TAO COMMODITIES LTD

Interim Financial Report
31 December 2019

CONTENTS

DIRECTORS' REPORT

Your directors submit the financial report of the Group for the half-year ended 31 December 2019. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of directors who held office during or since the end of the interim period and until the date of this report are noted below. Directors were in office for the entire period unless otherwise stated.

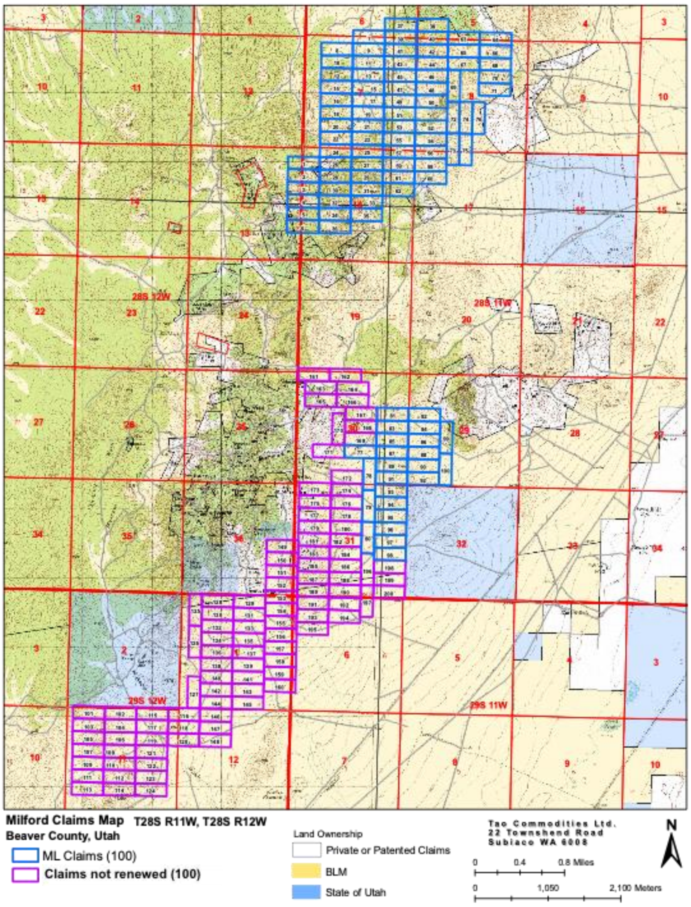
Mark Connelly	Non-Executive Chairman appointed 5 May 2017
Patric Glovac	Managing Director appointed 5 May 2017
Frank Knezovic	Non-Executive Director appointed 23 Jan 2020
Jason Brewer	Non-Executive Director resigned 23 Jan 2020

Review of Operations

Milford Project Utah

Located near the town of Milford, Utah the company had secured 101 claims prospective for replacement or manto/pipe-style base and precious metals. The project area has numerous old workings, which were exploited for precious and base metals in the 1800s. Very little systematic modern day exploration has been completed, with little if any drilling data known to exist despite the evidence of extensive historical mining activity. The Project is considered prospective for epithermal and replacement style precious and base metal mineralisation along structural corridors in reactive host rocks. Of primary interest are three areas prospective for replacement or manto/pipe-style base and precious metals.

The Company continues to review and work with its US based geological team on further exploration work at its 100% owned Milford Zn, Pb & Cu Project. Although exploration results to date have not been as positive as expected, the Company is currently awaiting a more detailed geological work program across a new portion of the tenement package. The Company was previously expecting a work program to be provided towards the end of 2019, however due to a lack of availability of contractors, the Company is now expecting the report in the coming weeks. The board will then assess the recommendations and implement accordingly to best unlock value for the Milford Project. Further exploration works are expected to commence in Q2 post the current winter season.



As part of the review process the Company elected to not renew claims ML101 – ML 200. These claims were staked after the Company's 2018 IPO.

New Project Opportunities

The Company announced on the 25th October 2019 that it had entered into a binding Term Sheet with DSO Mining Pty Ltd to acquire a portfolio of drill tested hematite and CID type iron ore assets located in Western Australia. The company completed due diligence into DSO Mining Pty Ltd and announced it had exercised the option to proceed with the acquisition on 14th November 2019 and entered into an exclusive binding term sheet to acquire 100% of DSO Mining Pty Ltd **("DSO")**. Pursuant to the Term Sheet, DSO has rights to a portfolio 26 tenements, comprised of 3 granted exploration licences and 23 pending exploration licences for bedded and channel iron type iron ore projects covering a total of 874km^2.

