



# **XS RESOURCES LIMITED**

**Consolidated Financial Report  
For the period ended 30 June 2018**

**XS RESOURCES LIMITED**  
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**FOR THE PERIOD ENDED 30 JUNE 2018**

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**XS RESOURCES LIMITED  
DIRECTOR'S REPORT  
FOR THE PERIOD ENDED 30 JUNE 2018**

The directors present their report, together with the consolidated financial report of XS Resources Limited from the period from the date of incorporation (being 2 March 2018) to 30 June 2018 and auditor's report thereon. This consolidated financial report has been prepared in accordance with Australian Accounting Standards.

**Directors**

The following persons were directors of XS Resources Limited during the whole of the period, being from incorporation, and up to the date of this report unless otherwise stated:

Christopher Zielinski  
Michael Fry  
Andrew Haythorpe

**Information on Directors**

Name	Christopher Zielinski (appointed 2 March 2018)
Title	Non-Executive Chairman
Qualifications	BComm (Finance) , Bachelor of Laws : LLB, Diploma of Financial Services
Experience	Mr Zielinski is a corporate lawyer with over 10 years' experience. He is a Director in the West Australian corporate law firm, Nova Legal. Mr Zielinski primarily works in mergers and acquisitions, capital raisings, regulatory compliance and commercial transactions with particular experience in the resources and technology sectors. Mr Zielinski graduated from the University of Notre Dame (Fremantle) with degrees in Law and Commerce (Finance), is a Member of the Australian Institute of Group Directors and an Associate of the Governance Institute of Australia. Mr Zielinski is currently a non-executive director of ASX listed Caeneus Minerals Ltd (ASX:CAD) and Baraka Energy & Resources Limited (ASX:BKP)
Name	Michael Fry (appointed 2 March 2018)
Title	Executive Director
Qualifications	BComm CA
Experience	Mr Fry is an experienced company manager across a broad range of industry sectors. Mr Fry has a background in accounting and corporate advice having worked with KPG (Perth, Manchester), Deloitte (Melbourne), and boutique corporate advisory practice Troika Securities Ltd (Perth). Mr Fry is currently the chief financial officer and company secretary at Force Commodities Limited (ASX: 4CE) and Globe Metals & Mining Limited (ASX:GBE), and a non-executive director and company secretary of Winmar Resources Limited (ASX: WFE) and VDM Group Limited (ASX: VMG). Mr Fry previously served as Director, Chief Financial Officer and Group Secretary at Swick Mining Services Limited (ASX: SWK) (2006-2011) and Cougar Metals NL (ASX:CGM) (2006-2008, 2011-2017).
Name	Andrew Haythorpe (appointed 2 March 2018)
Title	Non-Executive Director
Qualifications	B.Sci (Hons), MAICD, FAusIMM
Experience	Mr Haythorpe has 30 years' experience in geology, funds management, mining analysis and has been a Director and Chairman of a number of TSX and ASX listed companies. Since 1999, Andrew has been involved in over A\$300 million of mergers and acquisitions and capital raisings in mining and technology companies listed on the TSX and ASX. He is currently a Director of Accelerate Resources (ASX:AX8) and director and Advisor to several unlisted Companies. Andrew was previously a non-executive director of Petratherm Resources and Chairman of Wangle Technologies (ASX: WGL). Prior to 1999, Mr Haythorpe was a Global Energy and Resources Fund Manager and Analyst at Bankers Trust and gained his initial experience as an analyst at Suncorp (now a Top 20 ASX listed Group with some A\$96 billion in assets) and then at County Natwest and Hartley Poynton where he later became a director.

