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## **Annual Report**

**for the year ended 30 June 2020**

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**CORPORATE INFORMATION****ABN 84 618 935 372****Directors**

Mr Mark Connelly	Non-Executive Chairman
Mr Patric Glovac	Executive Director
Mr Frank Knezovic	Non-Executive Director

**Company secretary**

Mrs Anna MacKintosh

**Registered and Principal Office**22 Townshend Road  
Subiaco WA 6008

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Website:	<a href="http://www.taocommodities.com.au">www.taocommodities.com.au</a>
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)

## DIRECTORS' REPORT

Your directors present their report together with the financial statements of the Group consisting of TAO Commodities Limited ("the Company") and the entities it controlled during the year for the financial year ended 30 June 2020. In order to comply with the provisions of the Corporations Act 2001, the Directors' report as follows:

### Directors

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

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

Experience and expertise	Mr Connelly has more than 30 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	Calidus Resources (ASX:CAI) Primero Group (ASX:PGX) Oklo Resources (ASX:OKU) Emerson PLC (LSE:EML)
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 West African Resources Ltd (ASX: WAF) resigned 29/05/2020
Special Responsibilities	Mr Connelly is a member of the Audit Committee

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

Experience and expertise	Mr Glovac holds a Bachelor of Commerce majoring in Finance, Banking, Management and also holds a Diploma of Management. In 2013 Mr Glovac co-founded GTT Ventures Pty Ltd, a boutique corporate advisory firm, specialising in the resource and technology sector. GTT has funded numerous listed and private companies since its inception across multiple markets including Australia, USA and the United Kingdom. Previously he worked as an investment advisor for Bell Potter Securities Limited since 2003, focusing on high net-worth clients and corporate advisory services.
Other current directorships	Prominence Energy Ltd (ASX.PRM) Global Oil and Gas Ltd (formerly Baraka Energy & Resources Ltd) (ASX.GLV)
Former listed directorships in last 3 years	Cirrus Networks Limited (ASX: CNW) resigned 23/7/2018 Force Commodities Ltd (ASX.4CE) resigned 17/10/2017 Stemify Limited (formerly Robo 3D Ltd ) (ASX.SF1) resigned 28/8/2018
Special responsibilities	Mr Glovac is a member of the Audit Committee

**DIRECTORS' REPORT cont.****Mr Frank Knezovic (Non-Executive Director) appointed 23 January 2020**

Experience and expertise	Mr Knezovic is a lawyer and co-founding director of legal firm Nova Legal. Mr Knezovic has for more than 20 years advised public and private companies, directors, corporate advisors, broking firms, insolvency practitioners and financial services providers on a broad range of corporate and commercial matters. Mr Knezovic has extensive experience in advising on capital raisings (both IPO and post-IPO) asset acquisitions and disposals, takeovers, mergers and acquisitions, corporate reconstructions and insolvency, directors' duties, general corporate and commercial advice, and regulatory and strategic advice. Mr Knezovic is a member of the Australian Institute of Company Directors and the Association of Mining and Exploration Companies.
Other current directorships	None
Former listed directorships in last 3 years	None
Special responsibilities	Mr Knezovic is a member of the Audit Committee

**Mr Jason Brewer (Non-Executive Director) resigned 23 January 2020**

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.
Other current directorships	Nil
Former listed directorships in last 3 years	Force Commodities (ASX.4CE) Global Oil and Gas (ASX.GLV) Cape Lambert Resources Ltd (ASX.CFE) Vector Resources Ltd (ASX.VEC) Metalsearch Limited (ASX.MSE) TAO Commodities Ltd (ASX.TAO)
Special Responsibilities	Mr Brewer was a member of the Audit Committee

**Company Secretary**

Anna MacKintosh B.Com (UWA) CPA

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

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

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

Directors	Number of fully paid ordinary shares	Number of options over ordinary shares	Number of Performance Rights
Mr Mark Connelly	Nil	Nil	1,500,000
Mr Patric Glovac	1,359,445	679,723	1,500,000
Mr Frank Knezovic	Nil	Nil	Nil

There are no unpaid amounts on the shares issued.

**Dividends**

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

**Principal Activities**

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

**Review of operations**

The net loss of the Group for the year ending 30 June 2020 is \$746,119 (30 June 2019 \$769,634). The cash balance at the end of the year was \$1,649,187.

**Milford Project Utah**

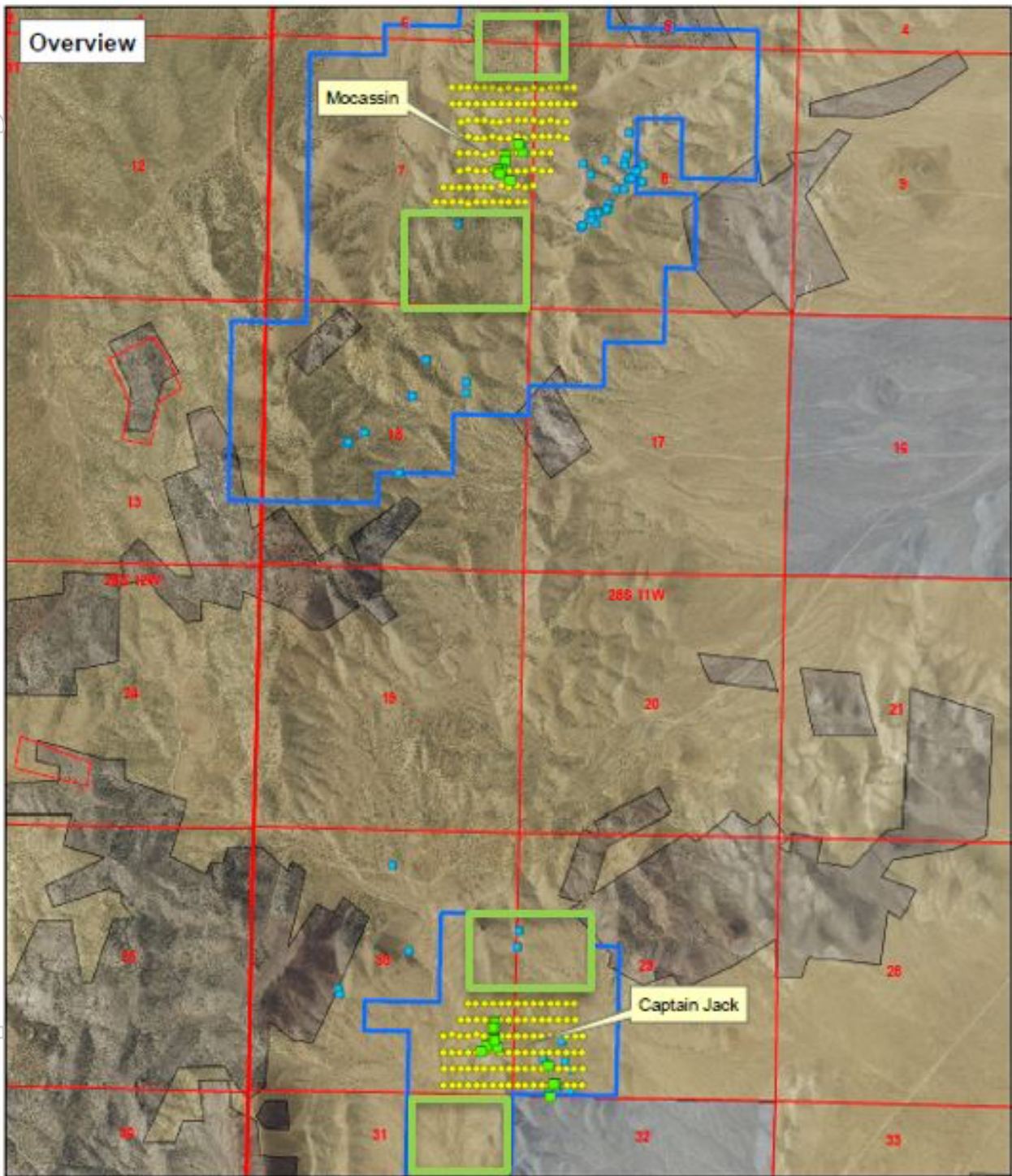
Located near the town of Milford, Utah the company has secured 100 claims prospective for replacement or manto/pipe-style base and precious metals. The project area has numerous old workings, which were exploited for precious and base metals in the 1800s. Very little systematic modern day exploration 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.