Subsequent Events DSO Mining Pty Ltd Acquisition

Shareholder approval was obtained on the 21st January 2020 to proceed with the acquisition.

Settlement of the Acquisition was subject to satisfaction of several conditions precedent one of which was completion of a $2.5 million capital raising . The Company's lead manager BW Equities Pty Ltd (in conjunction with GTT Ventures Pty Ltd "GTT") was to complete the proposed A$2,500,000 equity issue via a placement of up to approximately 20,833,333 shares at $0.12 each by no later than 17th February 2020. Unfortunately this condition precedent was not satisfied by 17 February 2020 and the Binding Term Sheet for DSO Mining Pty Ltd was terminated.

Corporate

The Company held its Annual General Meeting on the 25th November 2019. All resolutions were passed on a show of hands.

Subsequent to the half-year end and the issue of this report

On the 23 January 2020, Jason Brewer resigned as Director of the Company and Frank Knezovic was appointed.

Financial Position

The cash balance at the end of the half-year was $2,003,884 (30 June 2019: $2,440,618).

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, BDO Audit (WA) Pty Ltd, to provide the directors of the company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 6 and forms part of this directors' report for the half-year ended 31 December 2019.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.

Mark Connelly

Mark Connelly
Chairman
12 March 2020

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

As lead auditor for the review of TAO Commodities Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

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

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

Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 12 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Notes	31 December 2019 $	31 December 2018 $
Interest income		13,574	22,091
Administrative expenses		(205,506)	(238,611)
Staff expenses		(149,736)	(157,460)
Project development		(10,500)	(27,062)
Share based payment	6	(55,683)	(33,000)
Amortisation expense	1	(16,339)	-
Finance cost lease	1	(2,862)	-
Loss before income tax		**(427,052)**	**(434,042)**
Income tax expense		-	-
Net loss for the period		**(427,052)**	**(434,042)**
Other comprehensive income, net of income tax			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		(1,932)	11,678
Other comprehensive loss for the period, net of income tax		(1,932)	11,678
Total Comprehensive loss attributable to owners of the parent		(428,984)	(422,364)
Basic and diluted loss per share (cents per share)		(1.372)	(1.407)

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Notes	31 December 2019 $	30 June 2019 $
Assets			
Current assets			
Cash and cash equivalents		2,003,884	2,440,618
Short term deposit		25,777	25,515
Trade and other receivables		18,380	15,131
Prepayments		14,238	19,883
Total current assets		2,062,279	2,501,147
Non-current assets			
Right of Use Asset	1	40,846	-
Deferred Exploration and evaluation expenditure	3	1,133,844	1,081,149
Total non-current assets		1,174,690	1,081,149
Total assets		3,236,969	3,582,296
Liabilities			
Current liabilities			
Trade and other payables		43,235	40,241
Lease liability	1	33,134	-
Accruals		11,000	28,066
Total current liabilities		87,369	68,307
Non-current liabilities			
Non-current lease liability	1	8,913	-
Total non-current liabilities		8,913	-
Total liabilities		96,282	68,307
Net assets		3,140,687	3,513,989
Equity			
Issued capital		4,577,709	4,527,708
Reserves	5	1,168,141	1,164,390
Accumulated losses		(2,605,163)	(2,178,110)
Total Equity		3,140,687	3,513,989

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Issued capital	Option reserve	Foreign currency translation reserve	Equity settled Employee reserve	Accumulated losses	Total Equity
	$	$	$		$	$
Balance at 1 July 2018	4,506,110	953,700	20,502	-	(1,408,476)	4,071,836
Loss for the period	-	-	-	-	(434,042)	(434,042)
Exchange differences arising on translation of foreign operations	-	-	11,678	-	-	11,678
Total comprehensive loss for the period	-	-	11,678	-	(434,042)	3,649,472
Issue of Shares	33,000	-	-	-	-	33,000
Issue of Options	-	153,750	-	-	-	153,750
Capital raising expenses	(11,402)	-	-	-	-	(11,402)
Balance at 31 December 2018	4,527,708	1,107,450	32,180	-	(1,842,518)	3,824,820
Balance at 1 July 2019	4,527,708	1,107,450	56,940	-	(2,178,110)	3,513,988
Loss for the period	-	-	-	-	(427,052)	(427,052)
Exchange differences arising on translation of foreign operations	-	-	(1,932)	-	-	(1,932)
Total comprehensive loss for the period	-	-	(1,932)	-	(427,052)	(428,984)
Issue of Securities	50,000	-	-	-	-	50,000
Grant of Performance Rights	-	-	-	5,683	-	5,683
Capital raising expenses	-	-	-	-	-	-
Balance at 31 December 2019	4,577,708	1,107,450	55,008	5,683	(2,605,162)	3,140,687

