASX on the 12 April 2018.

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

TAO Commodities Limited was incorporated 5 May 2017 and admitted to the ASX official List on the 12 April 2018.

The TAO Commodities Ltd supplementary prospectus dated 27 February 2018 (to be read in conjunction with Second Replacement Prospectus dated 1 December 2017 and the second Supplementary Prospectus dated 19 March 2018) closed 27 March 2018.

A total of 23,750,000 shares at 20 cents per shares were issued to raise \$4.75 million.

A further 7,000,000 fully paid ordinary shares are restricted shares and are to be held in escrow until 16 April 2020. 11,000,000 options exercisable at \$0.30 on or before 1 August 2020 are restricted securities and are to be held in escrow until 16 April 2020.

The net loss of the Group for the period ending 30 June 2018 is \$1,312,389 (30 June 2017 \$96,807) which included share based payments of \$780,300 (refer to Note 2). The cash balance at the end of the period was \$3,639,293.

Milford Project - High Grade Zinc, Lead and Gold

Located near the town of Milford, Utah, the company has secured 200 claims (includes 100 additional claims recently staked) 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

The Company engaged Harrison Land Services LLC ("Harrison") to undertake the phase 1 exploration program during the quarter. Harrison is a specialist geologist firm based in Moab UTAH with a fundamental understanding of the Milford Project, having previously worked on the tenements for ASX listed Firestrike Resources (ASX: FIE) during 2012 and 2013. The Company believes that having a local geological team with strong background knowledge of the project will greatly assist in being able to unlock maximum value for shareholders.

