

Tao Commodities Limited

Financial Report
For the period ended 30 June 2017

TAO COMMODITIES LIMITED
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FOR THE PERIOD ENDED 30 JUNE 2017

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**TAO COMMODITIES LIMITED
DIRECTOR'S REPORT
FOR THE PERIOD ENDED 30 JUNE 2017**

The directors presents their report, together with the financial report of TAO Commodities Limited for the period from incorporation (being 5 May 2017) to 30 June 2017 and auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards and for the purpose of the preparation of the Investigating Accountants Report for inclusion in a prospectus.

Directors

The names of the directors in office at any time during or since the end of the period are:

Mr Mark Connelly
Mr. Patrick Glovac
Mr. Brett Lambert

Directors were in office for this entire period unless otherwise stated.

Principal activities

TAO Commodities Limited operates in the zinc/gold exploration sector.

Financial results

The financial results of the company for the period ended 30 June 2017 are:

| | 30-Jun-17 |
|------------------------------------|------------------|
| Cash and cash equivalents (AUD \$) | - |
| Net assets (AUD \$) | -\$93,087 |
| Total revenue (AUD \$) | - |
| Net loss after tax (AUD \$) | \$96,087 |

Review of operations

The company continued to engage in its principal activity, the results of which are disclosed in the attached financial statements.

Significant changes in state of affairs

There were no significant changes in the company's state of affairs that occurred during the financial period.

**TAO COMMODITIES LIMITED
DIRECTOR'S REPORT
FOR THE PERIOD ENDED 30 JUNE 2017**

After balance date events

The Company is currently in progress for an Initial Public Offering ('IPO'). At the signing date of this financial report no matter in relation to this had yet been finalised.

There have been no matters or circumstances, which have arisen since 30 June 2017 that have significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2017, of the Company, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 30 June 2017, of the Company.

Likely developments and expected results of operation

The company expects to maintain the present status and level of operations.

Environmental regulation

The company's operations are not regulated by any significant environmental regulation under a law.

Dividends paid, recommended and declared

No dividends were paid or declared since the start of the period. No recommendation for payment of dividends has been made.

Indemnification of officers

No indemnities have been given or insurance premiums paid, during or since the end of the period, for any person who is or has been an officer of the company.

Indemnification of auditors

No indemnities have been given or insurance premiums paid, during or since the end of the period, for any person who is or has been an auditor of the company.

This report is made in accordance with a resolution of the Directors.



**Patrick Glovac
DIRECTOR
25 July 2017**

TAO COMMODITIES LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2017

| | Notes | <u>30-June-17</u> |
|--|-------|-------------------|
| | | AUD \$ |
| Revenue | | |
| Sales income | | - |
| | | <u>-</u> |
| Expenses | | |
| Legal fees | | 33,737 |
| Directors fees | | 32,850 |
| Consultant Fees | | 11,000 |
| General expenses | | 18,500 |
| Travel expense | | - |
| | | <u>96,087</u> |
| | | <u>96,087</u> |
| Loss from continuing operations before income tax | | |
| Income tax expense | | - |
| | | <u>-</u> |
| Loss from continuing operations after income tax | | <u>96,087</u> |
| | | |
| Other comprehensive income, net of tax | | - |
| Total other comprehensive loss for the period | | <u>96,087</u> |

The Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes.

TAO COMMODITIES LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

| | Notes | <u>30-June-17</u> AUD \$ |
|----------------------------------|-------|-----------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | | - |
| Trade and other receivables | 4 | <u>3,000</u> |
| Total Current Assets | | <u>3,000</u> |
| Non-Current Assets | | |
| Calatos Pty Ltd LLC - prepayment | 5 | <u>15,000</u> |
| Total Non-Current Assets | | <u>15,000</u> |
| TOTAL ASSETS | | <u>18,000</u> |
| LIABILITIES | | |
| Current Liabilities | | |
| Trade and other payables | 6 | 44,810 |
| Borrowings | 6 | <u>66,277</u> |
| Total Current Liabilities | | <u>111,087</u> |
| TOTAL LIABILITIES | | <u>-</u> |
| NET ASSETS | | <u>(93,087)</u> |
| EQUITY | | |
| Share capital | 7 | 3,000 |
| Reserves | | - |
| Accumulated losses | | <u>(96,087)</u> |
| TOTAL EQUITY | | <u>(93,087)</u> |

The Statement of Financial Position is to be read in conjunction with the accompanying notes.

TAO COMMODITIES LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2017

| | Issued Capital | Reserves | Accumulated Losses | Total Equity |
|--|-------------------|----------|-----------------------|-----------------|
| | AUD \$ | AUD \$ | AUD \$ | AUD \$ |
| Balance at incorporation | 3,000 | - | - | 3,000 |
| Comprehensive income: | | | | |
| Loss after income tax expense for the period | - | - | (96,087) | (96,087) |
| Total comprehensive loss for the period | - | - | (96,087) | (96,087) |
| Transactions with owners in their capacity as owners: | | | | |
| Share based payments | - | - | - | - |
| At 30 June 2017 | 3,000 | - | (96,087) | (93,087) |

The Statement of Changes in Equity is to be read in conjunction with the accompanying notes.

