ABN 44 079 902 499

# FINANCIAL REPORT

## FOR THE YEAR ENDED
## 30 JUNE 2019

## COMPANY INFORMATION

### Directors

| | |
|---|---|
| Mr T Streeter | Non-Executive Chairman |
| Mr G East | Non-Executive Director |
| Mr B Garlick | Executive Director, Chief Financial Officer |

**Chief Executive Officer**
B Garlick

**Company Secretary**
B Garlick

**Registered Office**
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ABN: 44 079 902 499

**Share Registry**
Advanced Share Registry Ltd
110 Stirling Highway
Nedlands
Western Australia 6009

**Website Address**
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**Bankers**
Bank West
300 Murray Street
Perth
Western Australia 6000

**Auditors**
Grant Thornton Audit Pty Ltd
Central Park
Level 43, 152-158 St Georges Terrace
Perth, Western Australia 6000

**Lawyers**
Armeli & Malony
Level 3
1008 Hay St
Perth
Western Australia 6000

Gilbert & Tobin
Level 16, Brookfield Place
Tower 2
123 St Georges Terrace
Perth
Western Australia 6000

# Financial Report
for the Financial Year ended 30 June 2019

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# DIRECTORS' REPORT

The Directors of Fox Resources Ltd ("the Company" or "Fox") present their report together with the financial statements of the consolidated entity, being Fox Resources Pty Ltd ("the Company") and its Controlled Entities ('the Group") for the year ended 30 June 2019.

## DIRECTORS

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

| | |
|---|---|
| Mr T Streeter | Non-Executive Chairman |
| Mr G East | Non-Executive Director |
| Mr B Garlick | Executive Director, Chief Financial Officer |

## PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the year ended 30 June 2019 was the exploration for base metals, gold, iron ore and coal.

## FINANCIAL RESULTS

The loss of the consolidated entity after providing for income tax amounted to $1,794,513 (2018: profit of $793,031).

## DIVIDENDS

No dividends were declared for the 2019 financial year (2018: nil).

## SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Other than disclosed elsewhere in the financial report, there were no significant changes in the state of affairs during the period.

## OPERATIONS REVIEW

### Exploration

Exploration activities are focused on tenement maintenance with all exploration assets classified as held for sale.

## FINANCIAL REVIEW

The Group had all of its remaining exploration and tangible assets for sale in the 30 June 2019 financial year. The net deficit position as at 30 June 2019 of $7,445,640 continues to be financially supported by the Directors up until the date of this report.

## Significant Events after the Balance Date

On 20 March 2020 Fox Coal Pty Ltd sold 10% of its shares to Zimprops Coal Pty Ltd for $600,000.

In March 2020, the World Health Organisation declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout Australia. The spread of COVID-19 has caused significant volatility in Australian, and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the Australian and international economies and, as such, the Company is unable to determine if it will have a material impact to its operations.

## Likely Developments and Expected Results

The Board continue to seek asset sale and funding opportunities for mining exploration projects.

## *Information on Directors*

**Terence EJ Streeter,** Chairman – Non-Executive

***Experience and expertise***
Mr Streeter is a businessman with extensive experience in exploration and mining companies and has held various interests in the nickel sulphide industry for over 30 years.

***Special Responsibilities***
Chair of the Board.

***Other current directorships***.
Alto Minerals Ltd.

***Former directorships in last 3 years***
None.

***Interests in shares and options***
Mr Streeter and related entities held 315,903,225 ordinary shares at the date of this report.

**Garry East**, Non-Executive Director

***Experience and expertise***
Mr. East is a successful Western Australian based businessman who has taken leadership roles in the agricultural industry and has been an active investor in the resources sector for many years.

***Other current directorships***
None.

***Former directorships in last 3 years***
None.

***Interests in shares and options***
Mr East and related entities held 47,542,266 ordinary shares at the date of this report.

**Bruce Garlick**, Executive Director, CFO & Company Secretary

***Experience and expertise***
Mr Garlick has more than 20 years' experience in the mining and engineering industries, both internationally and locally. He is a member of CPA Australia. He has held senior positions in companies in Australia, South and Western Africa, Europe and the USA including Normandy Mining (now Newmont Mining), Platinum Australia and MI Energy. Mr Garlick has extensive experience with corporate governance, financial regulations and has secured complex funding deals for large projects.

***Other current directorships***
None.

***Former directorships in last 3 years***
None.

***Interests in shares and options***
Mr Garlick and related entities hold no shares or options at the date of this report.

## EXECUTIVES

**Bruce Garlick**, CEO

## COMPANY SECRETARY INFORMATION

**Bruce Garlick,** Company Secretary

## Directors' Meetings

The following table sets out the number of meetings of the Company's Directors held during the year ended 30 June 2019 and the number of meetings attended by each Director.

| Name of Director | Director Meetings Eligible To Attend | Number Attended |
|---|---|---|
| T Streeter | 13 | 13 |
| G East | 13 | 13 |
| B Garlick | 13 | 13 |

## Unissued shares under option

There are no unissued ordinary shares of the Company under option at the date of this report.

## Shares issued during or since the end of the year as a result of exercise

No shares have been issued during or since the end of the year as a result of the exercise of options.

## Directors and Officers Insurance

Indemnity agreements have been entered into between the Company and each of the Directors and Officers of the Company. Under the agreements, the Company has agreed to indemnify those officers, to the extent permitted under the *Corporations Act 2001*, against any claim or for any expenses or costs which may arise as a result of work performed in their respective capacities as officers of the Company. The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the policy as such disclosure is prohibited under the terms of the contract of insurance.

## Proceedings on Behalf of 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.

No proceeds have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001.*

## Environmental Regulation

The Company's operations are subject to various environmental regulations under both Commonwealth and State Government legislation. The Directors are not aware of any breaches of the legislation during the current financial year which are material in nature.

<u>Greenhouse gas and energy data reporting requirements</u>
The Directors have considered compliance with both the Energy Efficiency Opportunity Act 2006 and the National Greenhouse and Energy Reporting Act 2007 which requires entities to report annual greenhouse gas emissions and energy use. The Directors have assessed that there are no current reporting requirements for the period ended 30 June 2019.

## Non-Audit Services

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

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 auditor 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 no impact on 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 ended 30 June 2019 and in the previous financial year there were no fees paid or payable for non-audit services provided by the auditor of the consolidated entity.

## Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires the lead auditor from Company's auditors, Grant Thornton Audit Pty Ltd, to provide the directors with a written Independence Declaration in relation to their audit of the financial report for the year ended 30 June 2019. This written Auditor's Independence Declaration is set out on page 36.

This report which includes the accompanying Corporate Governance Statement is signed in accordance with a resolution of Directors.

**TERRY STREETER**
NON-EXECUTIVE CHAIRMAN

18 May 2020 at Perth, Western Australia.

## Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2019

| | Notes | Consolidated | |
|---|---|---|---|
| | | **2019** | 2018 |
| | | **$** | $ |
| Other Income | 3 | **-** | 1,403,688 |
| Share revaluation loss | | **(104,750)** | - |
| Loss on the sale of assets | | **(433,584)** | - |
| Staffing costs | | **(170,431)** | (90,113) |
| Consultancy expenses | | **(280,738)** | (346,095) |
| Rental expenses | | **(37,806)** | (117,003) |
| Insurance expense | | **(18,828)** | (35,206) |
| Legal expenses | | **(31,944)** | (64,151) |
| Accountancy and audit fees | | **(36,932)** | (57,145) |
| Printing, stationary and postage | | **(639)** | (1,094) |
| Share registry and exchange expenses | | **(14,597)** | (646) |
| Exploration expenditure written off | | **(291,166)** | - |
| Other expenses | | **(16,086)** | (79,084) |
| Finance costs | | **(357,012)** | (384,859) |
| **Profit/ (loss) before income tax** | | **(1,794,513)** | 228,292 |
| Income tax benefit | 4 | **-** | - |
| **Profit/ (loss) from continuing operations** | | **(1,794,513)** | 228,292 |
| **Profit on discontinued operation, net of tax** | 22 | **-** | 564,739 |
| Profit/ (loss) | | **(1,794,513)** | 793,031 |
| **Other Comprehensive Income** | | | |
| Other comprehensive income | | **-** | - |
| **Total Comprehensive profit/ (loss) attributable to members of the parent** | | **(1,794,513)** | 793,031 |

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

## Consolidated Statement of Financial Position
## as at 30 June 2019

| | Notes | Consolidated | |
|---|---|---|---|
| | | **2019** | 2018 |
| | | **$** | $ |
| **Assets** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | | **173,483** | 8,261 |
| Investments in listed securities | | **457,469** | 1,684,225 |
| Other assets | 5 | **-** | 24,380 |
| | | **630,952** | 1,716,866 |
| Assets classified as held for sale | 22 | **1,700,000** | 1,700,000 |
| **Total Current Assets** | | **2,330,952** | 3,416,866 |
| | | | |
| **Non-Current Assets** | | **-** | - |
| **Total Non-Current Assets** | | **-** | - |
| **Total Assets** | | **2,330,952** | 3,416,866 |
| | | | |
| **Liabilities** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 7 | **2,454,640** | 2,027,021 |
| Interest bearing liabilities | 8 | **1,995,694** | 1,995,694 |
| Provisions | 9 | **-** | 22,021 |
| **Total Current Liabilities** | | **4,450,334** | 4,044,736 |
| | | | |
| **Non-Current Liabilities** | | | |
| Interest bearing liabilities | 8 | **5,326,258** | 5,023,257 |
| **Total Non-Current Liabilities** | | **5,326,258** | 5,023,257 |
| **Total Liabilities** | | **9,776,592** | 9,067,993 |
| **Net deficiency** | | **(7,445,640)** | (5,651,127) |
| | | | |
| **Equity** | | | |
| Issued capital | 10 | **125,976,992** | 125,976,992 |
| Accumulated losses | 11 | **(133,422,632)** | (131,628,119) |
| **Total Equity** | | **(7,445,640)** | (5,651,127) |

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

## Consolidated Statement of Cash Flows
## for the year ended 30 June 2019

| | Notes | Consolidated | |
|---|---|---|---|
| | | **2019** | **2018** |
| | | **$** | **$** |
| **Operating activities** | | | |
| Artemis Fox Radio Hill Payments | | **-** | 686,100 |
| Sundry Income | | **-** | 24,508 |
| Payments to suppliers and employees | | **(548,103)** | (1,845,308) |
| Interest paid | | **-** | - |
| **Net cash from operating activities** | | **(548,103)** | (1,134,700) |
| | | | |
| **Investing activities** | | | |
| Exploration and Evaluation expenditure | | **(291,166)** | (216,884) |
| Payments for share investments | | **(37,500)** | (1,349,030) |
| Proceeds from sale of share investments | | **738,990** | 1,882,622 |
| Proceeds from sale of fixed assets | | **-** | 500,000 |
| **Net cash from investing activities** | | **410,324** | 816,708 |
| | | | |
| **Financing activities** | | | |
| Repayment of borrowings and hire purchase | | **-** | (262,414) |
| Proceeds from borrowings | | **303,001** | 69,585 |
| **Net cash used in financing activities** | | **303,001** | (192,829) |
| | | | |
| Net change in cash and cash equivalents | | **165,222** | (510,821) |
| Cash and cash equivalents, beginning of year | | **8,261** | 519,082 |
| **Cash and cash equivalents, end of year** | | **173,483** | 8,261 |

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

## Statement of Changes in Equity
## for the year ended 30 June 2019

| CONSOLIDATED | Issued Capital $ | Accumulated Losses $ | Total Equity $ |
|---|---|---|---|
| At 1 July 2017 | 125,976,992 | (132,532,228) | (6,555,236) |
| Profit for the period | - | 904,109 | 904,109 |
| Other comprehensive income | - | - | - |
| At 30 June 2018 | 125,976,992 | (131,628,119) | (5,651,127) |
| | | | |
| At 1 July 2018 | **125,976,992** | **(131,628,119)** | **(5,651,127)** |
| Loss for the period | **-** | **(1,794,513)** | **(1,794,513)** |
| Other comprehensive income | **-** | **-** | **-** |
| **At 30 June 2019** | **125,976,992** | **(133,422,632)** | **(7,445,640)** |

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

# Notes to and Forming Part of the Financial Statements for the year ended 30 June 2019

## 1 Corporate Information

The financial report of Fox Resources Ltd for the year ended 30 June 2019 was authorised for issue in accordance with a resolution of the directors on 18 May 2020.