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

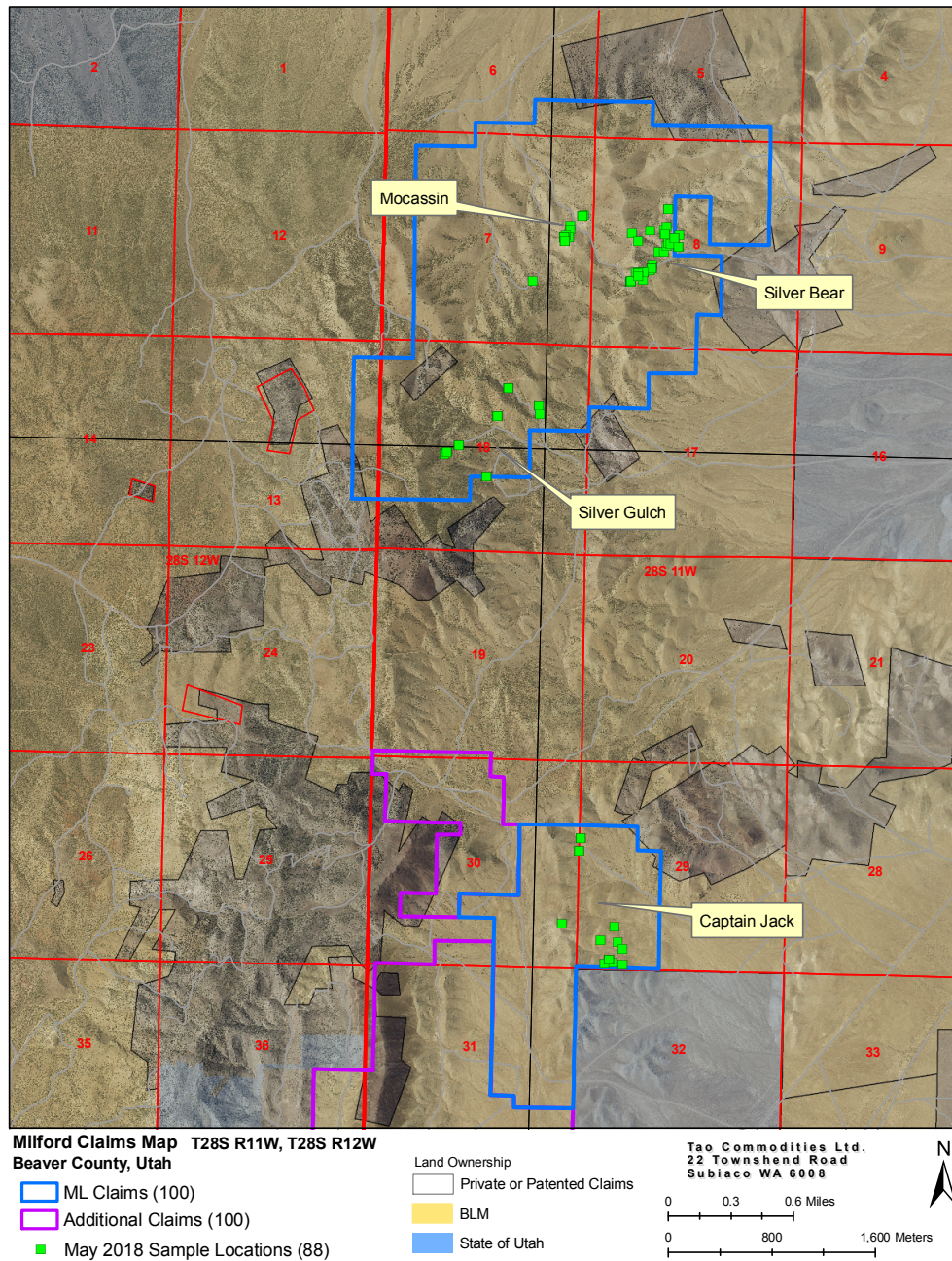


Figure 1 – Location of the 88 samples collected during the quarter

Phase 2 Exploration

The Company also engaged Harrison Land Services for its phase 2 exploration program which will include a maiden 1000m drill program expected to start early Q3 2018.

Additional Mining Claims

Shortly after the end of the 30 June 2018 financial year, the Company announced the staking of 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).

DIRECTORS' REPORT cont.

The Company's additional claims cover numerous historical workings and same-scale mines, hosted within sedimentary and tertiary-aged intrusives. The Company will begin a sampling program on the additional ground, along with follow-up mapping and trenching as part of the phase 1 exploration program during the next financial year.

Tenure Map

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

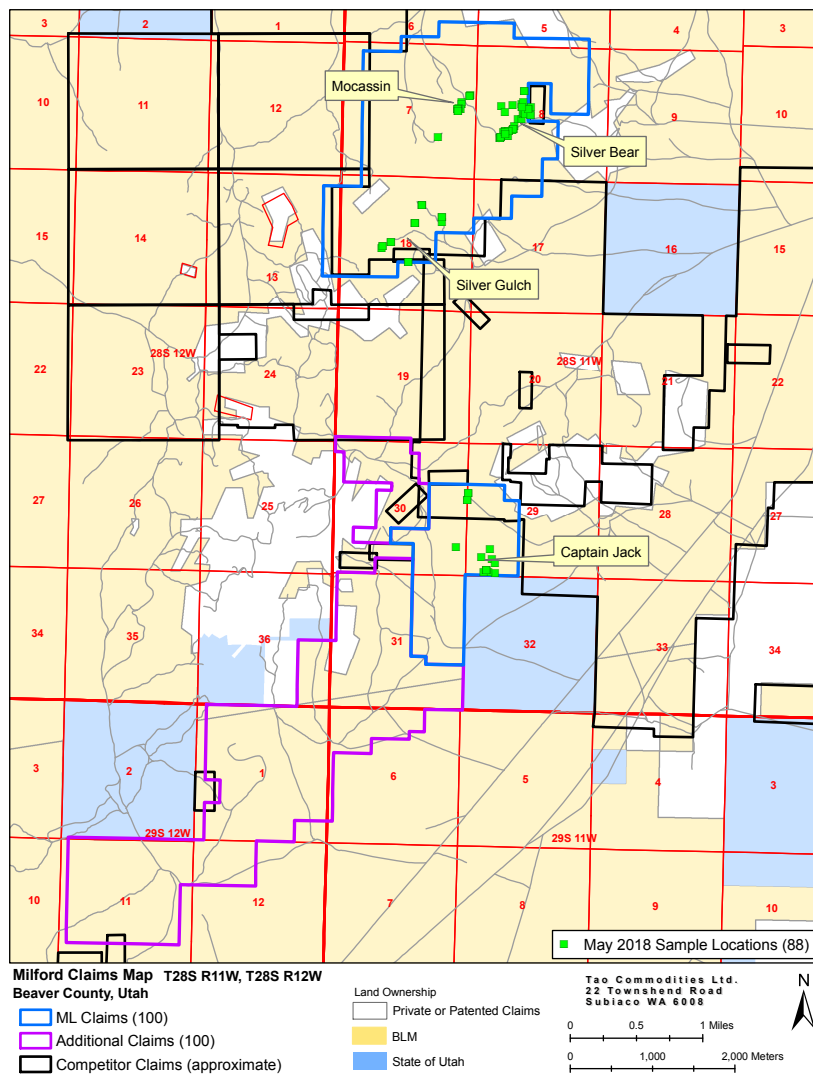


Figure 2 – Milford Project with the newly staked claims

DIRECTORS' REPORT cont.

Significant changes in the state of affairs

The Company was admitted to the ASX on the 16th April 2018. There was no significant change in the state of affairs during the 2018 financial period.

Significant events after reporting date

The Company announced that it is undertaking a pro rata non-renounceable entitlements issue (**Options Issue** or **Offer**) of approximately 15,375,000 listed options (**Options**) at an issue price of \$0.01 each (**Issue Price**) to raise approximately \$153,750. The Company lodged a prospectus for the Offer (**Prospectus**) with ASIC and ASX on 6 August 2018. Each Option will be exercisable at \$0.20, on or before the expiry date of 1 September 2020.