**XS RESOURCES LIMITED  
DIRECTOR'S REPORT  
FOR THE PERIOD ENDED 30 JUNE 2018**

**Company Secretary**

Mrs Anna Maria MacKintosh, B.Com (UWA) CPA was appointed Company Secretary on the 20<sup>th</sup> March 2018 and also serves as group secretary at Marquee Resources Limited (ASX:MQR), TAO Commodities Limited (ASX:TAO) and Baraka Energy & Resources Ltd (ASX:BKP). Mrs MacKintosh has over 26 years commercial experience including 11 years with BHP, 10 years with AFSL holder Kirke Securities Limited as its Compliance Manager, Finance Manager and Responsible Executive. Mrs MacKintosh has previously served as Chief Financial Officer and Company Secretary for Kalia Limited (ASX:KLM) (2009-2018) formerly GB Energy Limited, Applabs Technologies Limited (ASX:ALA) and XTV Limited (ASX:XTV) and Financial Controller for Force Commodities Limited (ASX:4CE).

**Meetings of directors**

The number of meetings of the Company's Board of Directors ('the Board') held during the period ended 30 June 2018, and the number of meetings attended by each director were:

	Attended	Held
Christopher Zielinski	3	3
Michael Fry	3	3
Andre Haythorpe	3	3

**Principal activities**

XS Resources Limited group will primarily operate in the mineral exploration sector.

**Financial results**

The financial results of the group for the period ended 30 June 2018 are:

	30-Jun-18
Cash and cash equivalents (AUD \$)	\$261,703
Net assets (AUD \$)	\$245,411
Total revenue (AUD \$)	-
Net loss after tax (AUD \$)	\$130,672

**Review of operations**

The group has been primarily focussed on preparation for its upcoming initial public offering (IPO) and, if successful, listing on the Australian Stock Exchange.

**Significant changes in state of affairs**

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

**Events Subsequent to the End of the Reporting Period**

The Group is currently in progress for an Initial Public Offering. At the signing date of this financial report no matter in relation to this had yet been finalised. The Lead Manager has advised that they have Broker commitments covering the prospectus capital raising amount. Amount received by the Company as at the date of this report is \$17,000.

There have been no matters or circumstances, which have arisen since 30 June 2018 that have significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2018, of the Group, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 30 June 2018, of the Group.

**XS RESOURCES LIMITED  
DIRECTOR'S REPORT  
FOR THE PERIOD ENDED 30 JUNE 2018**

**Likely developments and expected results of operation**

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

**Environmental regulation**

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

**Dividends**

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

**Options**

No options over issued shares or interests in the Group were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

No shares were issued during or since the end of the year as a result of the exercise of an option over unissued shares or interests.

**Indemnification of officers**

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

**Indemnification of auditors**

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

**Proceedings on Behalf of the Group**

No person has applied for leave of court to bring proceedings on behalf of the group or intervene in any proceedings to which the group is a party for the purpose of taking responsibility on behalf of the group for all or any part of those proceedings.

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 22.

**Auditor**

BDO Audit (WA) Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

**XS RESOURCES LIMITED  
DIRECTOR'S REPORT  
FOR THE PERIOD ENDED 30 JUNE 2018**

## **Remuneration Report**

This report, which forms part of the directors' report, outlines the remuneration arrangements in place for the key management personnel ("KMP") of XS Resources Limited for the financial period ended 30 June 2018.

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

### **Employment Contracts**

#### **Christopher Zielinski – Non Executive Chairman**

The key terms of Mr Zielinski's contract are:

Chairman's Fees of \$48,000 per annum plus statutory superannuation will be paid with effect from the Company's date of listing on ASX.

No termination benefits

3 million options (Exercise price \$0.30 expiry 1/07/2021) on ASX Listing

One-off payment equal to 3 months or \$12,000 plus superannuation upon XS Resources Limited's successful listing on ASX.

#### **Michael Fry – Executive Director**

The key employment terms of Mr Fry's service contract are:

Executive Director fee of \$120,000 per annum plus statutory superannuation will be paid with effect from the Company's date of listing on ASX.

Termination Notice 6 months by either party.