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

		31 December 2019	31 December 2018
		$	$
Cash flows from operating activities			
Payments to suppliers and employees		(379,351)	(374,310)
Interest received		13,312	22,091
Net cash outflow from operating activities		(366,039)	(352,219)
Cash flows from investing activities			
Payments for exploration and evaluation expenditure		(52,695)	(188,136)
Project Development		-	(27,062)
Net cash outflow from investing activities		(52,695)	(215,198)
Cash flows from financing activities			
Proceeds from issue of equity securities		-	153,750
Payment for share issue costs		-	(11,402)
Lease principal repayments	1	(18,000)	-
Net cash (outflow)/ inflow from financing activities		(18,000)	142,348
Net (decrease)/increase in cash held		(436,734)	(425,069)
Cash and cash equivalents at the beginning of the period		2,440,618	3,639,293
Cash and cash equivalents at the end of the period		2,003,884	3,214,224

The accompanying notes form part of these financial statements

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The interim report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

The interim report is a General Purpose Financial Report prepared in accordance with *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*.

For the purpose of preparing the interim report, the half-year has been treated as a discrete reporting period.

Accounting policies and methods of computation

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding half-year. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Adoption of new and amended Accounting Standards

For the half-year ended 31 December 2019 the Group has reviewed all of the new and revised Standards and interpretations issued by the Australian Accounting Standards Board (“AASB”) that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2019. The Group has applied AASB 16 Leases for the first time, the impact of which is described below. The group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

AASB 16 *Leases*

The Group leases office space for its corporate office.

Impact of Adoption

AASB 16 provides a model for the identification and treatment of lease arrangements in the financial statements. AASB 16 superseded the lease guidance *AASB 117 Leases* and the related Interpretations, when it became effective for the Group for the accounting period beginning 1 July 2019.

The group has chosen the modified retrospective application of AASB 16. Consequently the group has not restated the comparative information.

Impact of new definition of a Lease

The Group has made use of the practical expedient available on transition to AASB 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with AASB 117 and Interpretation will continue to apply to those leases entered or modified before 1 July 2019.

The change in definition of a lease mainly relates to the concept of control. AASB 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset: and
- The right to direct the use of that asset.

The Group has applied the definition of a lease and related guidance set out in AASB 16 to all lease contracts entered into or modified on or after 1 July 2019. The directors have determined that the new definition in AASB 16 will not change significantly the scope of contracts that meet the definition of a lease for the Group.

Operating leases

AASB 16 has changed how the Group accounts for leases previously classified as operating leases under AASB 117, which were off- balance sheet.

On initial application of AASB 16 for all leases the group has:

a) Recognised Right-of-Use assets (“ROU Assets”) and lease liabilities in the consolidated statement of financial position, initially measured at the present value of future lease payments:

b) Recognised depreciation of ROU Assets and interest on lease liabilities in the consolidate statement of profit or loss; and

c) Separated the total amount of cash paid into a principal; portion (presented within financing activities) and interest (presented within operating activities) in then consolidated cash flow statement.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES cont.

Under AASB 16 ROU Assets will be tested for impairment in accordance with AASB 136 Impairment of Assets. This replaces the previous requirement to recognize a provision for onerous lease contracts.

For short term leases (lease term of 12 months or less) and leases of low value assets, the Group opted to recognize a lease expense on a straight line basis as permitted by AASB 16.

The Group has recognized ROU Assets with a net book value of $57,186 and a corresponding lease liability of $57,186 as at 1 July 2019. After accounting for depreciation and lease principal payments during the half year the balances as at 31 December 2019 were ROU Assets with a net book value of $40,846 and lease liabilities of $42,047.

The impact on the consolidated statement of profit or loss (increase/decrease) for the period is:

Expense	$	Notes
Tenancy and operating	18,000	Rent expense on previously recognised operating lease
Depreciation expense	(16,339)	Depreciation of lease asset recognized under AASB 16
Finance costs	(2,862)	Interest on lease recognized under AASB 16
Net impact on loss for the period	(1,201)	

Under AASB 117, the lease payments from operating leases were included in cash flows from operating activities. Under AASB 16 lease repayments are included in cash flows from financing activities. The impact on cash flows for the period from adopting AASB 16 is to increase cash flows from operating activities by $18,000 and to reduce cash flows from financing activities by $18,000.