The purpose of the Offer is to reward seed and initial public offer investors for their loyalty, having committed their capital at or before the Company's initial public offer. The Offer will also serve to help maintain Shareholder loyalty and Share ownership for any Shareholders who have purchased Shares since the Company's Shares commenced quotation on ASX. In addition, the Offer will raise up to \$153,750 (before costs of the Offer) and provide future exploration funds for the Company's projects. The offer closed 30 August 2018 with 3,192,734 shortfall options. The Directors have reserved the right to issue the shortfall at their discretion within three months.

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 period. 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 period ended 30 June 2018. 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 Patric Glovac	Managing Director appointed 5 May 2017
Mr Jason Brewer	Non-Executive Director appointed 11 August 2017
Mr Brett Lambert	Non-Executive Director appointed 5 May 2017 and resigned 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 period ended 30 June 2018 is detailed in page 14 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 period.

Share based payment arrangements

Directors have been granted options 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 period.

The remuneration of the Company Directors and executives is detailed in page 14 of this report.

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 period ended 30 June 2018

	Short-term employment benefits		Post-employment benefit	Equity Share based payments	Total
	Salary & fees	Bonus	Superannuation		
30 June 2018	\$	\$	\$	\$	\$
<u>Directors</u>					
M Connelly (i)	30,000	-	2,850	260,100	292,950
P Glovac (i)	42,000	-	3,990	260,100	306,090
J Brewer (ii)	18,000	-	1,713	173,400	193,113
B Lambert (iii)	-	-	-	86,700	86,700
Total	90,000	-	8,553	780,300	878,853

- (i) Appointed 5 May 2017
(ii) Appointed 11 August 2017
(iii) Resigned 11 August 2017

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

Please note there was no remuneration for the period ended 30 June 2017

Bonuses

No bonuses were granted during the period.

Shareholdings of Key Management Personnel

	Balance at beginning of period	Granted as remuneration	On Exercise of Options	Net Change Other	Balance at end of period
30 June 2018	Number	Number	Number	Number	Number
<u>Directors</u>					
Mr Mark Connelly	-	-	-	-	-
Mr Patric Glovac Refer Note 17	1,000,000	-	-	359,445	1,359,445
Mr Jason Brewer	-	-	-	-	-
Mr Brett Lambert	-	-	-	-	-
There are no shares nominally held					

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.

DIRECTORS' REPORT cont.**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 14 also.

	Balance at beginning of period Number	Granted as remuneration Number	Options exercised Number	Net Change Other Number	Balance at end of period Number	Grant Value	Percentage vested
30 June 2018							
Directors							
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 Jason Brewer (ii)							
Series 1	-	2,000,000	-	-	2,000,000	\$0.0867	100%
Mr Brett Lambert (iii)							
Series 1	-	1,000,000	-	-	1,000,000	\$0.0867	100%

(i) Appointed 5 May 2017

(ii) Appointed 11 August 2017

(iii) Resigned 11 August 2017

No Options were Exercised during 2018 financial period.

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: 9,000,000
Share Price: \$0.20
Exercise Price: \$0.30
Expected Volatility: 100%
Expiry date (years): 2
Expected dividend yield: nil
Risk free rate: 2.18%

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.

Other transactions with Key Management Personnel

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

- 1,078,333 TAO shares - The issue of broker pool shares was used as means to remunerate GTT Ventures Pty Ltd ("GTT") for services provided to the Company as lead manager to the IPO share offer. Of this total, 359,445 shares (valued \$71,889) were issued to Patrick Glovac directly.
- Lead Manager of the IPO fee of \$50,000 cash plus 6% of the total funds raised \$285,000.
- Consultancy fees amounting to \$42,000 have been paid to GTT Ventures Pty Ltd to 30 June 2018.
- A loan facility agreement for a total of \$250,000 was in place prior to the listing of the Company. The amount of \$180,000 was repaid to GTT Ventures, that covered the IPO costs and \$70,000 in relation to acquisition costs.
- 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 2018 is \$9,000.

Loans to Key Management Personnel

There are no loans to key management personnel.

End of Audited Remuneration Report

DIRECTORS' REPORT cont.**Directors' Meetings**

The number of meetings of directors (including meetings of committees of directors) held during the period 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	2	Appointed 11 August 2017
Mr Brett Lambert	1	Appointed 5 May 2017 and resigned 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 13 and forms part of this directors' report for the period ended 30 June 2018

Non-Audit Services

No non-audit services were provided during the period by the auditor. The Company may deploy the auditors for non-audit services in the future.

Signed in accordance with a resolution of the directors.

Dated: 27 September 2018



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 2018, 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 entities it controlled during the period.



Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 27 September 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 \$	2017 \$
Continuing operations			
Interest income	2	2,999	-
Administrative expenses		(437,148)	(63,237)
Staff expenses		(97,940)	(32,850)
Share Based Payment	14a	(780,300)	-
Loss before income tax expense		(1,312,389)	(96,087)
Income tax benefit	3	-	-
Loss after income tax for the period		(1,312,389)	(96,087)
 Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		20,502	-
Other comprehensive income/(loss) for the period, net of tax		20,502	-
Total comprehensive loss for the period attributable to owners of the parent		(1,291,887)	(96,087)
 Basic loss per share for the period attributable to the members of TAO Commodities Ltd (cents per share)	5	(14.951)	(3.203)
Diluted loss per share for the period attributable to the members of TAO Commodities Ltd (cents per share)	5	(14.951)	(3.203)

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 2018**

	Notes	2018 \$	2017 \$
Assets			
Current assets			
Cash and cash equivalents	6	3,639,293	-
Trade and other receivables	7	92,179	3,000
Prepayments	8	19,500	-
		<u>3,750,972</u>	<u>3,000</u>
Total current assets		<u>3,750,972</u>	<u>3,000</u>
Non-current assets			
Deferred exploration and evaluation expenditure	9,12	576,083	-
Prepayment – Calatos		-	15,000
		<u>576,082</u>	<u>15,000</u>
Total non-current assets		<u>576,082</u>	<u>15,000</u>
Total assets		<u>4,327,055</u>	<u>18,000</u>
Liabilities			
Current liabilities			
Trade and other payables	10	182,640	44,810
Borrowings		-	66,277
Accruals	10	72,578	-
		<u>255,218</u>	<u>111,087</u>
Total current liabilities		<u>255,218</u>	<u>111,087</u>
Total liabilities		<u>255,218</u>	<u>111,087</u>
Net assets		<u>4,071,837</u>	<u>(93,087)</u>
Equity			
Issued capital	11	4,506,110	3,000
Reserves	13	974,202	-
Accumulated losses	13	(1,408,476)	(96,087)
		<u>4,071,837</u>	<u>(93,087)</u>
Total equity		<u>4,071,837</u>	<u>(93,087)</u>

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 2018

Consolidated	Note	Issued capital \$	Share based premium reserve \$	Foreign currency translation reserve \$	Accumulated Losses \$	Total equity \$
Balance at Incorporation		3,000	-	-	-	3,000
Comprehensive income:						
Loss for the period					(96,087)	(96,087)
Total comprehensive loss for the period		-	-	-	(96,087)	(96,087)
<i>Transactions with owners in their capacity as owner</i>						
Balance as at 30 June 2017		3,000	-	-	(96,087)	(93,087)
Balance at 1 July 2017		3,000	-	-	(96,087)	(93,087)
Loss for the period		-	-	-	(1,312,389)	(1,312,389)
Exchange differences arising on translation of foreign operations		-	-	20,502	-	20,502
Total comprehensive loss for the year		-	-	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
Balance at 30 June 2018		4,506,110	953,700	20,502	(1,408,476)	4,071,836

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 2018**

	Notes	2018 \$	2017 \$
Cash flows from operating activities			
Payments to suppliers and employees		(308,587)	-
Interest received		2,999	-
Net cash (outflows) from operating activities	6	(305,589)	-
Cash flows from investing activities			
Exploration and evaluation expenditure		(21,395)	-
Acquisition of Calatos Pty Ltd LLC	12	(85,000)	-
Payment for plant and equipment		-	-
Net cash (outflows) from investing activities		(106,395)	-
Cash flows from financing activities			
Proceeds from issue of shares		4,750,000	-
Payments for share issue costs		(448,723)	-
Repayment of Borrowings		(250,000)	-
Net cash inflows from financing activities		4,051,277	-
Net increase/(decrease) in cash and cash equivalents		3,639,293	-
Cash and cash equivalents at the beginning of the period		-	-
Effect of exchange rate fluctuations on cash held		-	-
Cash and cash equivalents at the end of the period	6	3,639,293	-

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 2018

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. The 30 June 2017 comparative period information covers the period from incorporation (being 5 May 2017) to 30 June 2017 and therefore is not comparable throughout the financial statement (different period lengths).

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

Standards and Interpretations applicable to 30 June 2018

In the period ended 30 June 2018, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current annual reporting period.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and, therefore, no material change is necessary to Group accounting policies.

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 period ended 30 June 2018.

As a result of this review the Directors have determined that there is no material impact, of the new and revised Standards and Interpretations on the Company and, therefore, no change is necessary to Group accounting policies.

(c) Statement of compliance

The financial report was authorised for issue by the directors on 27 September 2018. 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 2018 and the results of all subsidiaries for the period 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 period 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 period in which the estimate is revised if it affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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 period 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 period, 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 2018 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 period's accounts. Refer to Note 9 also.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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 period, unless exchange rates fluctuated significantly during that period, 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 period. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Income tax

The income tax expense or benefit for the period is the tax payable on the current period'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 period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically 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 periods 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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 periods 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 measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less any allowance for impairment. Trade receivables are generally due for settlement within periods ranging from 15 days to 30 days.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Group in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Group. The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the Statement of Profit or Loss and other Comprehensive Income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

(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.

(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 period. 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 period.