250,000 fully paid ordinary shares and 3 million options (Exercise price \$0.30 expiry 1/07/2021) on ASX Listing

#### **A Haythorpe – Non-Executive Director**

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

Director's fee of \$36,000 per annum plus statutory superannuation will be paid with effect from the Company's date of listing on ASX.

No termination benefits

3 million options (Exercise price \$0.30 expiry 1/07/2021) on ASX Listing

One-off payment equal to 3 months or \$9,000 plus superannuation upon XS Resources Limited's successful listing on ASX.

**No fees have been paid to Directors during the 30 June 2018 period. Director's Remuneration is subject to the successful listing of the Group on Australian Stock Exchange.**

**XS RESOURCES LIMITED  
DIRECTOR'S REPORT  
FOR THE PERIOD ENDED 30 JUNE 2018**

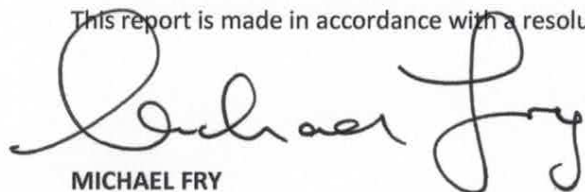
**Key Management Personnel remuneration for the period ended 30 June 2018**

	Short-term benefits	employment bonus	Post- employment benefit	Equity Share based payment s	Total
30 June 2018	Salary & fees \$	Bonus \$	Superannuat ion \$	\$	\$
<u>Directors</u>					
C Zielinski	-	-	-	-	-
M Fry	-	-	-	-	-
A Haythorpe	-	-	-	-	-
Total	-	-	-	-	-

**Shareholdings of Key Management Personnel**

	Balance at beginning of period Number	Granted as remuneration Number	On Exercise of Options Number	Net Change Other Number	Balance at end of period Number
<b>30 June 2018</b>					
<u>Directors</u>					
C Zielinski	50,000	-	-	-	50,000
M Fry	100	-	-	-	100
A Haythorpe	-	-	-	-	-

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



**MICHAEL FRY  
Director  
26 October 2018**

**XS RESOURCES LIMITED**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE PERIOD ENDED 30 JUNE 2018**

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	Notes	<u>30-June-18</u>
		AUD \$
<b>Revenue</b>		
Interest income		222
		<u>222</u>
<b>Expenses</b>		
Legal fees		93,214
Audit/IAR		16,526
Consultant Fees		16,038
Group Secretary Fees		5,114
General expenses		3
		<u>130,894</u>
		<u>130,672</u>
<b>Loss from continuing operations before income tax</b>		
Income tax expense		-
		<u>130,672</u>
<b>Loss from continuing operations after income tax</b>		
		<u>130,672</u>
Other comprehensive income, net of tax		-
<b>Total other comprehensive loss for the period</b>		<u>130,672</u>

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



**XS RESOURCES LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2018**

	Notes	<u>30-June-18</u> AUD \$
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	4	261,703
Trade and other receivables	5	9,625
<b>Total Current Assets</b>		<u><b>271,328</b></u>
<b>Non-Current Assets</b>		
Prepaid Exploration Option	6	27,536
<b>Total Non-Current Assets</b>		<u><b>27,536</b></u>
<b>TOTAL ASSETS</b>		<u><b>298,864</b></u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Trade and other payables	7	53,526
<b>Total Current Liabilities</b>		<u><b>53,526</b></u>
<b>TOTAL LIABILITIES</b>		<u>-</u>
<b>NET ASSETS</b>		<u><b>245,338</b></u>
<b>EQUITY</b>		
Share capital	8	400,010
Capital Raising Expenses		(24,000)
Accumulated losses		(130,672)
<b>TOTAL EQUITY</b>		<u><b>245,338</b></u>