The financial statements cover the Group of Fox Resources Limited and its controlled entities. Fox Resources Ltd is a company limited by shares incorporated in Australia and whose shares are publicly traded on the Australian Securities Exchange Fox Resources Ltd is a for-profit entity for the purposes of preparing the financial statements.

The nature of the operations and principal activities of Fox Resources Ltd is the exploration for minerals.

## 2 Summary of Significant Accounting Policies

### (a) Basis of accounting

The consolidated general purpose financial statements of the Company have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accrual basis, except for cash flow information, and is based on historical costs with the exception of available for sale investments measured at fair value. This financial report has been presented in Australian dollars.

Fox Resources Ltd is the Group's Ultimate Parent Company. Fox Resources Ltd is a Public Company incorporated and domiciled in Australia. The address of its registered office and its principal place of business is 10 Abbotsford Street, West Leederville, Western Australia.

The consolidated financial statements for the year ended 30 June 2019 were approved and authorised for issue by the Board of Directors on 18 May 2020.

### (b) New and revised standards that are effective for these financial statements

A number of new and revised standards are effective for the current reporting period, however there was no need to change accounting polices or make retrospective adjustments as a result of adopting these standards. Information on these new standards is presented below.

**AASB 9 *Financial Instruments (December 2014)***
AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

- Financial assets that are debt instruments will be classified based on: (i) the objective of the entity's business model for managing the financial assets; and (ii) the characteristics of the contractual cash flows.

- Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

- Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.

# Notes to and Forming Part of the Financial Statements for the year ended 30 June 2019

- Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

- Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:

  - the change attributable to changes in credit risk are presented in Other Comprehensive Income (OCI)
  - the remaining change is presented in profit or loss

If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

- classification and measurement of financial liabilities; and
- derecognition requirements for financial assets and liabilities.

AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements.

The effective date is for annual reporting periods beginning on or after 1 January 2018.

Based on the Company's assessment, the Standard does not have a material impact on the transactions and balances recognised in the financial statements.

**AASB 15 *Revenue from Contracts with Customers***

AASB 15 replaces AASB 118: *Revenue*, AASB 111 *Construction Contracts* and some revenue-related Interpretations. In summary, AASB 15:

- establishes a new revenue recognition model;
- changes the basis for deciding whether revenue is to be recognised over time at a point in time;
- provides a new and more detailed guidance on specific topics (eg multiple element arrangements, variable pricing, rights of return and warranties); and
- expands disclosures about revenue.

Based on the Company's assessment, the Standard does not have a material impact on the transactions and balances recognised in the financial statements.

**(c) Impact of standards issued but not yet applied**

New and revised accounting standards and amendments that are currently issued for future reporting periods that are relevant to the Company include:

**AASB 16 *Leases***
AASB 16 replaces AASB 117 *Leases* and some lease-related Interpretations. In summary, AASB 16:

- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases;
- provides new guidance on the application of the definition of lease and on sale and lease back accounting;
- largely retains the existing lessor accounting requirements in AASB 117; and
- requires new and different disclosures about leases.

The Company is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the Company's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020.

# Notes to and Forming Part of the Financial Statements for the year ended 30 June 2019

### (d) Basis of consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2019. The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that are not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

### (e) Foreign currency translation

Both the functional and presentational currency of Fox Resources Limited and its Australian subsidiaries is Australian dollars.

Transactions in foreign currencies are initially recorded in the functional currency at 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 balance sheet date.

All exchange differences in the consolidated financial report are taken to 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.

### (f) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

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

| | |
|---|---|
| Plant and equipment | over 3 to 5 years |
| Motor Vehicles | over 3 to 5 years |
| Furniture and fittings | over 3 to 15 years |
| Computer equipment | over 2 to 3 years |
| Building | over 5 to 15 years |

***Impairment***

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

# Notes to and Forming Part of the Financial Statements for the year ended 30 June 2019

If any indication of impairment exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. Any impairment loss is recognised in profit or loss.

***De-recognition and disposal***
An item of property, plant and equipment is derecognised on disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on the de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

### (g) Borrowing costs

Borrowing costs are expensed as incurred. Borrowing costs directly associated with qualifying assets are capitalised.

### (h) Impairment of non-financial assets

At each reporting date, the Group assesses whether there is any indication that a non-financial asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset.

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

### (i) Investments and other financial assets

**Recognition, and de-recognition**
Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets
Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable). Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

# Notes to and Forming Part of the Financial Statements for the year ended 30 June 2019

In the periods presented the corporation does not have any financial assets categorised as FVOCI.

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

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 receivables which is presented within other expenses.

Subsequent measurement of financial assets
Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments under AASB 9.

**Impairment**
AASB 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaced AASB 139's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependant on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2')

'Stage 3' would cover financial assets that have been objective evidence of impairment at the reporting date.'

12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

# Notes to and Forming Part of the Financial Statements for the year ended 30 June 2019

**Trade and other receivables**
The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are expected shortfalls in contractual cash flows, considering the potential for default at any point during the lifetime of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate expected credit losses using a provision matrix.

**(j) Cash and cash equivalents**

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purpose of the Consolidated Statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

**(k) 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.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**(l) Leases**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases, where the lessor retains substantially all the risks and benefits of ownership of the asset, are classified as operating leases.

Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term. Lease incentives are recognised in the profit or loss as an integral part of the lease.

**(m) Revenue**

Revenue is recognised to the extent that is it probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

***Interest Revenue***
Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

# Notes to and Forming Part of the Financial Statements for the year ended 30 June 2019

**(n) Income tax**

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet 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:

1. 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, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
2. in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences 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 assets and unused tax losses can be utilised:

1. except where the deferred income tax asset relating to the deductible temporary differences 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; and
2. in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that 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 balance sheet 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 balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the 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.

Rebates received for research and development tax concessions are recognised in the profit or loss.

# Notes to and Forming Part of the Financial Statements for the year ended 30 June 2019

**(o) Other taxes**

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

- where 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 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 balance sheet.

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.

**(p) Areas in Exploration and Evaluation**

Exploration and evaluation costs related to an area of interest are carried forward only when rights of tenure to the area of interest are current and provided that one of the following conditions is met:

- Such costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively by its sale; or

- Exploration and/or evaluation activities in the area of interest have not yet reached a state 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 are continuing.

Costs carried forward in respect of an area of interest that is abandoned are written off in the year in which the decision to abandon is made.