TAO COMMODITIES LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

| | Notes | <u>30-June-17</u> |
|---|-------|-------------------|
| | | AUD \$ |
| Cash flows from operating activities | | |
| Receipts from customers | | - |
| Payment to suppliers and employees | | - |
| Net cash flows from operating activities | | <u>-</u> |
| Cash flows from investing activities | | |
| Payment for plant and equipment | | - |
| Payment for website development | | - |
| Net cash flows from investing activities | | <u>-</u> |
| Cash flows from financing activities | | |
| Proceeds from members contributions, net of costs | | - |
| Proceeds from loans | | - |
| Net cash flows from financing activities | | <u>-</u> |
| Net (decrease) / increase in cash and cash equivalents | | - |
| Cash and cash equivalents at beginning of period | | - |
| Cash and cash equivalents at the end of the period | | <u>-</u> |

The Statement of Cash Flows is to be read in conjunction with the accompanying notes.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report is a special purpose financial report prepared for use by the directors and members of the Company. The financial report has been prepared for the purpose of the preparation of the Investigating Accountants Report for inclusion in a prospectus. The directors have determined that the Company is not a reporting entity. TAO Commodities Limited is a for-profit entity for the purpose of preparing the financial statements.

The financial report was approved by the director as at the date of the director's report.

The financial report has been prepared in accordance with the recognition and measurement requirements specified by all Accounting Standards and Interpretations, and the disclosure requirements of Accounting Standards:

| | |
|------------|---|
| AASB 101: | Presentation of Financial Statements |
| AASB 107: | Cash Flow Statements |
| AASB 108: | Accounting Policies, Changes in Accounting Estimates and Errors |
| AASB 1048: | Interpretations and Application of Standards |
| AASB 1054: | Australian Additional Disclosures |

Compliance with the recognition and measurement requirements of Australian Accounting Standards results in compliance with recognition and movement requirements of International Financial Reporting Standards ("IFRS").

The following specific accounting policies, which are consistent with the previous period unless otherwise stated, have been adopted in the preparation of this report:

a) Basis of preparation of the financial report

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 Company'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 3.

Comparative information

This report presents the financial information for the period ended 30 June 2017. Given the Company was incorporated on the 5 May 2017 there are no comparatives for this reporting period.

Functional and presentation currency

The functional currency of the Company is measured using the currency of the primary economic environment in which the entity operates. The financial statements are presented in Australian dollars, which is the entity's functional currency.

b) Going concern

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

The Company has incurred a net loss of AUD \$96,087 and at the end of the year had a cash balance of nil.

The ability of the Company to continue as a going concern is dependent upon the success of the fundraising under the prospectus or alternatively, financial support from its shareholder.

The Directors believes that the Company will continue as a going concern. As a result the financial report has been prepared on a going concern basis which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following:

- The Company is conducting a capital raise under a prospectus to raise \$4.5m
- The Company has been provided with a letter of support from its three shareholders

Should the Company not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements and that the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern.

c) New, revised or amending Accounting Standards and Interpretations adopted

The Company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the Company from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Company.

d) 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.

e) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

TAO COMMODITIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2017

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

NOTE 2: ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT OPERATIVE AT 30 JUNE 2017

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Company for the annual reporting period ended 30 June 2017. The Company has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

NOTE 3: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial period are discussed below.

Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the aging of receivables historical collection rates and specific knowledge of the individual debtors financial position.

NOTE 4: TRADE AND OTHER RECEIVABLES

| | <u>30-June-17</u> |
|-------------------|-------------------|
| | AUD \$ |
| Other Receivables | 3,000 |
| | <u>3,000</u> |

NOTE 5. Other Assets

| | <u>30-June-17</u> |
|--|-------------------|
| | AUD \$ |
| Prepayment Calatos Pty Ltd LLC Agreement (i) | 15,000 |
| | <u>15,000</u> |

i) Tao Commodities has entered into a Share Purchase Agreement with Calatos Pty Ltd LLC to acquire all the shares in this entity. The major terms of the agreement include (but not limited to):

- Payment of execution consideration \$15,000 to Calatos Pty Ltd (this has been paid)

TAO COMMODITIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2017

- Issue of shares 425,000 TAO shares upon admission to the official ASX List
- Payment of Purchase consideration of \$50,000 to Calatos Pty Ltd

NOTE 6: TRADE AND OTHER PAYABLES/ BOROWINGS

| | <u>30-June-17</u> |
|--------------------------------------|-------------------|
| | AUD \$ |
| Accrued Expenses | 44,810 |
| GTT Ventures Loan (drawn amount) (i) | 66,277 |
| | <u>111,087</u> |

i) An unsecured funding agreement of up to \$130,000 is in place with GTT Ventures Pty Ltd. An amount of \$66,277 has been drawn down during this financial period. Repayment of the loan occurs upon the earlier of listing with the ASX, or 29 December 2017.