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

**XS RESOURCES LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE PERIOD ENDED 30 JUNE 2018**

	Issued Capital	Reserves	Accumulated Losses	Total Equity
	AUD \$	AUD \$	AUD \$	AUD \$
<b>Balance at incorporation</b>	<b>10</b>	-	-	<b>10</b>
<b>Comprehensive income:</b>				
Loss after income tax expense for the period	-	-	(130,672)	(130,672)
<b>Total comprehensive loss for the period</b>	-	-	<b>(130,672)</b>	<b>(130,662)</b>
<b>Transactions with owners in their capacity as owners:</b>				
Issue of seed shares	400,000	-	-	400,000
Capital Raising Expenses	(24,000)	-	-	(24,000)
<b>At 30 June 2018</b>	<b>376,010</b>	-	<b>(130,672)</b>	<b>245,338</b>

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

**XS RESOURCES LIMITED**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED 30 JUNE 2018**

	<b>Notes</b>	<b>30-June-18</b>
		<b>AUD \$</b>
<b>Cash flows from operating activities</b>		
Receipts from customers		222
Payment to suppliers and employees		<u>(86,993)</u>
<b>Net cash flows from operating activities</b>		<b><u>(86,771)</u></b>
<b>Cash flows from investing activities</b>		
Payment for Canada		(2,535)
Payment for NSW option fee		<u>(25,001)</u>
<b>Net cash flows from investing activities</b>		<b><u>(27,536)</u></b>
<b>Cash flows from financing activities</b>		
Proceeds from members contributions, net of costs		376,010
Proceeds from loans		<u>-</u>
<b>Net cash flows from financing activities</b>		<b><u>376,010</u></b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>261,703</b>
Cash and cash equivalents at beginning of period		<u>-</u>
<b>Cash and cash equivalents at the end of the period</b>		<b><u>261,703</u></b>

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

**XS RESOURCES LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2018**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

This financial report is a special purpose financial report prepared for use by the directors and members of the Group. These are special purpose financial statements that have been prepared for the purposes of complying with the Corporation Act 2001 requirements to prepare and distribute financial statements to the owners of XS Resources Limited. The Directors have determined that the accounting policies adopted are appropriate to meet the needs of the owners of XS Resources Limited. The directors have determined that the Group is not a reporting entity. XS Resources Limited is a for-profit entity for the purpose of preparing the consolidated financial statements.

The consolidated financial statements were authorised for issue on the date of the director's report by the directors of the Company.

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

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

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

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

**a) Basis of preparation of the financial report**

*Historical Cost Convention*

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

*Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

*Comparative information*

This report presents the consolidated financial information for the period ended 30 June 2018. Given the Group was incorporated on the 2 March 2018 there are no comparatives for this reporting period.

*Functional and presentation currency*

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

**XS RESOURCES LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2018**

***b) Going concern***

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

The Group has incurred a net loss of AUD \$130,672 and experienced net cash outflows from operations of AUD \$86,771 and net cash outflows from investing activities of AUD \$27,536 for the period ended 30 June 2018. Cash balance as at 30 June 2018 is \$261,703.

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

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

- The Group is conducting a capital raise under a prospectus to raise \$4.5m and expect this to be successful
- Should the Group not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements and that the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern.

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

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the current reporting period. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

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

***d) Issued Capital***

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

***e) Fair value measurement***

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

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

***f) Cash and Cash Equivalents***

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less.

**XS RESOURCES LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2018**

**g) Trade and Other Payables**

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

**h) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO)

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

**i) Exploration and evaluation expenditure**

Exploration and evaluation costs, which are intangible costs, including the costs of acquiring licenses, are capitalized as exploration and evaluation assets on an area of interest basis.

Exploration and evaluation assets are only recognised if the rights of the area are current and either:

- a) the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
- b) activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability and facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash-generating unit shall not be larger than the area of interest. Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from intangible asset to mineral property and development assets within property, plant and equipment.