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 period 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(o) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Plant and equipment	3 - 5 years
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The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. 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.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to approximate fair value.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income in the cost of sales line item.

Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) 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.

(s) 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 period.

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.

(t) 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 period 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 period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period 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 period represents the movement in cumulative expense recognised as at the beginning and end of that period.

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 2018

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.

(u) 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.

(v) 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 period 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.

(w) 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.

(x) Parent entity financial information

The financial information for the parent entity, TAO Commodities Limited, disclosed in Note 18 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 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) 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.

NOTE 2: REVENUE AND EXPENSES

	2018 \$	2017 \$
<i>Revenue</i>		
Interest income	2,999	-
Foreign exchange gains	-	-
	<u>2,999</u>	
	2018 \$	2017 \$
<i>Other expenses</i>		
Administration	437,148	63,237
Staff expenses	97,940	32,850
Share based payment See Note 14	780,300	-
	<u>1,315,388</u>	<u>96,087</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 3: INCOME TAX

Income tax recognised in profit or loss

The major components of tax expense are:

	2018 \$	2017 \$
Current tax expense/(income)	-	-
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	-	-
	-	-

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:

	2018 \$	2017 \$
Accounting loss before tax from continuing operations	(1,312,389)	-
Gain before tax from discontinued operations	-	-
Accounting loss before income tax	(1,312,389)	-
Income tax benefit calculated at 30%	(393,717)	-
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenditure/(Non-assessable income)	281,194	-
Difference in overseas tax rates	-	-
Effect of unused tax losses not recognised as deferred tax assets	112,523	-
Income tax benefit reported in the consolidated statement of comprehensive income	0	-
Income tax attributable to discontinued operations	0	-

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:

	2018 \$	2017
Tax losses	82,380	-
Expenses taken into equity	107,694	-
Tax losses – capital	-	-
Other temporary differences	62,916	-
	252,990	-
Off-set of deferred tax liabilities	(5,850)	-
Net deferred tax asset unrecognised	247,140	-

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 2018

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 period ended 30 June 2017 and 30 June 2018

	Continuing Operations		
	Exploration and Evaluation – Utah USA	Other	Consolidated
30 June 2018	\$	\$	\$
Revenue			
Total segment revenue	-	2,999	2,999
Segment results			
Segment Result	-	(1,312,389)	(1,312,389)
Segment assets			
Segment assets	576,083	3,750,972	4,327,055
Segment liabilities			
Segment liabilities	-	255,218	255,218

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

Cash flow information

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

Continuing Operations Exploration and Evaluation – Utah USA

30 June 2017	\$	\$	\$
Revenue			
Total segment revenue	-	-	-
Segment results			
Segment Result	-	(96,087)	(96,087)
Segment assets			
Segment assets	-	18,000	18,000
Segment liabilities			
Segment liabilities	-	111,087	111,087

Cash flow information

Net cash flow from operating activities	-	-	-
Net cash flow from investing activities	-	-	-
Net cash flow from financing activities	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 5: LOSS PER SHARE

	2018	2017
	Cents per share	Cents per share
<i>Basic loss per share</i>		
Continuing operations	(14.951)	(3.203)
Total basic loss per share	(14.951)	(3.203)

	2018	2017
	Cents per share	Cents per share
<i>Diluted loss per share</i>		
Continuing operations	(14.951)	(3.203)
Total diluted loss per share	(14.951)	(3.203)

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:

	2018	2017
	\$	\$
Loss	(1,312,389)	(96,087)
Loss from continuing operations	(1,312,389)	(96,087)

	2018	2017
	Number	Number
Weighted average number of ordinary shares for		
Basic earnings per share	8,778,082	3,000,000
Diluted earnings per share	8,778,082	3,000,000

NOTE 6: CASH AND CASH EQUIVALENTS

	2018	2017
	\$	\$
Cash at bank and on hand	3,639,293	-

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

Refer also to Note 15

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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

	2018 \$	2017 \$
Loss for the period	(1,312,389)	-
Depreciation and amortisation	-	-
Other non-cash items	70,548	-
Unrealised foreign exchange	20,502	-
Share based payment	780,300	-
(Increase)/decrease in assets:		
Trade and other receivables	(89,179)	-
Other current assets	(4,500)	-
Increase/(decrease) in liabilities:		
Trade and other payables	229,131	-
Net cash from operating activities	(305,588)	-

Non-Cash Investing Activity

Issue of shares to acquire asset ⁽ⁱ⁾	201,833	-
Issue of options to acquire asset ⁽ⁱ⁾	173,400	-
	375,233	-

(i) Refer to Note 12

NOTE 7: TRADE AND OTHER RECEIVABLES

	2018 \$	2017 \$
Other receivables	3,454	3,000
GST receivables	88,725	-
	92,179	3,000