Refer to Note 21 for assessment of impairment.

**(q) Provisions for Site Restoration**

The Group records the present value of the estimated cost of legal and constructive obligations (such as those under the Group's Environmental Policy) to restore operating locations in the period in which the obligation is incurred. The nature of restoration activities includes dismantling and removing structures, rehabilitating mines, dismantling operating facilities, closure of plant and waste sites and restoration, reclamation and revegetation of affected areas.

Typically the obligation arises when the asset is installed at the production location. When the liability is initially recorded, the estimated cost is capitalised by increasing the carrying amount of the related mining assets. Additional disturbances or changes in rehabilitation costs will be recognised as additions or changes to the corresponding asset and rehabilitation liability when incurred.

**(r) Trade and other payables**

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the reporting period that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

# Notes to and Forming Part of the Financial Statements for the year ended 30 June 2019

### (s) Interest-Bearing Loans and Borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the profit or loss when the liabilities are derecognised and as well as through the amortisation process.

### (t) Contributed equity

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.

# Notes to and Forming Part of the Financial Statements for the year ended 30 June 2019

| | Notes | Consolidated | |
|---|---|---|---|
| | | **2019** | 2018 |
| **Note 3 – Other income and financial costs** | | **$** | $ |
| **(a) Other Income** | | | |
| Gain / (loss) on fair value of listed securities | | **-** | 1,297,033 |
| Sundry income | | **-** | 24,508 |
| Interest on loan forgiven | | **-** | 82,147 |
| | | **-** | 1,403,688 |
| **(b) Finance costs** | | | |
| Interest on loan from director-related and other entities | | **357,012** | 384,859 |
| **(c) Profit / (loss) on discontinue operations** | | | |
| Costs in maintaining Fox Radio Hill | | **-** | (366,104) |

| | Notes | Consolidated | |
|---|---|---|---|
| | | **2019** | 2018 |
| **Note 4 – Income Tax** | | **$** | $ |
| **Reconciliation to income tax expense on accounting profit** | | | |
| Accounting profit/ (loss) before income tax | | **(1,794,513)** | 904,109 |
| Tax payable at the statutory income tax rate | | **(538,354)** | 271,233 |
| **Expenditure not allowable for income tax purposes:** | | | |
| Non-deductible expenses | | **-** | - |
| Tax losses (recognised)/ not recognised | | **538,354** | (271,233) |
| | | **-** | - |
| **Net Deferred Tax recognised arising on:** | | | |
| **Deferred tax assets** | | | |
| Tax losses | | **510,000** | **510,000** |
| **Deferred tax liabilities** | | | |
| Exploration and evaluation assets | | **510,000** | **510,000** |
| Net deferred tax | | - | - |
| **Deferred Tax Asset not recognised arising on:** | | | |
| Tax losses | | **36,351,387** | **35,813,033** |
| Capital losses | | **1,455,491** | **1,455,491** |
| | | **37,806,878** | **37,268,524** |

# Notes to and Forming Part of the Financial Statements for the year ended 30 June 2019

The Group has tax losses arising in Australia of $121,921,704 (2018: $120,383,350) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose. These losses are only available if the Group satisfies specific requirements in the tax year in which they were recouped.

**Tax consolidation**

For the purposes of income taxation, Fox Resources Limited and its 100% owned subsidiaries have formed a tax consolidated group in 2004. Fox Resources Limited is the head entity of the tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned subsidiaries. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote.

**Tax effect accounting by members of the tax consolidated group**

Tax expense / income, deferred tax liabilities and deferred tax assets arising from temporary differences are recognised in the separate financial statements of the members of the tax consolidated group using the group allocation method. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax consolidated group are recognised by the Company (as head entity in the tax consolidated group).

Members of the tax consolidated group have entered into a tax funding agreement. Under the terms of the tax funding agreement, each member of the tax consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other members of the tax consolidated group.

| | **Notes** | **Consolidated** | |
|---|---|---|---|
| | | **2019** | 2018 |
| **Note 5 – Other Assets** | | **$** | $ |
| **Current** | | | |
| Prepayments | | **6,115** | 17,427 |
| Other financial assets | | **451,354** | 6,953 |
| | | **457,469** | 24,380 |

Current other financial assets represent bonds for office premises and credit cards.

| **Note 6 – Investment in controlled entities** | **Percentage owned** | | **Class of share** | **Principal activity** |
|---|---|---|---|---|
| | **2019 %** | 2018 % | | |
| **Parent** | | | | |
| Fox Resources Limited | | | | |
| **Controlled Entities** | | | | |
| Newcity Corporation Pty Ltd | **100** | 100 | Ordinary | Mining & Exploration |
| Gascoyne Mines Pty Ltd | **100** | 100 | Ordinary | Mining & Exploration |
| Fox Energy Pty Ltd | **100** | 100 | Ordinary | Mining & Exploration |
| Fox Coal Pty Ltd | **100** | 100 | Ordinary | Mining & Exploration |
| Waterford Coal Pty Ltd | **100** | 100 | Ordinary | Mining & Exploration |

All companies are incorporated in Australia.

# Notes to and Forming Part of the Financial Statements for the year ended 30 June 2019

| | Notes | Consolidated | |
|---|---|---|---|
| | | **2019** | 2018 |
| **Note 7 – Trade and other payables** | | **$** | $ |
| **Current** | | | |
| Trade creditors | | **523,623** | 237,781 |
| Other creditors | | **1,931,017** | 1,789,240 |
| Total Trade and other payables | | **2,454,640** | 2,027,021 |
| | | | |
| Aggregate amounts payable to related parties (included above) | | | |
| Other related parties. (Refer to Note 19) | | **1,911,466** | 1,672,966 |

All amounts are short-term. The carrying values of trade payables and other payables are considered to be a reasonable approximation of fair value

| | Notes | Consolidated | |
|---|---|---|---|
| | | **2019** | 2018 |
| **Note 8 – Interest bearing liabilities** | | **$** | $ |
| **Current** | | | |
| Related party loans | **(a)** | **1,995,694** | 1,995,694 |
| | | | |
| **Non - Current** | | | |
| Related party loans | **(a)** | **5,326,258** | 5,023,257 |

**(a) Related and Third Party Loans**
This relates to loans from Jungle Creek Gold Mines Pty Ltd, G East and B Garlick. Refer to full details at Note 19.