Following on from previous soil and reconnaissance rock sampling results completed in Q1 2020 as part of the Phase 1 exploration programme, future exploration work aims to extend the geochemical anomalies along the interpreted strike (Phase 2) and provide sufficient data to plan initial drilling campaigns.

Phase 1 reconnaissance rock chip results returned encouraging gold and silver results which where grades to 17.4 g/t Au and 8760 g/t Ag were recorded<sup>1</sup>. Soil sampling that was completed in conjunction with the rock sampling defined anomalous zones over several hundred meters open along strike at both Captain Jack and Moccassin<sup>2</sup>.

The planned Phase 2 exploration work will comprise additional soil and reconnaissance rock sampling/mapping along the interpreted anomalous trends and will commence in the September 2020 quarter.

DIRECTORS' REPORT cont.

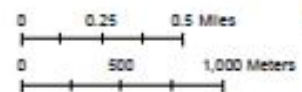


Milford Project-March 2020 Exploration  
Beaver County, Utah

- March 2020 Soil Samples (209)
- March 2020 Grab Samples (27)
- 2018 Sample Locations
- ML Claims Blocks

- Land Ownership
- Private or Patented Claims
  - BLM
  - State of Utah

Tao Commodities Ltd.  
22 Townshend Road  
Subiaco WA 6008



DIRECTORS' REPORT cont.

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## **CAPTAIN JACK**

The Captain Jack Project is located in the southern part of the Milford Project.

As part of the Phase 1 programme, total of 102 soil and 14 rock samples were collected at the Captain Jack and Captain Jack West Prospects<sup>1,2</sup>. The Captain Jack West prospect is associated with a series of old shallow workings/pits in altered silicified carbonate and sedimentary rocks with evidence of ex-sulphide textures and copper oxide staining. Reconnaissance rock sampling completed by the Company as part of the Phase 1 programme returned samples with anomalous gold, ranging from 0.99 to 17.4 g/t Au<sup>1</sup>. Silver results ranged from 0.25 to 8760 g/t, with four samples assaying >100 g/t (ppm) Ag<sup>1</sup>.

Soils sampling has defined partially overlapping NE orientated gold-silver anomalies over several hundred meters in the Captain Jack West prospect area, and a more semi-continuous anomaly over a similar distance at Captain Jack<sup>2</sup>. The soil anomalies appear topographically controlled to some degree, and further detailed mapping is planned along strike from the outcropping mineralisation to better understand the full extent of the anomaly.

## **MOCCASIN PROSPECT**

A total of 107 soil and 13 rock samples were collected as part of the Phase 1 programme at the Moccasin Prospect located in the northern portion of the Milford Project<sup>1,2</sup>.

Four reconnaissance rock samples collected by the Company as part of the Phase 1 programme returned gold values of +1 g/t. A number of samples also returned elevated base metal assay results with 15.1% Pb, 4.64% Zn and 1.21% Cu<sup>1</sup>.

Mineralisation occurring as outcrop to sub crop/float (with evidence of historical shallow pits and shafts) was traced along a north-easterly orientation for over 200m and is hosted within dark grey- to grey-brown altered carbonate to cherty carbonate rocks with moderate to intense ferruginisation and pitting after sulphide. Some remnant sulphide including pyrite and chalcopyrite together with copper oxides was observed.

Silver results from the soil sampling data have further extended the anomalous trend along strike to the SW from the old workings<sup>2</sup>. Gold results appear more restricted and associated with the locations of the old workings in the main prospect area in the central portion of the soil grid where rock sampling was also completed.

A second parallel trend has also been identified from the gold results NW of the main area which remain open to the NE. No rock samples were collected from this area as part of the Phase 1 programme.

Anomalous Pb (ppm) and Zn (ppm) are also associated with the geochemical response at Moccasin<sup>2</sup>. Further soil and rock sampling together with geological mapping will aim to extend the zones along strike to the NW and SW.

## **New Projects**

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

### **Significant changes in the state of affairs**

There was no significant change in the state of affairs during the 2020 financial year.

### **Significant events after reporting date**

The COVID-19 pandemic has developed rapidly in 2020 with a significant number of cases. Measures taken by various governments to contain the virus have affected economic activity. We have taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for our people (such as social distancing and working from home).

At this stage, the impact on our business and results has not been significant and based on our experience to date we expect this to remain the case. We will continue to follow the various government policies and advice and in parallel we will do our utmost to continue our operations in the best and safest way possible without jeopardising the health of our people.



**DIRECTORS' REPORT cont.**

On the 7 August 2020 Tao Commodities Limited announced a pro-rata non-renounceable entitlement issue of options to eligible shareholders on the basis of one (1) option for every eligible two (2) shares held (Option Issue) being up to approximately 15,693,334 options. Each Option will be exercisable for one fully paid ordinary share, at \$0.20 (20c) per Option, on or before 31 August 2021. The application for quotation of the options successfully occurred on the 3<sup>rd</sup> September 2020. The Options have an issue price of \$0.001 (0.1c) each. The purpose of the Options Issue is to recognise the support and loyalty the Company has received from its Shareholders to date.

