



**Interim Financial Report
31 December 2018**

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DIRECTORS' REPORT

Your directors submit the financial report of the Group for the half-year ended 31 December 2018. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

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

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

Review of Operations

Milford Project Utah

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

Phase 1 Exploration Program

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

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

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

Maiden Phase 2 Exploration Program

During the December 2018 quarter, the Company announced that six drill sites have been staked on the Silver Bear prospect at the 100% owned Milford Project located in Beaver County, Utah, USA. This will represent the maiden drill program for TAO's Milford Project.

The Phase 2 exploration program was expected to commence during the second quarter with all the necessary permitting procedures submitted for approval during October 2018. Due to unforeseen delays from the BLM and State of Utah, the Company was not able to commence its drilling program as expected. The Company has now received confirmation from the BLM that it has approved the works program submitted, subject to final bond acceptance.

The Company is currently awaiting the final bond amounts and final comments from the State of Utah. The maiden Phase 2 exploration program is expected to commence during the March 2019 quarter.

Silver Bear is the most promising of several prospect areas included in the extensive Milford land holdings. Six drill sites, from which seven or more holes may be drilled, were staked on the Silver Bear prospect, two on either side of the vein (Figure 1). The main vein is exposed in two adits (now mostly inaccessible) and an open trench. The vein has a known strike length of at least 150 meters and is approximately 2 metres wide where it is exposed.

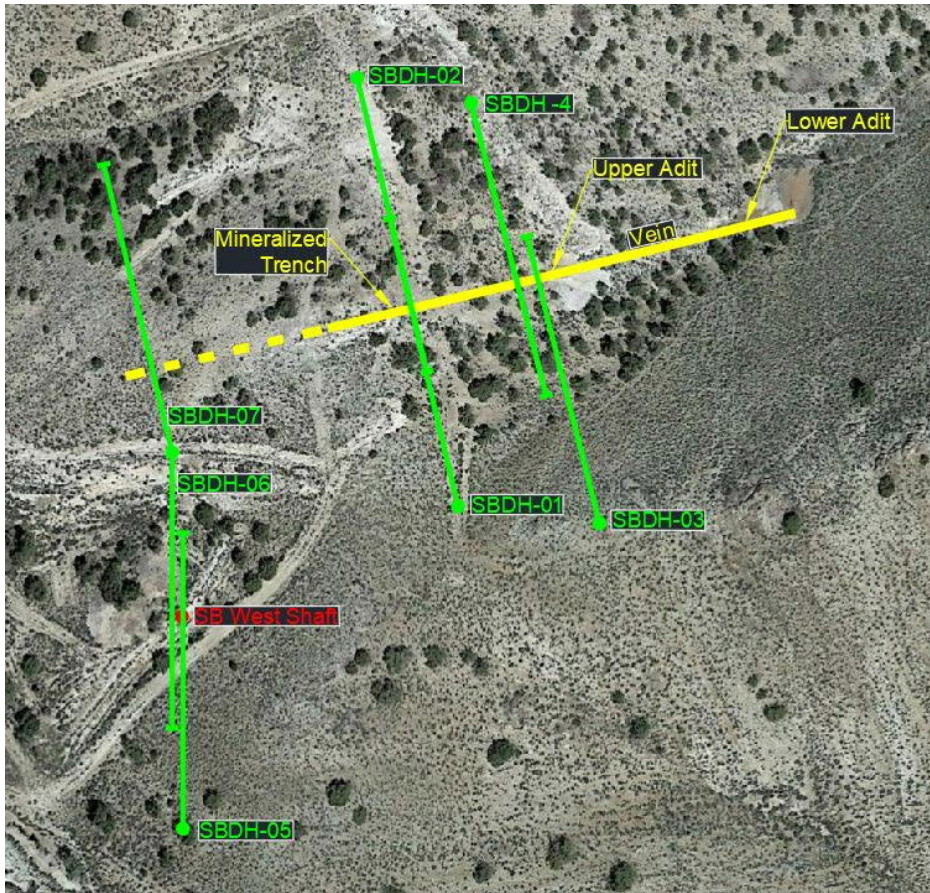


Figure 1 – Staked drill hole locations and mineralised features of the Silver Bear prospect.