NOTE 8: OTHER FINANCIAL ASSETS

	2018 \$	2017 \$
<i>Current</i>		
Calatos Pty Ltd Prepayment	-	15,000
Prepayments – D&O Insurance	19,500	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 9: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	2018 \$	2017 \$
Costs carried forward in respect of:		
<i>Exploration and evaluation phase – at cost</i>		
Balance at beginning of period	-	-
Asset acquired – refer to Note 12	460,233	-
Exploration expenditure	97,052	-
Foreign Exchange	18,798	-
Total exploration and evaluation expenditure	576,083	-

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

	2018 \$	2017 \$
Trade payables (i)	147,081	-
Payroll Liabilities	35,559	-
Accruals	72,578	44,810
GTT Ventures Loan	-	66,277
	255,218	111,087

(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 2018

NOTE 11: ISSUED CAPITAL

	2018 \$	2017 \$
30,750,000 Ordinary shares issued and fully paid	4,506,110	3,000

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

	2018		2017	
	Number	\$	Number	\$
Balance at beginning of period	3,000,000	3,000	-	-
Incorporation shares	-	-	3,000,000	3,000
IPO April 2018	23,750,000	4,750,000	-	-
Lead Manager Shares	2,990,833	598,167	-	-
Calatos Pty Ltd LLC (USA) acquisition See Note 12	1,009,167	201,833	-	-
Capital Raising Costs	-	(1,046,890) ⁽ⁱ⁾	-	-
Balance at end of period	30,750,000	4,506,110	3,000,000	3,000

(i) Part of the capital raising expense includes \$598,167 in share based payments for 2,990,833 shares (valued at 20 cents per share). Patric Glovac was directly issued 359,445 of these shares (valued \$71,889) as a share-based payment as part of the Lead Manager Fee to GTT Ventures Pty Ltd. Refer to Note 14.

Share options

The Company during the current financial period made an equity-based payment to the Directors of the Company and the Vendor of the asset acquired. Refer to Note 14

	2018	
	Number	\$
Balance at beginning of period	-	-
Options granted April 2018 (Directors and former Director)	9,000,000	780,300
Options granted to Calatos Pty Ltd LLC (USA) (Vendor) See Note 12	2,000,000	173,400
Balance at end of period	11,000,000	953,700

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 12: ACQUISITION OF ASSETS

Acquisition of Calatos Pty Ltd LLC (USA)

During the period the Company acquired 100% of the voting shares in Calatos Pty Ltd LLC (USA)

The consideration payable was 1,009,167 shares in the company valued at \$201,833 based on the IPO price per share plus 2 million options (exercise price \$0.30 expiry date 16/4/2020) valued at \$0.0867 per option. In addition \$85,000 in cash as reimbursement for expenses to the Vendor. \$15,000 of this was paid in the previous financial year.

Purchase consideration comprises:

	\$
1,009,167 fully paid ordinary shares	201,833
2,000,000 options (Ex price \$0.30 exp 16/4/20)	173,400
Cash Consideration	85,000
Total	<u>460,233</u>

Net Assets acquired

	\$
Exploration Expenditure	460,233
Total	<u>460,233</u>

NOTE 13: RESERVES AND ACCUMULATED LOSSES

Reserves

Movements in reserves were as follows:

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

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 2018

Accumulated Losses

Movements in accumulated losses were as follows:

	2018 \$	2017 \$
Balance at beginning of period	(96,087)	-
Net loss for the period	(1,312,389)	(96,087)
Balance at end of period	(1,408,476)	(96,087)

NOTE 14: SHARE BASED PAYMENT PLANS

14.a Expenses arising from share based payments

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

	2018 \$
Options issued to Directors (see also Note 14 b for detail)	780,300
Total share based payments ⁽ⁱ⁾	780,300
Shares issued to Director via associated entity (GTT Ventures), offset to equity ⁽ⁱⁱ⁾	71,889
Shares issued to brokers, offset to equity ⁽ⁱⁱⁱ⁾	526,278

(i) This amount is made up of :

- Options issued to M Connelly \$260,100 (3 million options)
- Options issued to P Glovac \$260,100 (3 million options)
- Options issued to J Brewer \$173,400 (2 million options)
- Options issued to B Lambert (previous Director) \$86,700 (1 million options)

(ii) Patric Glovac was issued 359,445 shares (valued \$71,889) as a share-based payment as part of the Lead Manager Fee to GTT Ventures Pty Ltd. The cost of this payment was treated as a share issue cost and a reduction from issued capital. Patric Glovac is a Director of GTT Ventures Pty Ltd.

(iii) The total number of broker pool shares issued was 2,990,833 as a means to remunerate Brokers (\$598,167) for services provided to the Company directly related to the IPO share offer. This payment was treated as a share issue cost and a reduction from issued capital. The figure shown in the table has been reduced by the value of shares issued to Patric Glovac.

14.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 period:

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 16/4/2019 (escrowed until 16/4/2020)	2,000,000	16/4/2018	16/4/2020	\$0.30	\$0.0867

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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%

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 2018 period.