**NOTE 2: ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT OPERATIVE AT 30 JUNE 2018**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2018. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

**NOTE 3: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results.

**XS RESOURCES LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2018**

**NOTE 4: CASH AND CASH EQUIVALENTS**

	<b>30-June-18</b>
	<b>AUD \$</b>
Cash at bank and on hand	<u>261,703</u>

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

**NOTE 5: TRADE AND OTHER RECEIVABLES**

	<b>30-June-18</b>
	<b>AUD \$</b>
Other Receivables GST	<u>9,625</u>
	<b><u>9,625</u></b>

**NOTE 6. OTHER ASSETS**

	<b>30-June-18</b>
	<b>AUD \$</b>
Prepayment Spanish River <sup>(i)</sup>	2,535
Option Fees Halls Peak NSW <sup>(ii)</sup>	<u>25,001</u>
	<b><u>27,536</u></b>

i) Prepayment to the Canadian unrelated vendors for 13 unpatented single cell mining claims and 2 unpatented boundary cell mining claims (Spanish River project) in Ontario via a Heads of Agreement dated 6 March 2018. The agreement was amended subsequent to year end and this amount is due to be refunded to the Group.

ii) An option fee of \$25,000 was paid to Force Commodities with respect to the acquisition of 100% of the issued capital of SOC1 Pty Ltd (a subsidiary of Force Commodities Ltd) the holder of Exploration Licence EL4474 in NSW, via an option agreement dated 29 May 2018. A further option fee of \$1 was paid to Force Commodities to acquire exploration licence EL7679 held by its subsidiary Sugec Resources Pty Ltd via an option agreement dated 29 May 2018. Both of these EL's are referred to as Halls Peak Project.

**NOTE 7: TRADE AND OTHER PAYABLES/ BOROWINGS**

	<b>30-June-18</b>
	<b>AUD \$</b>
Accrued Expenses	<u>53,526</u>
	<b><u>53,526</u></b>

**XS RESOURCES LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2018**

**NOTE 8: ISSUED CAPITAL**

	<u>30-June-18</u>
	AUD \$
4,000,100 fully paid ordinary shares (a)	376,010
	<u>376,010</u>

**(a) Movements in Ordinary Shares**

DATE	DETAILS	ISSUE AUD (\$)
	<b>Balance at incorporation</b>	<b>10</b>
	Issue of seed Capital	400,000
	Capital Raising Costs	(24,000)
<b>30 June 2018</b>	<b>Closing balance</b>	<b>376,010</b>

**NOTE 9: ACCUMULATED LOSSES**

	<u>30-June-18</u>
	AUD \$
<b>Balance at incorporation</b>	-
Loss after income tax expense for the period	130,672
<b>Balance at the end of the period</b>	<u>130,672</u>

**NOTE 10: REMUNERATION OF AUDITORS**

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

	<u>30-June-18</u>
	AUD \$
<i>Audit services - BDO Audit (WA) Pty Ltd</i>	
Audit of the financial statements	5,000

**NOTE 11: COMMITMENTS**

	<u>30-June-18</u>
	AUD \$
Within one year <sup>(i)</sup>	6,000
After one year but not more than five years	-
More than five years	-
<b>Total minimum commitment</b>	<u>6,000</u>

<sup>(i)</sup> Office rent commitment for 12 months at \$500 per month.



**XS RESOURCES LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2018**

**NOTE 12: RELATED PARTY TRANSACTIONS**

The Group has entered into Director services agreements with effect from the Group's date of listing on ASX.

**Chris Zielinski – Non-Executive Chairman**

The key terms of Mr Zielinski's contract are:

- Non-executive Director fee of \$48,000 plus superannuation per annum.
- 3,000,000 director options with an exercise price of 30c per share with an expiry date of 1 July 2021.
- Entitlement to receive a one-off payment equal to 3 months or \$12,000 plus superannuation upon XS Resources Limited's successful listing on ASX.

**Andrew Haythorpe – Non-Executive Director**

The key terms of Mr Haythorpe's contract are:

- Non-executive Director fee of \$36,000 plus superannuation per annum.
- 3,000,000 director options with an exercise price of 30c per share with an expiry date of 1 July 2021.
- Entitlement to receive a one-off payment equal to 3 months or \$9,000 plus superannuation upon XS Resources Limited's successful listing on ASX.