**Likely developments and expected results**

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

**Environmental regulation**

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

**Indemnification and insurance of Directors and Officers**

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

## DIRECTORS' REPORT cont.

### Remuneration report (Audited)

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

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

### Key Management Personnel

#### Directors

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

### Remuneration philosophy

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

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

### Remuneration committee

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

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

### Remuneration structure

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

### Non-executive director remuneration

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

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

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

The remuneration of non-executive directors for the year ended 30 June 2020 is detailed in page 12 of this report.

### Executive director remuneration

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

### Fixed Remuneration

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

## DIRECTORS' REPORT cont.

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

### Share based payment arrangements

Directors were granted options (in the 2018 financial year) to purchase ordinary shares at an exercise price determined by the Board with regard to the market value of the shares when it resolved to offer the options. These options were issued in accordance with their employment agreements.

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

The options, vested immediately upon grant, however they are subject 24 months escrow (16 April 2020). The expiry date of the options is 1/8/2020.

Directors were granted Performance Rights at a shareholders meeting held on 25 November 2019. These Performance Rights were granted to incentivise performance by linking the benefit to the share price of the Company.

Each Performance Right is exercisable into a Share for \$0.001 in the event it vests within 3 years of being granted (25 November 2022).

### Use of remuneration consultants

The Company did not employ the services of remuneration consultants during the financial year. The remuneration of the Company Directors and executives is detailed in page 12 of this report.

### 2019 Annual General Meeting

The Company received 100% of votes in favour of the Remuneration Report for the 2019 financial year at the 2019 AGM. The Company did not receive specific feedback at the annual general meeting or during the financial year regarding its remuneration practises.

## Employment Contracts

### Mark Connelly – Non Executive Chairman

The key terms of Mr Connelly's contract are:

- Chairman Fees of \$60,000 per annum plus statutory superannuation and approved employment expenses
- No termination benefits
- 3 million options (Exercise price \$0.30 expiry 1/8/2020) 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 1/8/2020) on ASX Listing
- 

### Frank Knezovic – Non-Executive Director

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

- Director's fee of \$36,000 per annum plus statutory superannuation and approved employment expenses
- No termination benefits

### 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 1/8/2020) on ASX Listing

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

Key Management Personnel remuneration for the year ended 30 June 2020

30 June 2020	Short-term employment benefits		Post-employment benefit	Equity Share based payments	Total
	Salary & fees	AL Provision Movement	Superannuation		
	\$	\$	\$	\$	\$
<b>Directors</b>					
M Connelly	60,000	-	5,700	19,892	85,592
P Glovac	84,000	16,154	9,515	19,892	129,561
F Knezovic <sup>(i)</sup>	15,000	-	1,425	-	16,425
J Brewer <sup>(ii)</sup>	27,000	-	2,565	-	29,565
<b>Total</b>	<b>186,000</b>	<b>16,154</b>	<b>19,205</b>	<b>39,784</b>	<b>261,143</b>

(i) Appointed 23/1/2020

(ii) Resigned 23/1/2020

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

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

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

**Bonuses**

No bonuses were granted during the year.

**DIRECTORS' REPORT cont.****Share based payment arrangements****Performance Rights**

Directors were granted Performance Rights at a shareholders meeting held on 25 November 2019. These Performance Rights were granted to incentivise performance by linking the benefit to the share price of the company.

Each Performance Right is exercisable into a Share for \$0.001 in the event that it vests within 3 years of being granted (25 November 2022). The vesting conditions are as follows:

<b>Class A</b>	The Company achieving a VWAP of \$0.25 over a 20 trading day period
<b>Class B</b>	The Company achieving a VWAP of \$0.40 over a 20 trading day period
<b>Class C</b>	The Company achieving a VWAP of \$0.55 over a 20 trading day period

The following Directors were granted Performance Rights as follows:

Director	Class A	Class B	Class C	Total	Valuation
Patric Glovac	500,000	500,000	500,000	1,500,000	\$102,300
Mark Connelly	500,000	500,000	500,000	1,500,000	\$102,300
Jason Brewer (i)	500,000	500,000	500,000	1,500,000	\$102,300

(i) Jason Brewer resigned 23 January 2020 and these Performance Rights have been cancelled

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 C
Valuation date	25/11/2019	25/11/2019	25/11/2019
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

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

	Balance at beginning of year	Granted as remuneration	On Exercise of Options	Net Change Other	Balance at end of year
	Number	Number	Number	Number	Number
<b>30 June 2020</b>					
<u>Directors</u>					
Mr Mark Connelly	-	-	-	-	-
Mr Patrick Glovac	1,359,445	-	-	-	1,359,445
Mr Frank Knezovic	-	-	-	-	-
Mr Jason Brewer	-	-	-	-	-

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

**Option holdings of Directors**

Mark Connelly (3 million), Patrick Glovac (3 million) and Jason Brewer (2 million) were granted options (series 1 exercise price \$0.30 with an expiry of 1/08/2020). All options were escrowed until 16/04/2020. These options have expired as a subsequent event to the end of the financial year. See Note 11 also.

	Balance at beginning of year	Granted as remuneration	Options exercised	Net Change Other	Balance at end of year	Grant Value	Percentage vested
	Number	Number	Number	Number	Number		
<b>30 June 2020</b>							
<u>Directors</u>							
Mr Mark Connelly Series 1	3,000,000	-	-	-	3,000,000	\$0.0867	100%
Mr Patrick Glovac Series 1	3,000,000	-	-	-	3,000,000	\$0.0867	100%
Mr Patrick Glovac Listed Options	679,723	-	-	-	679,723	\$0.0100	100%
Mr Jason Brewer <sup>(i)</sup> Series 1	2,000,000	-	-	-	2,000,000	\$0.0867	100%
Mr Frank Knezovic <sup>(ii)</sup>	-	-	-	-	-	-	-