	2018	
	Number	Weighted average exercise price \$
Outstanding at the beginning of period	-	-
Granted during the period	11,000,000	\$0.30
Forfeited during the period	-	-
Exercised during the period	-	-
Expired during the period	-	-
Outstanding at the end of period	11,000,000	\$0.30
Vested and exercisable at the end of period	11,000,000	-

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

No options were exercised during the period.

NOTE 15: 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 2018

Categories of financial instruments

	2018 \$	2017
<u>Financial assets</u>		
Cash and cash equivalents	3,639,293	-
Receivables	92,179	3,000
Other financial assets – prepayments	19,500	15,000
<u>Financial liabilities</u>		
Trade and other payables	255,218	111,087

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 period

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 \$3,639,293 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 period. 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 \$18,196 and equity would increase by \$18,196

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 2018

NOTE 16: COMMITMENTS AND CONTINGENCIES

a) *USA minerals exploration program*

As at 30 June 2018, 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 17: 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	2018 \$
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

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

- 1,078,333 TAO shares - The issue of broker pool shares was used as means to remunerate GTT Ventures Pty Ltd ("GTT") for services provided to the Company as lead manager to the IPO share offer. Of this total, 359,445 shares were issued to Patrick Glovac directly.
- Lead Manager of the IPO fee of \$50,000 cash plus 6% of the total funds raised \$285,000.
- Consultancy fees amounting to \$42,000 have been paid to GTT Ventures Pty Ltd to 30 June 2018.
- A loan facility agreement for a total of \$250,000 was in place prior to the listing of the Company. The amount of \$180,000 was repaid to GTT Ventures, that covered the IPO costs and \$70,000 in relation to acquisition costs.
- 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 2018 is \$9,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Loans to Key Management Personnel

There were no loans to Key Management Personnel.

Other transactions and balances with Key Management Personnel

Nil.

NOTE 18: PARENT ENTITY DISCLOSURES

Financial position

	2018 \$	2017 \$
<u>Assets</u>		
Current assets	3,750,972	3,000
Non-current assets	555,580	15,000
Total assets	4,306,552	18,000
<u>Liabilities</u>		
Current liabilities	255,218	111,087
Non-current liabilities	-	-
Total liabilities	255,218	111,087
<u>Equity</u>		
Issued capital	4,506,110	3,000
Reserves		
• Option premium reserve	953,700	-
• Equity settled employee benefits	-	-
Accumulated losses	(1,408,476)	(96,087)
Total equity	4,051,334	(93,087)

Financial performance

	2018 \$	2017 \$
Loss for the period	(1,312,389)	(96,087)
Other comprehensive loss	-	-
Total comprehensive loss	(1,312,389)	(96,087)

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 period ended 30 June 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 19: EVENTS AFTER THE REPORTING PERIOD

The Company announced that it is undertaking a pro rata non-renounceable entitlements issue (**Options Issue** or **Offer**) of approximately 15,375,000 listed options (**Options**) at an issue price of \$0.01 each (**Issue Price**) to raise approximately \$153,750. The Company lodged a prospectus for the Offer (**Prospectus**) with ASIC and ASX on 6 August 2018. Each Option will be exercisable at \$0.20, on or before the expiry date of 1 September 2020.

The purpose of the Offer is to reward seed and initial public offer investors for their loyalty, having committed their capital at or before the Company's initial public offer. The Offer will also serve to help maintain Shareholder loyalty and Share ownership for any Shareholders who have purchased Shares since the Company's Shares commenced quotation on ASX. In addition, the Offer will raise up to \$153,750 (before costs of the Offer) and provide future exploration funds for the Company's projects. The offer closed 30 August 2018 with 3,192,734 shortfall options. The Directors have reserved the right to issue the shortfall at their discretion within three months.

NOTE 20: 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 period 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:

	2018 \$	2017 \$
<i>Auditor of the parent entity</i>		
Audit or review of the financial statements	18,000	6,000
	<u>18,000</u>	<u>6,000</u>
<i>Taxation and other advisory services</i>		
Taxation	-	-
Advisory Services	-	-

NOTE 21: DIRECTORS AND EXECUTIVES DISCLOSURES

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:

	2018 \$	2017 \$
<i>Remuneration type</i>		
Short- term employee benefits	90,000	-
Post-employment benefits	8,553	-
Non monetary benefit	780,300	-
Total	<u>878,853</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 2018 and of its performance for the period 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 period ended 30 June 2018.

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



Mark Connelly
Chairman

Dated 27 September 2018

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 2018, 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 2018 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.