| | Notes | Consolidated | |
|---|---|---|---|
| | | **2019** | **2018** |
| **Note 9 – Provisions** | | **$** | $ |
| **Current** | | | |
| Employee entitlements | | **-** | 22,021 |
| | | | |
| Movement in provisions | | | |
| At 1 July | | **22,021** | 21,912 |
| Entitlements incurred / (paid out) | | **(22,021)** | 109 |
| | | **-** | 22,021 |

# Notes to and Forming Part of the Financial Statements for the year ended 30 June 2019

| | Notes | Consolidated | |
|---|---|---|---|
| | | **2019** | 2018 |
| **Note 10 – Contributed Equity** | | **$** | $ |
| **(a) Issued and paid up capital** | | | |
| Ordinary shares fully paid | | **125,976,992** | 125,976,992 |
| | | | |
| **(b) Movement in shares on issue** | | **2019** | |
| Balance at beginning of year | | **847,804,893** | 847,804,893 |
| Total issued and paid up capital | | **847,804,893** | 847,804,893 |

**(c) Share options**

At the end of the year there were nil (2018: nil) unissued ordinary shares in respect of which unlisted options were outstanding.

| **Unlisted options to subscribe to ordinary shares** | **2019** | **2018** |
|---|---|---|
| | **No.** | **No.** |
| Balance at beginning of year | - | - |
| Cancelled / forfeited | - | - |
| Balance at end of year | - | - |

**(d) Detail of Share option issues**

No options were issued in the 2019 financial year.

**(e) Terms and conditions of contributed equity**

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

**(f) Capital Management Policy**

Management controls the capital of the Group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital includes share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels and share issues. As at 30 June 2019 working capital deficit was $2,119,382 (2018: $2,312,095). This is mainly caused by the level of short-term interest bearing liabilities

# Notes to and Forming Part of the Financial Statements for the year ended 30 June 2019

| | Notes | Consolidated | |
|---|---|---|---|
| | | **2019** | **2018** |
| **Note 11 – Accumulated losses** | | **$** | $ |
| Balance at beginning of year | | **(131,628,119)** | **(132,421,150)** |
| Share based payments | | **-** | **-** |
| Net profit/ (loss) for the period (as previously stated) | | **(1,794,513)** | **793,031** |
| Adjustment to financial statements | 2(w) | **-** | **-** |
| Balance at end of year | | **(133,422,632)** | **(131,628,119)** |

**Note 12 - Going concern**

This financial report has been prepared on the basis of going concern, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. As at 30 June 2019 the Group has reported a loss after tax for the period of $1,794,513, net cash outflows from operations of $548,103 and a net deficit position of $7,445,640.

Directors and any associated director-related entities have continued to financially support the Group from the reporting date until the date of signing this financial report. Fox's major director-related creditor is Jungle Creek Gold Mines Pty Ltd ("Jungle Creek"), which was owed $6,528,554 as at 30 June 2019. Mr Streeter will continue to financially support the Group until the date of signing this financial report.

As at 30 June 2019 the Group holds $173,483 cash on hand. The Group is committed to payments to maintain its rights over its exploration assets. As a result the Group has and expects further cash outflows from operating and investing activities in the next financial period. The ability of the Group to be able to continue as a going concern is thus dependent upon the Group being able to secure additional working capital as and when required. The Directors are satisfied that additional working capital has and will be secured as required and that it is appropriate to prepare the financial statements on a going concern basis based on the following:

- Fox as at 30 June 2019 held 4.04 million shares in St George;
- On the 20th March 2020 Fox Coal Pty Ltd sold 10% of its shares to Zimprops Coal Pty Ltd for $600,000.
- Forecast cash flows through to 30 April 2020 support Fox being able to meet its debts as and when they fall due on the basis on the agreements outlined above; and
- The Group's historical track record of being able to secure additional working capital as and when required.

In the event that the Group is unable to raise additional working capital, if required, there is significant uncertainty as to whether the Group will be able to meet its debts as and when they fall due and thus continue as a going concern. The financial statements do not include adjustments relating to the recoverability and classification of the recorded assets amounts, nor to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

# Notes to and Forming Part of the Financial Statements for the year ended 30 June 2019

## Note 13 - Commitments for Expenditure

**Mineral Tenement Commitments**
In accordance with the Western Australian Department of Mines and Petroleum, the consolidated entity has obligations to pay tenement rentals and to perform minimum work on mineral tenements held. These obligations vary from time to time in accordance with the tenements held and are expected to be fulfilled in the normal course of operations of the consolidated entity so as to avoid forfeiture of any tenement.

| | Notes | Consolidated | |
|---|---|---|---|
| | | **2019** | 2018 |
| **Minimum expenditure requirements** | | **$** | $ |
| Not later than one year | | **25,000** | 215,000 |
| Later than one year but not later than five years | | **110,000** | 200,000 |
| Later than five years | | **50,000** | 50,000 |
| | | **210,000** | 465,000 |

Exploration commitments for 2019 and 2018 relate to Bundaberg exploration assets.

| | Notes | Consolidated | |
|---|---|---|---|
| | | **2019** | 2018 |
| **Note 14 – Remuneration of Auditors** | | **$** | $ |
| Auditors of Fox Resources Limited – Grant Thornton Audit Pty Ltd | | **12,000** | 49,109 |
| Total auditor's remuneration | | **12,000** | 49,109 |

| | Notes | Consolidated | |
|---|---|---|---|
| | | **2019** | 2018 |
| **Note 15 – Cash flow information** | | **$** | $ |
| **(a) Reconciliation of net loss after tax to net cash flows from operations** | | | |
| **Net profit/ (loss)** | | **(1,794,513)** | 793,031 |
| **Non-Cash and investment Items** | | | |
| Finance costs | | **-** | (302,712) |
| Loss/ (profit) on sale of fixed assets | | **433,584** | (1,098,890) |
| Exploration expenditure written off | | **291,166** | 216,884 |
| Share revaluation loss / (profit) | | **104,750** | 82,655 |
| **Changes in Assets and Liabilities** | | | |
| (Increase)/Decrease in Other financial assets | | **11,312** | (304,582) |
| (Increase)/Decrease in Assets and Liabilities Classified as Held for Sale | | **-** | (500,000) |
| Increase/(Decrease) in accounts payable | | **427,619** | (21,195) |
| Increase/(Decrease) in provisions | | **(22,021)** | 109 |
| **Net cash flows used in operating activities** | | **(548,103)** | (1,134,700) |

# Notes to and Forming Part of the Financial Statements for the year ended 30 June 2019

## Note 16 – Related party transactions

Details of Fox Resources Limited's wholly-owned subsidiaries are included in Note 6.