<sup>(i)</sup> Resigned 23 January 2020

<sup>(ii)</sup> Appointed 23 January 2020

**No Options were Exercised during 2020 financial year**

**DIRECTORS' REPORT cont.****Performance Rights holdings of Directors**

	Balance at beginning of year	Granted as remuneration	Options exercised	Net Change Other	Balance at end of year	Grant Value	Percentage vested
	Number	Number	Number	Number	Number		
30 June 2020							
<b>Directors</b>							
Mr Mark Connelly							
Class A	-	500,000	-	-	500,000	\$0.0876	0%
Class B	-	500,000	-	-	500,000	\$0.0657	0%
Class C	-	500,000	-	-	500,000	\$0.0513	0%
Mr Patric Glovac							
Class A	-	500,000	-	-	500,000	\$0.0876	0%
Class B	-	500,000	-	-	500,000	\$0.0657	0%
Class C	-	500,000	-	-	500,000	\$0.0513	0%
Mr Frank Knezovic							
Class A	-	-	-	-	-	-	-
Class B	-	-	-	-	-	-	-
Class C	-	-	-	-	-	-	-
Mr Jason Brewer							
Class A	-	500,000	-	(500,000) <sup>(i)</sup>	-	-	-
Class B	-	500,000	-	(500,000)	-	-	-
Class C	-	500,000	-	(500,000)	-	-	-

(i) J Brewer resigned 23 Jan 2020 and the Performance Rights were cancelled

**Other transactions with Key Management Personnel**

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

- Consultancy fees amounting to \$126,000 have been paid to GTT Ventures Pty Ltd with \$10,500 payable as at 30 June 2020. An additional \$5,000 was paid to cover the costs of a UK event that took place during the financial year for advertising and marketing purposes.
- 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 2020 is \$36,000.

Newly appointed Director Frank Knezovic (appointed 23 Jan 2020) is Director and shareholder of Nova Legal. Legal fees paid during the 30 June 2020 financial period amounted to \$33,549.

**Loans to Key Management Personnel**

There are no loans to key management personnel.

**Remuneration Report Table**

	2020	2019	2018	2017
Revenue (\$'000)	60	44	3	-
Net Loss before tax (\$'000)	746	770	1,312	96
Share Price at the start of the year (\$)	0.067	0.220	0.240 <sup>(i)</sup>	n/a
Share Price at the end of the year (\$)	0.080	0.067	0.220	n/a
Dividend (\$)	n/a	n/a	n/a	n/a
Basic Loss per share (cents)	2.381	2.490	14.951	3.203

(i) on listing 16 April 2018

**End of Audited Remuneration Report**

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

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

	Grant date	Expiry date	Exercise price	Number
Listed Options	3/9/2018	1/9/2020	\$0.20	12,182,284
Listed Options	2/10/2018	1/9/2020	\$0.20	3,192,734
Listed Options	22/10/2018	1/9/2020	\$0.20	73,333
Total under option				15,448,351

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

**Directors' Meetings**

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

	Directors meetings	
Number of meetings held:	6	
Number of meetings attended:		
Mr Mark Connelly	6	Appointed 5 May 2017
Mr Patrick Glovac	6	Appointed 5 May 2017
Mr Frank Knezovic	1	Appointed 23 January 2020
Mr Jason Brewer	5	Resigned 23 January 2020

**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 18 and forms part of this directors' report for the year ended 30 June 2020

**Non-Audit Services**

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

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

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

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

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



**DIRECTORS' REPORT cont.**

Auditors of the Group- BDO and related network firms

2020  
\$2019  
\$*Auditor of the parent entity*

Audit or review of the financial statements

34,611

30,000

34,61130,000*Taxation and other advisory services*

Taxation

7,725

5,610

Total services provided by BDO

42,33635,610

Signed in accordance with a resolution of the directors.

Dated: 18 September 2020

Mark Connelly  
Chairman

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## 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 2020, I declare that, to the best of my knowledge and belief, there have been:

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

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



Dean Just  
Director

BDO Audit (WA) Pty Ltd  
Perth, 18 September 2020

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2020**

	Notes	2020 \$	2019 \$
<b>Continuing operations</b>			
Interest income	2	22,651	44,078
Other income	2	37,368	-
Administrative expenses		(366,161)	(509,709)
Staff expenses		(312,611)	(271,004)
Share Based Payment	11	(89,783)	(33,000)
Amortisation expense		(32,808)	-
Finance cost lease		(4,775)	-
<b>Loss before income tax expense</b>		<b>(746,119)</b>	<b>(769,634)</b>
Income tax benefit	3	-	-
<b>Loss after income tax for the year</b>		<b>(746,119)</b>	<b>(769,634)</b>
<b>Other comprehensive income, net of income tax</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation of foreign operations		19,979	36,438
Other comprehensive income/(loss) for the year, net of tax		19,979	36,438
Total comprehensive loss for the year attributable to owners of the parent		<b>(726,140)</b>	<b>(733,196)</b>
Basic loss per share for the year attributable to the members of TAO Commodities Ltd (cents per share)	5	<b>(2.381)</b>	(2.490)

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

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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2020**

	Notes	2020 \$	2019 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	1,649,187	2,466,133
Trade and other receivables		42,438	15,131
Prepayments		24,874	19,883
		<u>1,716,499</u>	<u>2,501,147</u>
<b>Total current assets</b>		<b>1,716,499</b>	<b>2,501,147</b>
<b>Non-current assets</b>			
Right of Use Asset		24,507	-
Fixed Assets		6,293	-
Deferred exploration and evaluation expenditure	7	1,224,895	1,081,149
		<u>1,255,695</u>	<u>1,081,149</u>
<b>Total non-current assets</b>		<b>1,255,695</b>	<b>1,081,149</b>
<b>Total assets</b>		<b>2,972,194</b>	<b>3,582,296</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	8	42,198	40,241
Lease Liability		25,960	-
Accruals		26,404	28,066
		<u>94,562</u>	<u>68,307</u>
<b>Total current liabilities</b>		<b>94,562</b>	<b>68,307</b>
<b>Total liabilities</b>		<b>94,562</b>	<b>68,307</b>
<b>Net assets</b>		<b>2,877,632</b>	<b>3,513,989</b>
<b>Equity</b>			
Issued capital	9	4,577,708	4,527,708
Reserves	10	1,224,153	1,164,391
Accumulated losses	10	(2,924,229)	(2,178,110)
		<u>2,877,632</u>	<u>3,513,989</u>
<b>Total equity</b>		<b>2,877,632</b>	<b>3,513,989</b>