NOTE 7: ISSUED CAPITAL

| | <u>30-June-17</u> |
|--|-------------------|
| | AUD \$ |
| 3,000,000 fully paid ordinary shares (a) | 3,000 |
| | <u>3,000</u> |

(a) Movements in Ordinary Shares

| DATE | DETAILS | ISSUE AUD (\$) |
|---------------------|---------------------------------|----------------|
| | Balance at incorporation | 3,000 |
| 30 June 2017 | Closing balance | 3,000 |

NOTE 8: ACCUMULATED LOSSES

| | <u>30-June-17</u> |
|--|-------------------|
| | AUD \$ |
| Balance at incorporation | - |
| Loss after income tax expense for the period | 96,087 |
| Balance at the end of the period | <u>96,087</u> |

NOTE 9: REMUNERATION OF AUDITORS

During the financial period the following fees were paid or payable for services provided by BDO Audit (WA) Pty Ltd, the auditor of the company:

| | <u>30-June-17</u> |
|--|-------------------|
| | AUD \$ |
| <i>Audit services - BDO Audit (WA) Pty Ltd</i> | |
| Audit of the financial statements | 6,000 |
| | <u>6,000</u> |

TAO COMMODITIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2017

NOTE 10: COMMITMENTS

| | <u>30-June-17</u> |
|---|----------------------|
| | <u>AUD \$</u> |
| Within one year | 66,000 |
| After one year but not more than five years | - |
| More than five years | - |
| Total minimum commitment | <u>66,000</u> |

NOTE 11: RELATED PARTY TRANSACTIONS

The Company had the following related party transactions as at 30 June 2017.

a) GTT Ventures Funding Agreement (See note 6 (i))

b) GTT Corporate Mandate and Lead Manager Agreement – GTT Ventures Pty Ltd will act as Lead Broker in the Capital Raising for the TAO Commodities IPO. The agreement is in place however the prospectus relating to this IPO is not expected to be finalised and released until July/August 2017. Fees include: -\$50,000 (plus GST) and 3.5 million TAO shares at an issue price of \$0.0001.

- A capital raising fee of 5% plus 1% management fee on funds taken up by GTT or parties introduced by GTT.
- Monthly retainer of \$10,000 (plus GST) per month for Corporate Advisory Services for a period of 18 months.

NOTE 12: CONTINGENT LIABILITIES

The Company had no contingent liabilities as at 30 June 2017.

NOTE 13: EVENTS SUBSEQUENT TO REPORTING DATE

The Company is currently in progress for an Initial Public Offering ('IPO'). At the signing date of this financial report no matter in relation to this had yet been finalised.

There have been no matters or circumstances, which have arisen since 30 June 2017 that have significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2017, of the Company, or
- (b) the results of those operations, or

**TAO COMMODITIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2017**

NOTE 14: COMPANY DETAILS

The registered office of the company is:

22 Townshend Rd, Subiaco WA 6008

The principal place of business of the company is:

22 Townshend Rod Subiaco WA 6008

TAO COMMODITIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2017

The Directors have determined that the company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.

The Directors of the company declares that:

1. The financial statements and notes, as set out on pages 9 – 15 presents fairly the company's financial position as at 30 June 2017 and performance for the period ended on that date of the company in accordance with the accounting policies outlined in Note 1 to the financial statements.
2. In the directors opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Patrick Glovac
DIRECTOR
25 July 2017

INDEPENDENT AUDITOR'S REPORT

To the members of Tao Commodities Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Tao Commodities Limited (the Company), which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the period then ended, and notes to the financial report, including a summary of significant accounting policies and the and managements' assertion statement.

In our opinion the accompanying financial report presents fairly, in all material respects, the financial position of the Company as at 30 June 2017 and of its financial performance and its cash flows for the period then ended in accordance with the basis of accounting described in note 1.

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 Company in accordance with ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material uncertainty related to going concern

We draw attention to Note 1(b) in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern and therefore the Company may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Emphasis of matter - Basis of accounting

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of an Investigating Accountants Report. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other information

Those charged with governance are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the 30 June 2017 financial report, but does not include the financial report and our auditor's report thereon.



Our opinion on the financial report does not cover the other information and accordingly 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 on the other information obtained prior to the date of this auditor's report, 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 management and those charged with governance for the Financial Report

Management is responsible for the preparation and fair presentation of the financial report, and have determined that the basis of preparation described in Note 1 is appropriate to meet the requirements of the Australian Auditing Standards and for such internal control as management determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf

This description forms part of our auditor's report.

BDO Audit (WA) Pty Ltd

Dean Just

Director

Perth 25 July 2017