**Wholly-owned group transactions**
Controlled entities made payments and received funds on behalf of Fox Resources Limited and other controlled entities by way of inter-company loan accounts with each controlled entity. These loans are unsecured, bear no interest and are repayable on demand; however, demand for repayment is not expected in the next twelve months.

**Transactions with related parties**

All transactions with related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. During the year the following transactions were entered into with related parties:

As at 30 June 2019, the Company owed Jungle Creek Gold Mines Pty Ltd, of which TEJ Streeter is a Director of the Company, $6,528,554. The terms of the loans are that interest is accrued at a rate of 8% per annum with the loan (including accrued interest) repayable as per the individual loan agreements and each loan is for twelve months. The total interest accrued to Jungle Creek Pty Ltd as at 30 June 2019 is $2,712,319. Under the terms of the agreement, Jungle Creek Gold Mines Pty Ltd may elect for the loan (including accrued interest) to be repaid, subject to shareholder approval, by the issue of shares. Jungle Creek Gold Mines Pty Ltd also has a security interest registered over the consolidated entity's Queensland coal tenements; this was waived in November 2018. Jungle Creek Gold Mines Pty Ltd agreed to extend the loans outstanding at year-end ($6,528,554) and to continue to financially support the company until the earlier of the sale of the Queensland Coal tenements or 30 June 2020 provided funds are available to repay the loans.

The Company has entered into an agreement with Zashvin Pty Ltd in March 2013 to which Zashvin made advances totalling $360,000 of which $140,000 was repaid. The terms of the loans are that interest is accrued at a rate of 8% per annum with the loan (including any accrued interest) repayable within one month. Zashvin Pty Ltd is a major shareholder of Fox Resources Limited. The loan was settled in full for $220,000 in September 2018.The total balance at 30 June 2019 including interest is $nil.

As at 30 June 2019 the Company owed Garry East a Director of the Company $573,858. The term of the loan is that interest is accrued at a rate of 8% per annum with the loan (including any accrued interest) repayable within one month. The loans remain unpaid at the date of this report, with the total balance at 30 June 2019 including interest being $573,858. Mr East may elect for the loan (including accrued interest) to be repaid, subject to shareholder approval, by the issue of shares.

The Company entered into an agreement with Bruce Garlick a Director of the Company in July 2015 to which B Garlick loaned a total of $250,000. The term of the loan is that interest is accrued at a rate of 8% per annum with the loan (including any accrued interest) repayable within one month. The loans remain unpaid at the date of this report, with the total balance at 30 June 2019 including interest being $219,539.

**Key management personnel remuneration**

| | **2019** | 2018 |
|---|---|---|
| | **$** | $ |
| Short-term benefits | **454,849** | 422,266 |
| Post-employment benefits | **-** | - |
| Share based payments | **-** | - |
| Total remuneration | **454,849** | 422,266 |

# Notes to and Forming Part of the Financial Statements for the year ended 30 June 2019

## Note 17 – Financial Instruments

### (a) Financial risk management policies and objectives

The Group's principal financial instruments comprise of hire purchase contracts, related party loans and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. It is and has been throughout the period under review, the Group's policy that no trading in derivatives shall be undertaken. The main risks arising from the Group's financial instruments are cash flow, interest rate risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessment of market forecasts for interest rate and foreign exchange. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Details of the significant accounting policies and methods adopted, including criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 of the financial statements.

### (b) Interest rate risk exposure

The consolidated entity's exposure to Interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates on classes of financial assets and financial liabilities is constantly analysed. Within this analysis consideration is given to potential renewals of existing positions and alternative financing. Financial assets and liabilities which are non-interest bearing have not been included in the analysis below. A sensitivity analysis table in relation to interest rate risk has been included at (f).

### (c) Liquidity Risk

The responsibility of liquidity risk management rests with the Board of Directors. The Board manages liquidity risk by maintaining sufficient cash or credit facilities to meet the operating requirements of the business and investing excess funds in highly liquid short-term investments. The Group's liquidity needs can be met through a variety of sources including: cash generated from operations, short and long-term borrowings and issue of equity instruments. The Group's committed standby facilities contain no financial undertakings relating to interest cover and are not affected by a reduction in the Group's credit rating. Details of the Group and Company's non-derivative financial instruments according to their contractual maturities are in the table below. The amounts below included the principal and interest components of the interest-bearing liabilities which were determined based on the existing conditions at year end.

# Notes to and Forming Part of the Financial Statements for the year ended 30 June 2019

| 30 June 19 | Maturing | | | | | | Total |
|---|---|---|---|---|---|---|---|
| **CONSOLIDATED** | **< 1 year $** | **>1 to <2 Years $** | **>2 to <3 Years $** | **>3 to <4 Years $** | **>4 to <5 Years $** | **>5 Years $** | **$** |
| **Financial Assets** | | | | | | | |
| Cash and cash equivalents | **173,483** | **-** | **-** | **-** | **-** | **-** | **173,483** |
| Trade and other receivables | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Other financial assets | **457,469** | **-** | **-** | **-** | **-** | **-** | **457,469** |
| **Total Financial Assets** | **630,952** | **-** | **-** | **-** | **-** | **-** | **630,952** |
| **Financial Liabilities at Amortised Cost** | | | | | | | |
| Trade and other payables | **2,454,640** | **-** | **-** | **-** | **-** | **-** | **2,454,640** |
| Related party loan | **1,995,694** | **5,326,258** | **-** | **-** | **-** | **-** | **7,321,952** |
| **Total Financial Liabilities** | **4,450,334** | **5,326,258** | **-** | **-** | **-** | **-** | **9,776,592** |

| 30 June 18 | Maturing | | | | | | Total |
|---|---|---|---|---|---|---|---|
| **CONSOLIDATED** | **< 1 year $** | **>1 to <2 Years $** | **>2 to <3 Years $** | **>3 to <4 Years $** | **>4 to <5 Years $** | **>5 Years $** | **$** |
| **Financial Assets** | | | | | | | |
| Cash and cash equivalents | 8,261 | - | - | - | - | - | 8,261 |
| Trade and other receivables | - | - | - | - | - | - | - |
| Other financial assets | 24,380 | 1,684,225 | - | - | - | - | 1,708,605 |
| **Total Financial Assets** | 32,641 | 1,684,225 | - | - | - | - | 1,716,866 |
| **Financial Liabilities at Amortised Cost** | | | | | | | |
| Trade and other payables | 2,027,021 | - | - | - | - | - | 2,027,021 |
| Related party loan | 1,995,694 | 5,023,257 | - | - | - | - | 7,018,951 |
| **Total Financial Liabilities** | 4,022,715 | 5,023,257 | - | - | - | - | 9,045,972 |