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2020**

Consolidated	Note	Issued capital	Option based premium 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 year		-	-	-	-	(769,634)	(769,634)
Exchange differences arising on translation of foreign operations		-	-	36,439	-	-	36,439
<b>Total comprehensive loss for the year</b>		-	-	36,439	-	(769,634)	(733,195)
<i>Transactions with owners in their capacity as owner</i>							
Issue of Shares		33,000	-	-	-	-	33,000
Share Issue Costs		(11,402)	-	-	-	-	(11,402)
Issue of Options	9	-	153,750	-	-	-	153,750
<b>Balance at 30 June 2019</b>		<b>4,527,708</b>	<b>1,107,450</b>	<b>56,941</b>	<b>-</b>	<b>(2,178,110)</b>	<b>3,513,989</b>
<b>Balance at 1 July 2019</b>		<b>4,527,708</b>	<b>1,107,450</b>	<b>56,941</b>	<b>-</b>	<b>(2,178,110)</b>	<b>3,513,989</b>
<b>Loss for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(746,119)</b>	<b>(746,119)</b>
<b>Exchange differences arising on translation of foreign operations</b>		<b>-</b>	<b>-</b>	<b>19,979</b>	<b>-</b>	<b>-</b>	<b>19,979</b>
<b>Total comprehensive loss for the year</b>		<b>-</b>	<b>-</b>	<b>19,979</b>	<b>-</b>	<b>(746,119)</b>	<b>(726,140)</b>
<i>Transactions with owners in their capacity as owner</i>							
<b>Issue of Shares</b>	11	<b>50,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,000</b>
<b>Issue of Performance Rights</b>	11	<b>-</b>	<b>-</b>	<b>-</b>	<b>39,783</b>	<b>-</b>	<b>39,783</b>
<b>Balance at 30 June 2020</b>		<b>4,577,708</b>	<b>1,107,450</b>	<b>76,920</b>	<b>39,783</b>	<b>(2,924,229)</b>	<b>2,877,632</b>

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

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**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2020**

	Notes	2020 \$	2019 \$
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(685,562)	(760,067)
ATO cashflow boost		12,156	
Interest received		22,651	44,078
<b>Net cash (outflows) from operating activities</b>	6	<b>(650,755)</b>	<b>(715,989)</b>
<b>Cash flows from investing activities</b>			
Exploration and evaluation expenditure		(123,767)	(599,521)
Payment for plant & equipment		(6,423)	-
<b>Net cash (outflows) from investing activities</b>		<b>(130,190)</b>	<b>(599,521)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of equities		-	153,750
Payments for equities issue costs		-	(11,402)
Lease principal repayments		(36,000)	-
<b>Net cash (outflows) from financing activities</b>		<b>(36,000)</b>	<b>142,349</b>
Net increase/(decrease) in cash and cash equivalents		(816,945)	(1,173,161)
Cash and cash equivalents at the beginning of the year		2,466,132	3,639,293
<b>Cash and cash equivalents at the end of the year</b>	6	<b>1,649,187</b>	<b>2,466,132</b>

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

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of preparation

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

##### *Going Concern*

##### *COVID -19*

The COVID -19 pandemic has developed rapidly in 2020. The resulting impact of the virus on the operations and measures taken by various governments has not had a significant impact on the financial results for the 30 June 2020 reporting period. The only known impacts of COVID-19 on the group is the delay in some exploration activities due to travel and quarantine restrictions. In some instances the Company was able to obtain a 50% deferment in payment from some Creditors, however all outstanding amounts due at 30 June 2020 were paid.

The Board believe that the measures it has taken, enables the Company to prepare the financial reports on a going concern basis.

##### *Historical Cost Convention*

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

##### *Critical accounting estimates*

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

##### *Functional and presentation currency*

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

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

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

- *AASB 16 Leases*

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

##### **AASB 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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

#### 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.

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 30 June 2020 were ROU Assets with a net book value of \$24,507 and lease liabilities of \$25,960.

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

Expense	\$	Notes
Tenancy and operating	36,000	Rent expense on previously recognised operating lease
Depreciation expense	(32,678)	Depreciation of lease asset recognized under AASB 16
Finance costs	(4,775)	Interest on lease recognized under AASB 16
Net impact on loss for the period	(1,453)	

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 \$36,000 and to reduce cash flows from financing activities by \$36,000.

There is no impact on other comprehensive income and EPS.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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

#### *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	<u>57,186</u>
Right-of-Use asset (value determined solely with reference to the lease liability value)	<u>57,186</u>

The recognised ROU Asset relates to office premises.

#### **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 exercised 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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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

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

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2020.

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

The financial report was authorised for issue by the directors on 18 September 2020. 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 2020 and the results of all subsidiaries for the year then ended. TAO Commodities Limited and its subsidiaries are referred to in this financial report as the Group.

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

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

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

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

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

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

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

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

#### *Incremental borrowing rate*

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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

#### *Coronavirus (COVID-19) pandemic*

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the company based on known information. This consideration extends to the staffing and geographic regions in which the company operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the company unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

#### *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 *Barrier1* valuation model developed by Hoadley Trading & Investment Tools.

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

#### *Impairment of exploration expenditure*

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

As at 30 June 2020 the Directors reviewed the Group's exploration portfolio for indicators of impairment. As a result of this review, the Board made that decision that no impairment was required in the current year's accounts. Refer to Note 7 also.

#### **(f) Segment reporting**

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

#### **(g) Foreign currency translation**

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

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

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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

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

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

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

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

#### (h) Revenue recognition

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

#### *Interest income*

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

#### *Government Grants*

Grants relating to income are presented as part of profit or loss under the heading "Other Income"

#### (i) Income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting year in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management 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 years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

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

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:

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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

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

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

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

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

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

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

#### (j) Goods and Services taxes

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

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

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

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

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

#### (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

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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

increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

#### (l) Cash and cash equivalents

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

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

#### (m) Trade and other receivables

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

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

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

#### (n) Financial assets

##### *Classification*

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

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

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

##### *Effective interest method*

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

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

##### *Recognition and derecognition*

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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

#### *Subsequent measurement*

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following four categories:

- Financial assets amortised at cost
- Financial assets at fair value through profit or loss
- Debt instruments at fair value through other comprehensive income
- Equity instruments at fair value through other comprehensive income

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

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

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

#### *Fair value*

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

#### *Impairment*

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

#### *Financial assets at amortised cost*

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivable which is presented within other expenses. Financial assets with contractual cash flows representing sole payments of principal and interest and held within a business model of 'hold to collect' contractual cash flows are accounted for at amortised cost using the effective interest method. The Group's trade and most other receivables fall into this category of financial instruments.

#### **(o) Trade and other payables**

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

#### **(p) Provisions**

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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

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

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

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

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

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

##### *Equity settled transactions*

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

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a *Barrier1* valuation model developed by Hoadley Trading & Investment Tools.

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

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

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

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

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

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

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

#### (r) Issued capital

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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

#### (s) Loss per share

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

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

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

#### (t) Exploration and evaluation

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

- the rights to tenure of the area of interest are current; and
- at least one of the following conditions is also met:
  - the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
  - exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortised of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

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

#### (u) Parent entity financial information

The financial information for the parent entity, TAO Commodities Limited, disclosed in Note 15 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.

#### (v) Employee Benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave, when it is probable that settlement will be required and they are capable of being measured reliably.