Each hole is expected to be core drilled to approximately 150 metres (±500 feet) and will reach beyond the structures with the intent of intersecting other parallel veins. Several structures with significant assay values are scattered along the hillside north of the main structure indicating the likelihood of veins parallel to the main vein. The holes are all designed to be drilled at a -60° but can be drilled at a lesser angle if priorities change.

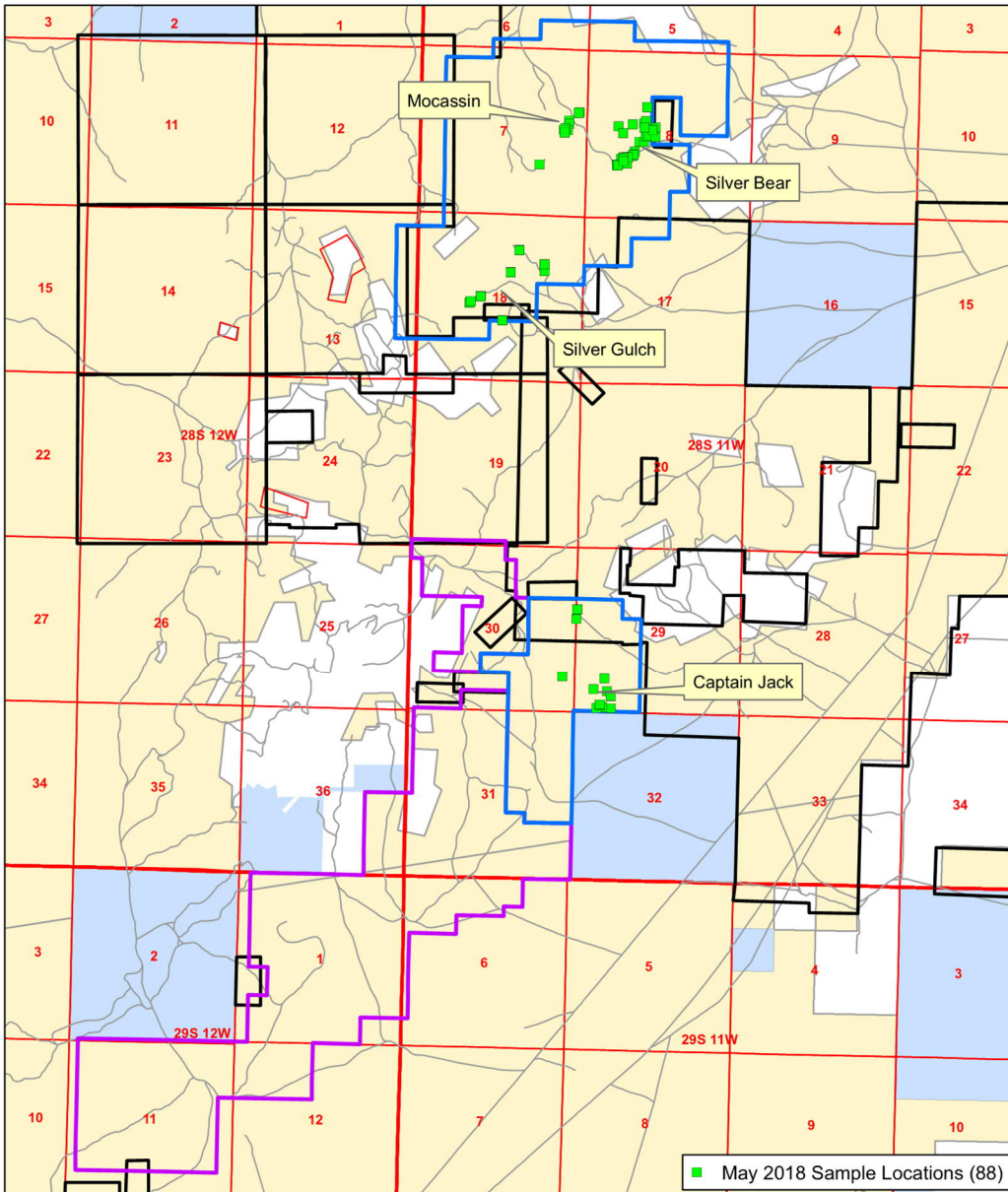
Additional holes can be drilled from the same drill pad locations, if deemed advantageous. The holes are designed to intersect the vein structures from opposite directions to provide a sense of the structure’s attitude, as well as gauge its width and grade. It is anticipated that some road work will be required to construct the drill pads for some of the recommended holes. Table 1 is a summary of the drill hole calculations for the Silver Bear prospect.