# Notes to and Forming Part of the Financial Statements for the year ended 30 June 2019

### (d) Net Fair Values

The fair value of all the Group's financial instruments recognised in the financial statements approximates or equals their carrying amounts.

The net fair values of other loans and amounts due are determined by discounting the cash flows, at market interest rates of similar borrowings, to their present value.

For other assets and other liabilities the net fair value approximates their carrying value except for investments in controlled entities held at cost.

No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments.

The business purpose of the financial assets is to provide working capital. The business purpose of the financial liabilities is to provide operational finance.

### (e) Credit Risk

The consolidated entity's maximum exposure to credit risk at balance date is the carrying amount of the recognised financial assets net of any provision for doubtful debts.

Credit risk arises from potential failure of counterparties to meet their obligations under the respective contracts at maturity. The Group is exposed to credit risk from its operating activities, financing activities including deposits with banks and foreign exchange transactions.

At balance sheet date the consolidated entity has an exposure to loss in the event counterparties fail to settle on contracts which are favourable to the consolidated entity. This exposure to loss is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

Trade receivables are non-interest bearing and are settled within 14 - 30 days. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. There are no receivables that are considered impaired and therefore no impairment loss has been recognised by the Group in the current year (2018: nil).

### (f) Sensitivity Analysis

The following tables summarise the sensitivity of the Group's financial assets and liabilities to interest rate risk. Had the relevant variables, as illustrated in the tables, moved, with all other variables held constant, post-tax profit and equity including retained earnings would have been affected as shown. The analysis has been performed on the same basis for 2019 and 2018. The following assumptions in relation to market movements have been made in the sensitivity analysis.

Interest rate risk: +1% and -1%. Based on historical rates for the past 5 years, management considers that 100 basis points is a "reasonably possible" estimate for movements in interest rates for the next 12 months.

| Consolidated 30-Jun-19 | Carrying Amount | Interest Rate Risk -1% | | Interest Rate Risk 1% | |
|---|---|---|---|---|---|
| **Financial Assets** | | **Profit $** | **Equity $** | **Profit $** | **Equity $** |
| Cash & cash equivalents | 173,483 | - | - | - | - |
| Trade & other receivables | - | - | - | - | - |
| Other financial assets | 457,469 | - | - | - | - |
| **Financial Liabilities** | | | | | |
| Trade and other payables | 2,454,640 | - | - | - | - |
| **Total increase/(decrease)** | | | | | |

| Consolidated 30-Jun-18 | Carrying Amount | Interest Rate Risk -1% | | Interest Rate Risk 1% | |
|---|---|---|---|---|---|
| **Financial Assets** | | **Profit $** | **Equity $** | **Profit $** | **Equity $** |
| Cash & cash equivalents | 8,261 | - | - | - | - |
| Trade & other receivables | - | - | - | - | - |
| Other financial assets | 1,684,225 | - | - | - | - |
| **Financial Liabilities** | | | | | |
| Trade and other payables | 2,027,021 | - | - | - | - |
| **Total increase/(decrease)** | | | | | |

Foreign exchange risk is not applicable to the Group as all financial assets and liabilities are held in AUD.

**(i) Capital Risk Management**

The Group's capital management objectives are:

- To safeguard the business as a going concern; and
- To maximise returns to shareholders.

The Group may issue new shares or sell assets to reduce debts in order to maintain the optimal capital structure.

The Group also monitors balance sheet strength and flexibility using cash flow forecast analysis and detailed budgeting processes.

# Notes to and Forming Part of the Financial Statements for the year ended 30 June 2019

## Note 18 – Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Where there is a change in an accounting estimate, the change shall be recognised prospectively by including it in profit or loss in the period of the change and in future periods, if the change affects both.

The estimates, assumptions and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### Determination of mineral resources and ore reserves

Fox Resource Limited estimates its mineral resources and ore reserves in accordance with the Fox Resources Limited Policy for the Reporting of Mineral Resources and Ore Reserves. This policy requires that the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2004 (the 'JORC code') be used as a minimum standard. The information on mineral resources and ore reserves were prepared by or under the supervision of Competent Persons as defined in the JORC code. The grades and tonnes reported are based on the mineral resources and ore reserves as defined by the JORC code.

There are numerous uncertainties inherent in estimating mineral resources and ore reserves and assumptions that are valid at the time of estimation may change significantly over time or when new information becomes available.

Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated. Such changes in reserves could impact on depreciation and amortisation rates, asset carrying values, deferred stripping costs and provisions for decommissioning and restoration.

### Impairment of capitalised exploration and evaluation expenditure and related project costs

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors which could impact the future recoverability include the future technological changes which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent that it is determined in the future that this capitalised expenditure should be written off, this will reduce profits and net assets in the period in which this determination is made.

For the period ended 30 June 2019 $291,166 exploration and evaluation expenditure was capitalised and written off (2018: $216,884). The basis of the impairment was a value in use calculation based on current market data and costs of the tenements either surrendered during the year or approved and surrendered post the end of the financial year.

# Notes to and Forming Part of the Financial Statements for the year ended 30 June 2019

**Impairment of property, plant and equipment**

Property, plant and equipment are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. Where a review for impairment is conducted, the recoverable amount is assessed by reference to the higher of 'value in use' (being the net present value of expected future cash flows of the relevant cash generating unit) and 'fair value less costs to sell'.

In determining value in use, future cash flows are based on:

- Estimates of the quantities of ore reserves and mineral resources for which there is a high degree of confidence of economic extraction;
- Future production levels;
- Future commodity prices; and
- Future cash costs of production and capital expenditure.