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020**

**NOTE 2: REVENUE AND EXPENSES**

	<b>2020</b>	2019
	<b>\$</b>	\$
<i>Other Income</i>		
Interest income	<b>22,651</b>	44,078
ATO cashflow boost <sup>(i)</sup>	<b>37,368</b>	-
	<b>60,019</b>	44,078
 (i) Government grant relates to Boosting Cashflow for employers' COVID-19 stimulus package		
	<b>2020</b>	2019
	<b>\$</b>	\$
<i>Other expenses</i>		
Administration	<b>403,744</b>	509,709
Staff expenses	<b>312,611</b>	271,004
Share based payment (See also Note 11)	<b>89,783</b>	33,000
	<b>806,138</b>	813,713

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### NOTE 3: INCOME TAX

*Income tax recognised in profit or loss*

The major components of tax expense are:

	2020 \$	2019 \$
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:

	2020 \$	2019 \$
Accounting loss before tax from continuing operations	(746,119)	(769,634)
Gain before tax from discontinued operations	-	-
Accounting loss before income tax	(746,119)	(769,634)
Income tax benefit calculated at 30%	(223,836)	(230,890)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment	-	1,636
Share-based payment	26,935	9,900
Non-assessable income	(11,210)	-
Temporary movements	(31,992)	(18,224)
Other non-deductible expenditure	55,958	104,200
Deferred tax assets not brought to account	184,145	133,377
Income tax benefit reported in the consolidated statement of comprehensive income	-	-
Income tax attributable to discontinued operations	-	-

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:

	2020 \$	2019 \$
Tax losses	467,830	232,609
PPE/Leases	436	-
Expenses taken into equity	54,459	85,846
Tax losses – capital	-	-
Other temporary differences	9,307	16,008
	532,032	334,463
Off-set of deferred tax liabilities	(7,462)	(5,965)
Net deferred tax asset unrecognised	524,570	328,498

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.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### NOTE 4: SEGMENT REPORTING

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

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

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

- Exploration and evaluation – Utah
- Other sector

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

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

#### Segment information

The following table presents revenue and profit information and certain asset and liability information regarding business segments for the year ended 30 June 2019 and 30 June 2020

	Continuing Operations		
	Exploration and Evaluation – Utah USA	Other	Consolidated
30 June 2020	\$	\$	\$
<b>Revenue</b>			
Total segment revenue	-	60,019	60,019
<b>Segment results</b>			
Segment Result	-	(746,119)	(746,119)
<b>Segment assets</b>			
Segment assets	1,224,895	1,747,299	2,972,194
<b>Segment liabilities</b>			
Segment liabilities	-	94,562	94,562
<b>Cash flow information</b>			
Net cash flow from operating activities	-	(650,756)	(650,756)
Net cash flow from investing activities	(123,767)	(6,423)	(130,190)
Net cash flow from financing activities	-	(36,000)	(36,000)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020**

**NOTE 4: SEGMENT REPORTING continued**

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### NOTE 5: LOSS PER SHARE

	2020	2019
	Cents per share	Cents per share
<i>Basic loss per share</i>		
Continuing operations	(2,381)	(2,490)
Total basic loss per share	<u>(2,381)</u>	<u>(2,490)</u>

Diluted earnings per share is equal to basic loss per share as the Company is in a loss position.

#### *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:

	2020	2019
	\$	\$
Loss	(746,119)	(769,634)
Loss from continuing operations	<u>(746,119)</u>	<u>(769,634)</u>

	2020	2019
	Number	Number
Weighted average number of ordinary shares for Basic earnings per share	<b>31,340,238</b>	30,903,575

### NOTE 6: CASH AND CASH EQUIVALENTS

	2020	2019
	\$	\$
Cash at bank and on hand	<u>1,649,187</u>	<u>2,466,133</u>

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

Refer also to Note 12

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### NOTE 6: CASH AND CASH EQUIVALENTS continued

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

	2020	2019
	\$	\$
Loss for the year	(746,119)	(769,634)
Depreciation and amortisation	32,808	-
Other non-cash items	(43,735)	102,954
Unrealised foreign exchange	19,980	36,438
Share based payment	89,783	33,000
(Increase)/decrease in assets:		
Trade and other receivables	(27,307)	77,048
Other current assets	(4,991)	(383)
Increase/(decrease) in liabilities:		
Trade and other payables	28,826	(195,410)
Net cash from operating activities	<u>(650,755)</u>	<u>(715,989)</u>

### NOTE 7: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	2020	2019
	\$	\$
Costs carried forward in respect of:		
<i>Exploration and evaluation phase – at cost</i>		
Balance at beginning of year	1,081,150	576,083
Asset acquired	-	-
Exploration expenditure	123,765	448,127
Foreign Exchange	19,980	56,950
Total exploration and evaluation expenditure	<u>1,224,895</u>	<u>1,081,150</u>

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

### NOTE 8: TRADE AND OTHER PAYABLES

	2020	2019
	\$	\$
Trade payables (i)	5,551	3,211
Payroll Liabilities	30,720	28,531
Credit Card	5,927	8,499
	<u>42,198</u>	<u>40,241</u>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### NOTE 9: ISSUED CAPITAL

	2020 \$	2019 \$
31,386,667 Ordinary shares issued and fully paid (2019 30,970,000)	<b>4,577,708</b>	4,527,708

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*

	2020		2019	
	Number	\$	Number	\$
Balance at beginning of year	<b>30,970,000</b>	<b>4,527,708</b>	30,750,000	4,506,110
Vendor Shares <sup>(i)</sup>	<b>416,667</b>	<b>50,000</b>	220,000	33,000
Capital Raising Costs	-		-	(11,402)
Balance at end of year	<b>31,386,667</b>	<b>4,577,708</b>	30,970,000	4,527,708

(i) In October 2019, 416,667 shares were issued (valued at 12 cents per share) representing an exclusive option fee (pursuant to a binding term sheet) to acquire 100% issued capital of DSO Mining Pty Ltd. This acquisition did not proceed.

#### *Share options*

No Options were issue by the Company during the current financial year.