Table 1 - Silver Bear Proposed Drill Hole Calculations. (UTM locations are based on NAD83, Zone 12.

Proposed Drill Hole	Easting UTM	Northing UTM	Google Elev (m)	Direction	Horizontal Distance to Vein (m)	Drill Distance to Vein -60° (m)	Drill Distance to Vein -60° (ft)	Proposed Hole Length (m)	Proposed Hole Length (ft)
SBDH-01	315121	4250884	1915	N15°W	50	100	328	150	500
SBDH-02	315099	4250986	1910	S15°E	60	120	394	150	500
SBDH-03	315126	4250981	1909	N15°W	65	130	427	150	500
SBDH-04	315052	4250895	1903	S15°E	50	100	328	150	500
SBDH-05	315056	4250812	1922	Due N	54	108	354	150	500

SBDH-06	315154	4250878	1910	Due S	42	84	276	150	500
SBDH-07	315154	4250878	1910	N15°W	21	42	138	150	500
Total								1050	3500

Milford Project Tenure Map



**Milford Claims Map T28S R11W, T28S R12W
Beaver County, Utah**

- ML Claims (100)
- Additional Claims (100)
- Competitor Claims (approximate)

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

Tao Commodities Ltd.
22 Townshend Road
Subiaco WA 6008

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0 1,000 2,000 Meters

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New Project Opportunities

As outlined in the Company's IPO Prospectus and use of funds allocation, the Company intends to continually review and assess complimentary assets, which will add shareholder value. The Company's main focus continues to be the exciting and highly prospective Milford Zinc, Lead & Copper project, however given the current single asset focus, the Company believes it is prudent to add new assets in due course. As part of this process the Company has increased its activities in identifying additional projects.

Corporate

The Company undertook a pro-rata non-renounceable entitlements issue which opened on the 15 August 2018 and closed on 30 August 2018.

The Options Issue offered Eligible Shareholders registered on the Record Date the ability to subscribe for Options on the basis of one (1) Option for every two (2) Shares held at an issue price of \$0.01 each to raise up to \$153,750.

12,182,284 options were issued raising \$121,822.84 before costs. The 3,192,734 shortfall options were successfully placed and allotted 2 October 2018 raising a further \$31,927.34 before costs.

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

There are no subsequent events to report

Financial Position

The cash balance at the end of the half-year was \$3,214,223 (30 June 2018: \$3,639,293).

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, BDO Audit (WA) Pty Ltd, to provide the directors of the company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 6 and forms part of this directors' report for the half-year ended 31 December 2018.

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



Mark Connelly
Chairman
13 March 2019

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

As lead auditor for the review of TAO Commodities Limited for the half-year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

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

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



Dean Just
Director

BDO Audit (WA) Pty Ltd
Perth, 13 March 2019

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

		31 December 2018	31 December 2017
	Notes	\$	\$
Interest income		22,091	-
Administrative expenses		(238,611)	(113,723)
Staff expenses		(157,460)	-
Project development		(27,062)	-
Share based payment	4	(33,000)	-
Depreciation expense		-	-
Loss before income tax		(434,042)	(113,723)
Income tax expense		-	-
Net loss for the period		(434,042)	(113,723)
Other comprehensive income, net of income tax			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		11,678	-
Other comprehensive loss for the period, net of income tax		11,678	-
Total Comprehensive loss attributable to owners of the parent		(422,364)	(113,723)
Basic and diluted loss per share (cents per share)		(1.407)	(3.79)