There is no impact on other comprehensive income and EPS.

Determination of the appropriate rate to discount the lease payments

The Group estimated the incremental borrowing rate applicable to its lease as the rate of interest that a lessee would have to pay to borrow over a similar term and with similar security the funds necessary to obtain an asset of a similar value to the ROU Asset. The estimate was based on a risk adjusted rate and considered the materiality of the impacts of applying a range of interest rates. The incremental borrow rate applied is 12.5%

The following is a reconciliation of total operating lease commitments at 30 June 2019 to the lease liabilities recognized at 1 July 2019:

	$
Operating lease commitments at 30 June 2019	63,000
Less: discount applied using incremental borrowing rate	(5,814)
Lease liability recognised 1 July 2019	57,186
Right-of-Use asset (value determined solely with reference to the lease liability value)	57,186

The recognised ROU Asset relates to office premises.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES cont.

Summary of new accounting policies

Right-of-use Assets

The group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any reimbursement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease Liabilities

At the commencement date of the lease, the group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercise by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset

Significant accounting judgments and key estimates

The preparation of interim financial reports requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this interim report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2019.

Statement of compliance

The interim financial statements were authorised for issue on 12 March 2020.

The interim financial statements comply with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the interim financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

NOTE 2: OPERATING SEGMENTS

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 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 AASB 8 are therefore as follows:

- Exploration and evaluation – Utah
- Other sector

Exploration and evaluation – Utah refers to the Milford Projects Exploration licences (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.

NOTES TO THECONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 2: OPERATING SEGMENTS cont.

Segment information

The following table presents revenue and profit information and certain asset and liability information regarding business segments for the period ended 31 December 2018, 30 June 2019 and 31 December 2019.

	Exploration and Utah USA	Other	Consolidated
SEGMENT REPORTING			
Half Year ended 31 December 2019			
Segment Revenue	-	13,574	13,574
Segment net operating loss before tax	-	427,052	427,052
Half Year ended 31 December 2018			
Segment Revenue	-	22,091	22,091
Segment net operating loss before tax	-	434,042	434,042
Segment assets			
At 31 December 2019	1,133,844	2,103,126	3,236,970
At 30 June 2019	1,081,149	2,501,147	3,582,296
Segment liabilities			
At 31 December 2019	-	96,282	96,282
At 31 30 June 2019	-	68,307	68,307

The revenue reported above represents revenue generated from external customers. Intersegment revenues have been eliminated.

Segment results earned by each segment are without allocation of central administration costs and directors' salaries, share of profits from associates, investment revenue and finance costs, income tax expense, gains or losses of associates and discontinued operations. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

NOTE 3: EXPLORATION AND EVALUATION EXPENDITURE

	31 December 2019	30 June 2019
	$	$
Costs carried forward in respect of areas of interest in the following phases:		
Exploration and evaluation phase – at cost		
Balance at beginning of period	1,081,150	576,083
Expenditure incurred	54,627	448,127
Foreign Exchange	(1,932)	56,950
Total exploration and evaluation expenditure	1,133,845	1,081,160

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 3: EXPLORATION AND EVALUATION EXPENDITURE cont.

The exploration assets satisfy AASB 6 and remain as exploration assets in the statement of financial position. The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases is dependent upon the successful development and commercial exploitation or sale of the respective areas.

NOTE 4a: ISSUED CAPITAL

	31 December 2019 $	30 June 2019 $
Ordinary shares		
Issued and fully paid	4,577,709	4,527,709

	Six months to 31 December 2019		Year to 30 June 2019	
	Number	$	Number	$
Movements in ordinary shares				
Balance at beginning of period	30,970,000	4,527,709	30,750,000	4,506,110
DSO Mining Pty Ltd acquisition option fee (i)	416,667	50,000	-	-
Consultant Shares Oct 2018	-	-	220,000	33,000
Equity Issue Costs	-	-	-	(11,401)
Balance at end of period	31,386,667	4,577,709	30,970,000	4,527,709

(i) In October 2019, 416,667 shares were issued at a deemed issue price of $0.12 to DSO Mining representing an acquisition option fee.