**Michael Fry – Non-Executive Chairman**

The key terms of Mr Fry's contract are:

- Non-executive Director fee of \$120,000 plus superannuation per annum.
- 3,000,000 director options with an exercise price of 30c per share with an expiry date of 1 July 2021.
- Entitlement to 250,000 fully paid ordinary shares in XS Resources Limited upon its successful listing on ASX.

The Group had no related party transactions as at 30 June 2018.

**NOTE 13: CONTINGENT LIABILITIES**

The Group had no contingent liabilities as at 30 June 2018, other than:

***Halls Peak Project***

On 29 May 2018, the Group entered into two separate option agreements under which the Group has the option of acquiring two tenements, EL4474 and EL7679, which together are referred to as the Halls Peak Project.

The Halls Peak Project is located approximately 45 kilometres south-east of the regional centre of Armidale in escarpment of the Macleay River catchment.

The terms of each option agreement are described below.

**Option to Acquire tenement EL4474**

Pursuant to an option agreement with Force Commodities Limited and SOC 1 Pty Ltd, a wholly owned subsidiary of Force Commodities Limited, XS Resources can acquire 100% of the issued share capital of SOC 1 Pty Ltd, the legal and beneficial owner of Exploration Licence EL4474, on the following terms:

- Payment of a non-refundable option fee of \$25,000 has been paid;
- Payment of a further \$135,000 plus an additional amount of \$10,000 by way of reimbursement of a NSW Mines Department security deposit on a decision to proceed;
- The issue by XS Resources of \$250,000 of its issued share capital to Force Commodities Limited on completion of its proposed initial public offering ; and
- In the event of XS Resources (or any acquirer of the project from XS Resources) achieving sales of product from the Halls Peak Project of an amount exceeding \$2 million.

XS Resources has formally notified Force Commodities Limited of its decision to proceed.

**XS RESOURCES LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2018**

XS Resources has until 31 December 2018, or such later date agreed by the parties, to complete its IPO.

Option to Acquire tenement EL7679

Pursuant to an option agreement with Sugec Resources Limited, a subsidiary of Force Commodities Limited, XS Resources can acquire 100% of Exploration Licence EL7679, on the following terms:

- Payment of a non-refundable option fee of \$1 has been paid; and
- Payment of a further \$5,800 plus an additional amount of \$10,000 by way of reimbursement of a NSW Mines Department security deposit on a decision to proceed.

**Spanish River Project**

The Group has completed the incorporation of wholly owned Canadian subsidiary group (18 June 2018) to be named XS Resources Canada Corporation as a holding vehicle for the Spanish River Project. On 6 March 2018, the Group signed a binding heads of agreement for the acquisition of the Spanish River Project from Mr Perry English and Mr Steven Siemieniuk (Vendors).

Pursuant to the terms of the Acquisition, the Group must pay the following consideration to the vendors of the Spanish River Project, subject to the Group successfully listing on ASX:

- a) issue CDN\$50,000 worth of fully paid ordinary shares in XS Resources Limited at an issue price of AUD\$0.20 per share based on an AUD exchange rate of CDN\$1.00 = AUD\$1.00 on listing on ASX ;
- b) issue CDN\$50,000 worth of fully paid ordinary shares in XS Resources Limited at an issue price being the volume weighted average price for the shares for the 15 trading days preceding the date which is 12 months from the date of the Heads of Agreement (i.e. 6 March 2019) and utilizing the exchange rate on the date preceding the date of issue (Deferred Shares);
- c) issue CDN\$10,000 worth of fully paid ordinary shares in XS Resources Limited at an issue price being the volume weighted average price for the shares for the 15 trading days preceding the date and utilizing the exchange rate on the date preceding the date of issue for every 10 million tonnes of copper delineated as Measured and Indicated within the first JORC compliant resource publicly announced by XS for the Project within 5 years of listing on ASX (Milestone Shares); and
- d) pay a net smelter royalty equal to 2% of net smelter returns of any mined products mined and sold from the Project.