The accompanying notes form part of these financial statements

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018**

	Notes	31 December 2018 \$	30 June 2018 \$
Assets			
Current assets			
Cash and cash equivalents		3,214,223	3,639,293
Trade and other receivables		25,260	92,179
Prepayments		5,500	19,500
Total current assets		3,244,983	3,750,972
Non-current assets			
Deferred Exploration and evaluation expenditure	3	669,764	576,083
Total non-current assets		669,764	576,083
Total assets		3,914,747	4,327,055
Liabilities			
Current liabilities			
Trade and other payables		68,427	182,640
Accruals		21,500	72,578
Total current liabilities		89,927	255,218
Total liabilities		89,927	255,218
Net assets		3,824,820	4,071,837
Equity			
Issued capital	4	4,527,708	4,506,110
Reserves	5	1,139,630	974,202
Accumulated losses		(1,842,518)	(1,408,476)
Total Equity		3,824,820	4,071,837

The accompanying notes form part of these financial statements

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

	Issued capital	Option reserve	Foreign currency translation reserve	Accumulated losses	Total Equity
	\$	\$	\$	\$	\$
Balance 1 July 2017	3,000	-	-	(96,087)	(93,087)
Loss for the period	-	-	-	(113,723)	(113,723)
Total comprehensive loss for the period	-	-	-	(113,723)	-
Issue of Shares	-	-	-	-	-
Balance at 31 December 2017	3,000	-	-	(209,810)	206,810
Balance at 1 July 2018	4,506,110	953,700	20,502	(1,408,476)	4,071,836
Loss for the period	-	-	-	(434,042)	(434,042)
Exchange differences arising on translation of foreign operations	-	-	11,678	-	11,678
Total comprehensive loss for the period	-	-	11,678	(434,042)	3,649,472
Issue of Shares	33,000	-	-	-	33,000
Issue of Options	-	153,750	-	-	153,750
Capital raising expenses	(11,402)	-	-	-	(11,402)
Balance at 31 December 2018	4,527,708	1,107,450	32,180	(1,842,518)	3,824,820

The accompanying notes form part of these financial statements

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

	31 December 2018	31 December 2017
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(374,310)	-
Interest received	22,091	-
Net cash outflow from operating activities	<u>(352,219)</u>	<u>-</u>
Cash flows from investing activities		
Payments for exploration and evaluation expenditure	(188,136)	-
Project Development	(27,062)	-
Net cash outflow from investing activities	<u>(215,198)</u>	<u>-</u>
Cash flows from financing activities		
Proceeds from issue of equity securities	153,750	-
Payment for share issue costs	(11,402)	-
Net cash inflow from financing activities	<u>142,348</u>	<u>-</u>
Net (decrease)/increase in cash held	(425,069)	-
Cash and cash equivalents at the beginning of the period	3,639,293	-
Cash and cash equivalents at the end of the period	<u><u>3,214,224</u></u>	<u><u>-</u></u>

The accompanying notes form part of these financial statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

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

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

TAO Commodities Ltd was incorporated on the 5 May 2017 and admitted to the ASX official list on the 12 April 2018. As a result an Interim Report for the period ended 31 December 2017 wasn't prepared and the comparative figures provided are unaudited.

Accounting policies and methods of computation

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

Adoption of new and amended Accounting Standards

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

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

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

AASB 9 Financial Instruments – Impact of Adoption

AASB 9 replaces the provisions of AASB139 Financial Instruments that relate to the recognitions, classification and measurement of financial assets and liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of AASB 9 from 1 July 2018 resulted in no material changes in accounting policies and adjustments to the amounts recognised in the financial statements. The Company assessed which business models apply to the financial assets held by the group and has classified its financial instruments into the appropriate AASB 9 categories.

There was no impact on the amounts recognised in the financial statements as a result of adoption.

AASB 15 Revenue from Contract with Customers – Impact of Adoption

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

Significant accounting judgments and key estimates

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

In preparing this interim report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2018.