	2020		2019	
	Number	\$	Number	\$
Balance at beginning of year	<b>26,448,351</b>	<b>1,107,450</b>	11,000,000	953,700
Bonus loyalty option issue Sep 2018	-	-	15,375,018	153,750
Option issued to Consultant (free attaching) Oct 2018	-	-	73,333	-
Balance at end of year	<b>26,448,351</b>	<b>1,107,450</b>	26,448,351	1,107,450

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020**

**NOTE 10: RESERVES AND ACCUMULATED LOSSES**

*Reserves*

Movements in reserves were as follows:

	Option premium reserve	Share based payment reserve	Equity settled benefits reserve	Foreign currency translation reserve	Total
2020	\$	\$	\$	\$	\$
Balance at beginning of year	1,107,450	-	-	56,941	1,164,391
Equity based payment	-	-	39,783	-	39,783
Currency translation differences	-	-	-	19,979	19,979
Balance at end of year	1,107,450	-	39,783	76,920	1,224,153

	Option premium reserve	Share based payment reserve	Equity settled benefits reserve	Foreign currency translation reserve	Total
2019	\$	\$	\$	\$	\$
Balance at beginning of year	953,700	-	-	20,502	974,202
Equity based payment (options)	153,750	-	-	-	153,750
Currency translation differences	-	-	-	36,439	36,439
Balance at end of year	1,107,450	-	-	56,941	1,164,391

*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.

Equity settled benefit reserve

The equity settled benefits reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### NOTE 10: RESERVES AND ACCUMULATED LOSSES continued

#### Accumulated Losses

Movements in accumulated losses were as follows:

	2020	2019
	\$	\$
Balance at beginning of year	(2,178,110)	(1,408,476)
Net loss for the year	(746,119)	(769,634)
Balance at end of year	<u>(2,924,229)</u>	<u>(2,178,110)</u>

### NOTE 11: SHARE BASED PAYMENT PLANS

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

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

	2020	2019
	\$	\$
Shares issued to Vendor (exclusive option fee)	50,000	-
Performance Rights Issued to Directors amortised	39,783	-
Shares (220,000 share @ \$0.15 per share) issued to Consultant in lieu of fees.	-	33,000
Total share based payments	<u>89,783</u>	<u>33,000</u>

#### 11.b Employee Share Options

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

The following share-based payment arrangements were in place during the current year however these options have expired 1 August 2020, subsequent to year end.

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	1/8/2020	\$0.30	\$0.0867
<u>Vendor Calatos Pty Ltd LLC</u>					
2. Options issued 16/4/2018 (escrowed until 16/4/2020)	2,000,000	16/4/2018	1/8/2020	\$0.30	\$0.0867

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### NOTE 11: SHARE BASED PAYMENT PLANS continued

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 2020 year.

	2020		2019	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Outstanding at the beginning of year	26,448,351	0.24	11,000,000	0.30
Granted during the year	-		15,448,351	0.20
Forfeited during the year	-		-	
Exercised during the year	-		-	
Expired during the year	-		-	
Outstanding at the end of year	26,448,351	0.24	26,448,351	0.24
Vested and exercisable at the end of year	26,448,351		26,448,351	

No options expired during the years covered by the above tables. Subsequent to the year end, 11 million unlisted options expired 1 August 2020.

No options were exercised during the year.

#### NOTE 11.c. Performance Rights

Performance Rights were 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 (20 day VWAP)	Hurdle	Fair value
<u>Directors</u>						
1. Class A Performance Rights (i)	1,000,000	25/11/19	24/11/22		\$0.25	\$0.0876
2. Class B Performance Rights (i)	1,000,000	25/11/19	24/11/22		\$0.40	\$0.0657
2. Class C Performance Rights (i)	1,000,000	25/11/19	24/11/22		\$0.55	\$0.0513

(i) Jason Brewer resigned from the Company (23 January 2020) and as a result 1.5 million Performance Rights granted to Jason Brewer were cancelled on the 24 February 2020 and are not reflected in the table above.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### NOTE 11: SHARE BASED PAYMENT PLANS continued

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	25/11/2019	25/11/2019	25/11/2019
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

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:

	<u>30 June 2020</u>
Performance Rights Directors (P Glovac and M Connelly) (ii)	\$39,784
(ii) this reflects seven months amortisation expense	

### NOTE 12: 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 2020

### NOTE 12: FINANCIAL INSTRUMENTS continued

#### Categories of financial instruments

	2020	2019
	\$	\$
<u>Financial assets</u>		
Cash and cash equivalents	1,623,235	2,440,618
Short term deposit	25,952	25,515
Receivables	42,438	15,131
<u>Financial liabilities</u>		
Lease Liability	25,960	-
Trade and other payables	42,198	3,211

#### Financial risk management objectives

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

#### Market risk

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

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

#### Interest rate risk management

The Group's exposures to interest rates on financial assets and financial liabilities are confined to variable interest rates on its cash holdings of \$1,649,187 at reporting date.

#### Interest rate risk sensitivity analysis

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

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

Net loss would decrease by \$8,246 and equity would increase by \$8,246

#### 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 2020

### NOTE 13: COMMITMENTS AND CONTINGENCIES

a) *USA minerals exploration program*

As at 30 June 2020, 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
101 Claims Utah	\$26,867 (USD 19,175)
	\$26,867

### NOTE 14: 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	2020 \$
Parent Entity		
TAO Commodities Limited	Australia	
Subsidiaries		
Calatos Pty Ltd LLC (held 100% by TAO Commodities)	USA	100%

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

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

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

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

	2020 \$	2019 \$
<i>Remuneration type</i>		
Short- term employee benefits	202,154	186,538
Post-employment benefits	19,205	17,385
Non monetary benefit	39,784	-
Total	261,143	203,923

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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

Consulting Fee \$126,000 with \$10,500 payable as at June 30, 2020  
Reimbursement GTT for UK presentation event \$5,000  
Rent and Outgoings \$36,000

The following is a summary of transactions with Nova Legal, a company that Frank Knezovic is a Director and shareholder and related party:

Legal fees \$33,549

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

### *Loans to Key Management Personnel*

There were no loans to Key Management Personnel.

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

Nil.

## NOTE 15: PARENT ENTITY DISCLOSURES

### *Financial position*

	2020	2019
	\$	\$
<b>Assets</b>		
Current assets	1,716,499	2,501,073
Non-current assets	1,178,775	1,024,208
Total assets	<b>2,895,274</b>	<b>3,525,355</b>
<b>Liabilities</b>		
Current liabilities	94,562	68,307
Non-current liabilities	-	-
Total liabilities	<b>94,562</b>	<b>68,307</b>
<b>Equity</b>		
Issued capital	4,577,708	4,527,708
Reserves		
• Option premium reserve	1,107,450	1,107,450
• Equity settled employee benefits	39,783	-
Accumulated losses	(2,924,229)	(2,178,110)
Total equity	<b>2,800,712</b>	<b>3,457,048</b>

### *Financial performance*

	2020	2019
	\$	\$
Loss for the year	(746,119)	(769,634)
Other comprehensive loss	-	-
Total comprehensive loss	<b>(746,119)</b>	<b>(769,634)</b>

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

TAO Commodities Limited has not entered into any deed of cross guarantee with its wholly-owned subsidiaries during the year ended 30 June 2020.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### NOTE 16: EVENTS AFTER THE REPORTING YEAR

The COVID-19 pandemic has developed rapidly in 2020 with a significant number of cases. Measures taken by various governments to contain the virus have affected economic activity. We have taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for our people (such as social distancing and working from home).