NOTE 4b. PERFORMANCE RIGHTS

Performance Rights granted to Directors on the 25th November 2019 (approved at AGM)

The following provides details of Performance Rights in place:

Series	Number	Grant date	Expiry date	Vesting Hurdle (20 day VWAP)	Fair value
Directors					
1. Class A Performance Rights (i)	1,500,000	25/11/19	24/11/22	$0.25	$0.0876
2. Class B Performance Rights (i)	1,500,000	25/11/19	24/11/22	$0.40	$0.0657
2. Class C Performance Rights (i)	1,500,000	25/11/19	24/11/22	$0.55	$0.0513

The weighted average remaining contractual life of performance rights that were outstanding at 31 December 2019 was 3.9 years.

The Company engaged an expert to determine a value for the Performance Rights using the *Barrier1* valuation model developed by Hoadley Trading & Investment Tools, which uses a trinomial lattice calculation. Inputs to determine the valuation are as follows:

Item	Class A	Class B	Class
Valuation date	24/11/2019	24/11/2019	24/11/2019
Spot price	$0.12	$0.12	$0.12
Exercise price	$0.00001	$0.00001	$0.00001

Vesting hurdle (20-day VWAP)	$0.25	$0.40	$0.55
Expiry date	24/11/2022	24/11/2022	24/11/2022
Expected future volatility	76%	76%	76%
Risk free rate	0.74%	0.74%	0.74%
Dividend yield	Nil	Nil	Nil

(i) subsequent to the half year end Jason Brewer resigned from the Company (23 January 2020). As a result 1.5 million Performance Rights granted to Jason Brewer were cancelled on the 24 February 2020.

The cost of the Performance Rights will be amortised on a straight line basis over three years. Total expenses arising from share based payments transactions recognised during the period as part of employee benefit expense were as follows:

	31 Dec 2019
Performance Rights Directors (P Glovac and M Connelly) (ii)	$5,683

(ii) this reflects one month amortisation expense (December 19)

NOTE 5: RESERVES

Movements in reserves were as follows:

Consolidated	Option reserve	Foreign currency translation reserve	Equity settled employee benefits reserve	Total
30 June 2019	$	$	$	$
Balance at beginning of period	953,700	20,502	-	974,202
Equity based payment (options)	153,750	-	-	153,750
Foreign currency translation	-	36,438	-	36,438
Balance at end of period	1,107,450	56,940	-	1,164,390

Consolidated	Option reserve	Foreign currency translation reserve	Equity settled employee benefits reserve	Total
31 December 2019	$	$	$	$
Balance at beginning of period	1,107,450	56,940	-	1,164,390
Foreign currency translation	-	(1,932)	-	(1,932)
Issue of Performance Rights (i)	-	-	5,683	5,683
Balance at end of period	1,107,450	55,008	5,683	1,168,141

NOTE 6: SHARE BASED PAYMENTS

Expenses arising from share based payments

Total expenses arising from share based payments transactions recognised during the period were as follows:

	2019	2018
	$	$
Performance Rights Issued to Directors amortised amount (i) see also Note 4b	5,683	-
DSO Mining option fee (416,999 TAO shares)	50,000	-
Total share based payments	55,683	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 6: SHARE BASED PAYMENT cont.

(i) As Director Jason Brewer resigned 23rd January 2020, his Performance Right amortisation cost was not reflected in the financial statements.

NOTE 7: CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

NOTE 8: RELATED PARTY TRANSACTIONS

Company has engaged the services of Nova Legal Corporate Lawyers as required. Director Frank Knezovic is a Director of Nova Legal Corporate Lawyers.

Other than share based payment transactions disclosed in Note 4b for performance rights granted to Directors, transactions with related parties are consistent with those disclosed in the 30 June 2019 Annual Report.

NOTE 9: EVENTS SUBSEQUENT TO REPORTING DATE

On the 23rd January 2020 Jason Brewer resigned as Director of TAO Commodities Ltd and Frank Knezovic was appointed.

On the 18th February 2020, the Company announced that it had terminated the acquisition agreement for DSO Mining Pty Ltd.

DIRECTORS' DECLARATION

In the opinion of the directors of TAO Commodities Limited ('the company'):

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:

   a. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

   b. giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year then ended; and

2. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.

Mark Connelly
Chairman

12 March 2020

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of TAO Commodities Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of TAO Commodities Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the half-year ended on that date; and

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

Directors' responsibility for the Half-Year Financial Report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit (WA) Pty Ltd

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Dean Just

Director

Perth, 12 March 2020