Statement of compliance

The interim financial statements were authorised for issue on 13 March 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

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

NOTE 2: OPERATING SEGMENTS

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

The Group's operating segments have been determined with reference to the monthly management accounts used by the Chief Operating Decision maker to make decisions regarding the Group's operations and allocation of working capital. Due 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 Projects Exploration licences (EL's) held in Utah USA. The Group holds a 100% interest in these licences through Calatos Pty Ltd LLC, a wholly owned subsidiary of TAO Commodities Limited.

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

Segment information

The following table presents revenue and profit information and certain asset and liability information regarding business segments for the period ended 31 December 2017, 30 June 2018 and 31 December 2018.

	Exploration and Utah USA	Other	Consolidated
SEGMENT REPORTING			
Half Year ended 31 December 2018			
Segment Revenue	-	22,091	22,091
Segment net operating loss before tax	-	434,042	434,042
Half Year ended 31 December 2017			
Segment Revenue	-	-	-
Segment net operating loss before tax	-	113,723	113,723
Segment assets			
At 31 December 2018	669,764	3,244,983	3,914,747
At 30 June 2018	576,083	3,750,972	4,327,055
Segment liabilities			
At 31 December 2018	-	89,927	89,927
At 31 30 June 2018	-	255,218	255,218

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 2: OPERATING SEGMENTS (cont.)

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

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

NOTE 3: EXPLORATION AND EVALUATION EXPENDITURE

	Six months to 31 December 2018	Period to 30 June 2018
	\$	\$
Costs carried forward in respect of areas of interest in the following phases:		
Exploration and evaluation phase – at cost		
Balance at beginning of period	576,083	-
Asset acquired	-	460,233
Expenditure incurred	75,425	97,052
Foreign Exchange	18,257	18,798
Total exploration and evaluation expenditure	669,765	576,083

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

NOTE 4: ISSUED CAPITAL

	31 December 2018	30 June 2018
	\$	\$
<i>Ordinary shares</i>		
Issued and fully paid	4,527,708	4,506,110

	Six months to 31 December 2018		Year to 30 June 2018	
	Number	\$	Number	\$
<i>Movements in ordinary shares</i>				
Balance at beginning of period	30,750,000	4,506,110	3,000,000	3,000
IPO April 2018	-	-	23,750,000	4,750,000
Lead manager Shares	-	-	2,990,833	598,167
Calatos Pty Ltd LLC acquisition	-	-	1,009,167	201,833
Consultant Shares Oct 2018 (i)	220,000	33,000	-	-
Equity Issue Costs	-	(11,402)	-	(1,046,890)
Balance at end of period	30,970,000	4,527,708	30,750,000	4,506,110

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 5: Option Reserve

In September 2018, 15,375,018 listed options were offered to shareholders at 1 cent per option to raise \$153,750 before costs. The shortfall options (3,192,734) were successfully placed and allotted in October 2018. The exercise price is \$0.20 with an expiry date 1 September 2020.

Movements in reserves were as follows:

Consolidated	Option reserve	Foreign currency translation reserve	Total
30 June 2018	\$	\$	\$
Balance at beginning of period	-	-	-
Equity based payment (options)	953,700	-	953,700
Foreign currency translation	-	20,502	20,502
Balance at end of period	953,700	20,502	974,202

Consolidated	Option reserve	Foreign currency translation reserve	Total
31 December 2018	\$	\$	\$
Balance at beginning of period	953,700	20,502	974,202
Bonus Offer Shareholder Options	153,750	-	153,750
Foreign currency translation	-	11,678	11,678
Balance at end of period	1,107,450	32,180	1,139,630

NOTE 6: CONTINGENT LIABILITIES

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

NOTE 7: RELATED PARTY TRANSACTIONS

There has been no change in the nature of related party transactions since the last annual reporting date.

NOTE 8: EVENTS SUBSEQUENT TO REPORTING DATE

There are no subsequent events to report.

DIRECTORS' DECLARATION

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

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
 - a. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b. giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half-year then ended; and
2. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Mark Connelly
Chairman

13 March 2019

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of TAO Commodities Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of TAO Commodities Limited (the Company) and its subsidiary (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Directors' responsibility for the Half-Year Financial Report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 31 December 2018 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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



Independence

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

BDO Audit (WA) Pty Ltd

BDO


Dean Just

Director

Perth, 13 March 2019