At this stage, the impact on our business and results has not been significant and based on our experience to date we expect this to remain the case. We will continue to follow the various government policies and advice and in parallel we will do our utmost to continue our operations in the best and safest way possible without jeopardising the health of our people.

On the 7 August 2020 Tao Commodities Limited announced a pro-rata non-renounceable entitlement issue of options to eligible shareholders on the basis of one (1) option for every eligible two (2) shares held (Option Issue) being up to approximately 15,693,334 options. Each Option will be exercisable for one fully paid ordinary share, at \$0.20 (20c) per Option, on or before 31 August 2021. The application for quotation of the options successfully occurred on the 3<sup>rd</sup> September 2020. The Options have an issue price of \$0.001 (0.1c) each. The purpose of the Options Issue is to recognise the support and loyalty the Company has received from its Shareholders to date

### NOTE 17: AUDITOR'S REMUNERATION

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

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

Auditors of the Group- BDO and related network firms	2020 \$	2019 \$
<i>Auditor of the parent entity</i>		
Audit or review of the financial statements	<b>34,611</b>	30,000
	<b>34,611</b>	30,000
<i>Taxation and other advisory services</i>		
Taxation	<b>7,725</b>	5,610
Total services provided by BDO	<b>42,336</b>	35,610



**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 2020 and of its performance for the year then ended; and
    - ii. complying with Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements.
  - b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
  - c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2020.

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



Mark Connelly  
Chairman

Dated 18 September 2020

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## INDEPENDENT AUDITOR'S REPORT

To the members of TAO Commodities Limited

### Report on the Audit of the Financial Report

We have audited the financial report of TAO Commodities Limited (the Company) and its subsidiary (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, 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 2020 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 (including Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We 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.

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## Valuation of Exploration and Evaluation Asset

Key audit matter	How the matter was addressed in our audit
<p>As disclosed in Note 7 to the financial report, the carrying value of the exploration and evaluation asset represents a significant asset of the Group.</p> <p>In accordance with AASB 6 Exploration for and Evaluation of Mineral Resources (AASB 6), the recoverability of exploration and evaluation expenditure required significant judgement by management in determining whether there are any facts or circumstances that exist to suggest the carrying amount of this asset may exceed its recoverable amount. As a result, this is considered a key audit matter.</p>	<p>Our procedures, included but were not limited to:</p> <ul style="list-style-type: none"> <li>• Obtaining 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;</li> <li>• Considering the status of ongoing exploration programs in the respective areas of interest by holding discussions with management and reviewing the Group's cash flow budget for the level of budgeted spend on exploration projects;</li> <li>• Considering whether any areas of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed;</li> <li>• Considering whether there are any other facts or circumstances that existed to indicate impairment testing was required; and</li> <li>• Assessing the adequacy of the related disclosures in Note 1(t) and Note 7 of the financial report.</li> </ul>

### Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2020, 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:

[https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf)

This description forms part of our auditor's report.

#### Report on the Remuneration Report

##### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 15 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of TAO Commodities Limited, for the year ended 30 June 2020, complies with section 300A of the Corporations Act 2001.

##### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

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

Dean Just

Director

Perth, 18 September 2020

## **CORPORATE GOVERNANCE STATEMENT**

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

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**ADDITIONAL SECURITIES EXCHANGE INFORMATION****ASX additional information as at 8 September 2020****Number of holders of equity securities**Ordinary share capital

31,386,667 fully paid ordinary shares are held by 324 individual shareholders.

All issued ordinary shares carry one vote per share.

Options

	Number on Issue	Number of Holders
Listed Options exercise price 20 cents expiry 31 Aug 2021	15,693,334	122

**Distribution of holders of equity securities**

	Number of holders	Fully paid ordinary shares	Number of holders Listed Options	Number of Listed Options
1 – 1,000	19	3,131	5	1,607
1,001 – 5,000	25	87,902	10	38,654
5,001 – 10,000	64	577,583	3	26,250
10,001 – 100,000	154	7,118,348	75	3,232,065
100,001 and over	62	23,599,703	29	12,394,758
	<u>324</u>	<u>31,386,667</u>	<u>122</u>	<u>15,693,334</u>

Holding less than a  
marketable parcel

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**Substantial shareholders**

	Fully paid ordinary shares % held	Number
<b>Ordinary shareholders</b>		
Mounts Bay Investments PL	6.27%	1,969,444
Ms Chunyan Niu	6.20%	1,944,674
Syracuse Capital Pty Ltd (The Rocco Tassone S/FA/C>	5.27%	1,655,000

	Fully paid ordinary shares Number	Percentage
<b>Ordinary shareholders</b>		
Mounts Bay Investments PL	1,969,444	6.27%
Ms Chunyan Niu	1,944,674	6.20%
Syracuse Capital PL <The Rocco Tassone S/F A/C>	1,655,000	5.27%
Murdoch Capital Pty Ltd	1,359,445	4.33%
Syracuse Capital Pty Ltd <The Tenacity A/C>	1,359,444	4.33%
Threebee Investment Group PL	1,100,000	3.50%
Alissa Bella Pty Ltd	966,917	3.08%
Mr Joel David Webb	700,000	2.23%

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Mr Fawzi Kassab	620,000	1.98%
Mr Sufian Ahmad	510,000	1.62%
Mr Thomas Francis Corr	500,000	1.59%
Slam Consulting Pty Ltd	500,000	1.59%
Schammer Pty Ltd	437,500	1.39%
Ratdog Pty Ltd	437,500	1.39%
Mrs Kelly Anne Seville	400,050	1.27%
Mr Wafa Muhammad Iqbal	386,000	1.23%
Mrs C Woodford & Mr J Woodford	356,963	1.14%
SC3 Promotions Pty Ltd	353,149	1.13%
Mr Peter Robert Hays	350,000	1.12%
JP Morgan Nominees Australia Pty Ltd	338,000	1.08%
Crossroads (Aust) Pty Ltd	325,000	1.04%
Simwise Developments Pty Ltd	280,323	0.89%
	<b>16,849,409</b>	<b>53.67%</b>

**Company Secretary**

Mrs Anna MacKintosh

**On-market buy-back**

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

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

Automic Pty Ltd

**TENEMENT SCHEDULE**

As at 18 September 2020

TENEMENT	LOCATION	INTEREST
ML-001 to ML-100	Utah USA	100%
Total Number of Claims	101	

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