Recoverability of Exploration and Evaluation Asset

Key audit matter	How the matter was addressed in our audit
As disclosed in Note 9, the carrying value of the exploration and evaluation asset represents a significant asset of the Group. The Group's policy for accounting for exploration and evaluation asset is disclosed in note 1(w) of the financial report. The carrying value of the exploration and evaluation asset is a key audit matter due to the level of procedures undertaken to evaluate managements application of the requirements of AASB 6 Exploration for and Evaluation of mineral Resources ('AASB 6') in light of any Indicators of impairment that may be present	Our procedures, included but were not limited to: ➤ Obtaining from management a schedule of areas of interest held by the Group and assessing whether the rights to tenure of those areas of interest remained current at balance date; ➤ Making enquiries of management with respect to the status of ongoing exploration programs in the respective areas of interest and assessing the Group's cash flow budget for the level of budgeted spend on exploration projects; ➤ Considering whether any areas of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed; ➤ Considering whether there are any other facts or circumstances that existed to indicate impairment testing was required; and ➤ Assessing the adequacy of the related disclosures in Note 1(w) and Note 9 of the financial report.

Acquisition of Calatos Pty Ltd LLC

Key audit matter	How the matter was addressed in our audit
As disclosed in Note 12, the Group acquired 100% of the shares in Calatos Pty Ltd LLC (USA) which holds 100% of the Miford Project. The Group treated the transaction as an asset acquisition, rather than business combination. Accounting for these transactions is complex and requires management to exercise judgement to determine the appropriate accounting treatment, including whether the acquisition should be classed as an asset or business acquisition, estimating the fair value of net assets acquired and estimating the fair value of the purchase consideration. As a result, this is considered a key audit matter.	Our procedures included, but were not limited to: ➤ Obtaining an understanding of the transaction, including an assessment of whether the transaction constituted an asset or business acquisition; ➤ Reviewing the sale and purchase agreement to understand key terms and conditions; ➤ Assessing management's determination of the fair value of consideration paid and agreeing the consideration to supporting documentation; ➤ Reviewing management's determination of the fair value of the share-based payments granted, considering the appropriateness of the valuation models used and assessing the valuation inputs; ➤ Agreeing the net assets acquired, that no goodwill was recognised and that costs associated with the acquisition were capitalised in order to be in line with the correct accounting policy for asset acquisitions; and ➤ Assessing the adequacy of the related disclosures in Note 1(e) and Note 12 to the financial statements.

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 2018, 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

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 12 to 15 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of TAO Commodities Limited, for the year ended 30 June 2018, 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 blue ink, appearing to read 'Dean Just', is written over a faint, larger 'BDO' logo.

Dean Just

Director

Perth, 27 September 2018

CORPORATE GOVERNANCE STATEMENT

The Company's Corporate Governance disclosure is available on the Company's website at:
www.taocommodities.com.au

ADDITIONAL SECURITIES EXCHANGE INFORMATION**ASX additional information as at 17 SEPTEMBER 2018****Number of holders of equity securities**Ordinary share capital

30,750,000 fully paid ordinary shares are held by 403 individual shareholders.

All issued ordinary shares carry one vote per share.

Options

	Number on Issue	Number of Holders
Unlisted options exercise price \$0.30 expiry 16/04/2020	11,000,000	5
Listed Options exercise price 20 cents expiry 1 Sep 2020	12,182,284	229

Distribution of holders of equity securities

	Number of holders	Fully paid ordinary shares	Number of holders Unlisted Options	Number of holders Listed Options
1 – 1,000	7	136		3
1,001 – 5,000	38	137,614		53
5,001 – 10,000	75	706,510		20
10,001 – 100,000	220	9,432,677		128
100,001 and over	63	20,473,062	5	25
	403	30,750,000	5	229

Holding less than a
marketable parcel

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Substantial shareholders

	Fully paid ordinary shares % held	Number
Ordinary shareholders		
Mounts Bay Investments PL	6.21%	1,909,444

Ordinary shareholders	Fully paid ordinary shares	
	Number	Percentage
Mounts Bay Investments PL	1,909,444	6.21%
Kcirtap Securities PL	1,359,445	4.42%
Syracuse Capital PL	1,359,444	4.42%
Ms Chunyan Niu	1,242,000	4.04%
Threebee Investment Group PL	1,100,000	3.58%
Mr Bruce McFarlane	1,009,167	3.28%
Mr Fawzi Kassab	720,000	2.34%
Alissa Bella PL	650,000	2.11%
Slam Consulting PL	650,000	2.11%

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Mr Wafa Muhammad Iqbal	515,000	1.67%
Mr Sufian Ahmad	510,000	1.66%
Rimoyne PL	475,000	1.54%
Ratdog PL	437,500	1.42%
Schammer PL	327,500	1.07%
Crossroads (Aust) PL	325,000	1.06%
Brighstar Trading Co PL	300,000	0.98%
Mr Aiming Jiang	300,000	0.98%
BRSB Super Fund PL	280,000	0.91%
BAB Super Fund PL	275,000	0.89%
Balcan PL	250,000	0.81%
Davy Corp PL	250,000	0.81%
Hustler Investments PL	250,000	0.81%
	14,494,500	47.13%

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 office22 Townshend Road
Subiaco WA 6008**Share registry**

Security Transfer Registry

TENEMENT SCHEDULE

As at 17 September 2018

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