Variations to the expected future cash flows, and the timing thereof, could result in significant changes to any impairment losses recognised, if any, which could in turn impact future financial results.

**Provisions for decommissioning and restoration costs**

Decommissioning and restoration costs are a normal consequence of mining, and the majority of this expenditure is incurred at the end of a mine's life. In determining an appropriate level of provision consideration is given to the expected future costs to be incurred, the timing of these expected future costs (largely dependent on the life of the mine), and the estimated future level of inflation.

The ultimate cost of decommissioning and restoration is uncertain and costs can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other mine sites. The expected timing of expenditure can also change, for example in response to changes in reserves or to production rates. Changes to any of the estimates could result in significant changes to the level of provisioning required, which would in turn impact future financial results.

**Share-based payment transactions**

The Group measures the cost of equity-settled transactions with management and other parties by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by the Board of Directors using the Black & Scholes valuation method, taking into account the terms and conditions upon which the equity instruments were granted. The assumptions in relation to the valuation of the equity instruments are detailed in Note 23: Share-Based Payments. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

**Loans receivable from controlled entities**

The carrying value of loans receivable from controlled entities is assessed on an annual basis. In the event that the carrying amount of loans exceeds the net assets of the controlled entities an impairment loss is to write down the carrying amount to equal the net assets of the controlled entities.

# Notes to and Forming Part of the Financial Statements for the year ended 30 June 2019

## Note 19 – Assets classified as held for sale and discontinued operations

For the 30 June 2019 financial year:

The Group sold its Fox Resources Radio Hill assets, remaining fixed assets and Bundaberg Coking Coal Project assets.

| | Consolidated | |
|---|---|---|
| | **2019** | 2018 |
| | **$** | $ |
| **Movement in assets classified as held for sale** | | |
| Balance at beginning of year | **1,700,000** | 2,200,000 |
| Less: | | |
| Sale of property, plant and equipment | **-** | (500,000) |
| Balance at end of year | **1,700,000** | 1,700,000 |

## Note 20 – Share-based payment transactions

### Options

No listed or unlisted options exist as at 30 June 2019 or during the prior year. No options were granted during the current financial year. An employee share option plan has been established where the Company may grant options over ordinary shares of the Company to staff. The options are issued for nil consideration and are granted at the discretion of the Directors. The options cannot be transferred, are not quoted on the ASX and carry no dividend and voting rights.

The fair value of all options issued has been determined using a Black & Scholes option pricing model that takes into account the exercise price, the term of the options, the impact of dilution, the non-tradeable nature of the options, the share price at grant date and expected price volatility of the underlying shares, the expected dividend yield and the risk-free interest rate for the term of the options.

### Ordinary shares

No shares were issued during the current financial year.

## Note 21 – Fair value measurement of non-financial assets

Referring to the fair value hierarchy outlined in Note 20(d) above, the company records one non-financial asset at fair value, that being its assets held for sale in the amount of $1,700,000 (2017: $2,200,000). This balance is measured using Level 2 inputs, being private quoted prices from buyers.

There were no transfers between any of the levels for either 2018 or 2017.

# Notes to and Forming Part of the Financial Statements for the year ended 30 June 2019

### Note 22 – Events occurring after balance sheet date

On the 20th March 2020 Fox Coal Pty Ltd sold 10% of its shares to Zimprops Coal Pty Ltd for $600,000.

In March 2020, the World Health Organisation declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout Australia. The spread of COVID-19 has caused significant volatility in Australian, and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the Australian and international economies and, as such, the Company is unable to determine if it will have a material impact to its operations.

### Note 23 – Parent entity information

**Information relating to Fox Resources Ltd ("the parent entity")**

| | **2019** | 2018 |
|---|---|---|
| | **$** | $ |
| **Statement of Financial Position** | | |
| Current Assets | **2,330,952** | 3,416,866 |
| Total Assets | **2,330,952** | 3,416,866 |
| Current Liabilities | **4,450,334** | 4,044,736 |
| Total Liabilities | **9,776,592** | 9,067,993 |
| **Net Assets** | **(7,445,640)** | (5,651,127) |
| Issued Capital | **125,976,992** | 125,976,992 |
| Other Reserves | **-** | - |
| Accumulated losses | **(133,422,632)** | (131,628,119) |
| **Total Equity** | **(7,445,640)** | (5,651,127) |
| **Statement of profit or loss and other comprehensive income** | | |
| Profit/ (loss) for the year | **(1,794,513)** | 793,031 |
| Total comprehensive loss | **(1,794,513)** | 793,031 |

# DIRECTOR'S DECLARATION

In the Directors' opinion:

1. In the opinion of the Directors of Fox Resources Ltd:

   (a) The consolidated financial statements and notes of Fox Resources Ltd are in accordance with the Corporations Act 2001, including:
      a. Giving a true and fair view of its financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and
      b. Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

   (b) There are reasonable grounds to believe that Fox Resources Ltd will be able to pay its debts as and when they become due and payable.

2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2019.

3. Note 2 confirms that the consolidated financial statements also comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

TERRY STREETER
NON EXECUTIVE CHAIRMAN

Dated the 18th May 2020 at Perth, Western Australia.

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# Auditor's Independence Declaration

## To the Directors of Fox Resources Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Fox Resources Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

L A Stella
Partner – Audit & Assurance

Perth, 18 May 2020

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# Independent Auditor's Report

## To the Members of Fox Resources Limited

### Report on the audit of the financial report

**Opinion**

We have audited the financial report of Fox Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, 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:

a giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

**Basis for opinion**

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We 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 12 in the financial statements, which indicates that the Group incurred cash operating outflows of $548,103 during the year ended 30 June 2019, and as of that date, the Group's total liabilities exceeded its total assets by $7,445,640. As stated in Note 12, these events or conditions, along with other matters as set forth in Note 12, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**Emphasis of matter – COVID-19**

We draw attention to Note 22 of the financial report, which describes the circumstances relating to the material subsequent event regarding COVID-19 and the uncertainty surrounding any potential financial impact on the financials. Our opinion is not modified in respect of this matter.

### Information other than the financial report and auditor’s report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group’s annual report for the year ended 30 June 2019, 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, 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*. The Directors’ responsibility also includes 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 Group’s ability 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 have 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 at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor’s report.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

L A Stella
Partner – Audit & Assurance

Perth, 18 May 2020