**Directors shares and options**

Total of 9 million options (exercisable within three years at \$0.30) will be issued to the directors on completion of the listing. A further 250,000 shares (valued \$50,000) will be issued to M Fry, Executive Director.

**Directors Fees**

In accordance with Directors Agreements, the Group will make the one-off cash payment (equal to 3 months fees) to Mr Zielinski of \$14,140 and \$9,855 to Mr Haythorpe. The one-off payment is inclusive of superannuation and will be paid upon XS Resources Limited successful listing on ASX.

**XS RESOURCES LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2018**

**Lead Broker and Corporate Advisory Mandate**

The Group has engaged GTT Ventures Ltd (GTT) as the Group's lead broker for the IPO capital raise and as the Group's corporate advisor. The Group and GTT entered into an agreement in relation to these services dated 2 March 2018 pursuant to which the Group is to pay GTT:

a) Capital Raising Fees of:

- a management fee of 1% (excluding GST) on the IPO capital raised funds;
- 5% (excluding GST) of the value of any shares under the IPO that are taken up by GTT, its nominees or parties introduced to the Group by GTT; and
- A \$15,000 (excluding GST) monthly retainer for corporate advisory fees for a period of 18 months.

b) Lead Broker Fees of:

- \$50,000 (excluding GST);
- 4,000,000 fully paid ordinary shares at an issue price of 0.0001 each; and
- 3,000,000 options exercisable at 30 cents with a 3 year expiry date.

The Group intends to issue a number of options and shares to unrelated third party brokers (who are not GTT) who assist the Group and GTT in the IPO capital raising. The total number of securities to be issued to these unrelated third party brokers are:

- 2,000,000 fully paid ordinary shares; and
- 4,000,000 options exercisable at 30 cents with a 3 year expiry date.

**NOTE 14: EVENTS SUBSEQUENT TO REPORTING DATE**

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

There have been no matters or circumstances, which have arisen since 30 June 2018 that have significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2018, of the Group, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 30 June 2018, of the Group;

other than the matters set out below.

*Initial Public Offering*

The Lead Manager has advised that they have Broker commitments covering the prospectus capital raising amount. Amount received by the Company as at the date of this report is \$17,000.

**NOTE 15: COMPANY DETAILS**

The registered office of the group is:  
Level 2, 50 Kings Park Road West Perth WA 6005

The principal place of business of the group is:  
Ground Floor, 20 Kings Park Road West Perth WA 6005

**XS RESOURCES LIMITED  
DIRECTORS DECLARATION  
FOR THE PERIOD ENDED 30 JUNE 2018**

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

The Directors of the group declares that:

1. The entity is not a reporting entity because there are no users dependent on general purpose financial statements. Accordingly, as described in note 1 to the financial statements, the attached special purpose financial statements have been prepared for the purposes of complying with the Corporations Act 2001 requirements to prepare and distribute financial statements to the owners of XS Resources Limited;
2. The attached consolidated financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards as described in note 1 to the financial statements, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
3. The attached consolidated financial statements and notes thereto give a true and fair view of the entity's financial position as at 30 June 2018 and of its performance for the financial year ended on that date;
4. There are reasonable grounds to believe that the group will be able to pay its debts as and when they become due and payable.

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

A handwritten signature in black ink, appearing to read 'Michael Fry', written in a cursive style.

**MICHAEL FRY  
Director  
26 October 2018**

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF XS RESOURCES LIMITED**





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Australia

**DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF XS RESOURCES LIMITED**

As lead auditor of XS Resources Limited for the period ended 30 June 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of XS Resources Limited and the entity it controlled during the period.

A handwritten signature in blue ink, appearing to read 'Dean Just', is written in a cursive style.

**Dean Just**

Director

**BDO Audit (WA) Pty Ltd**

Perth, 26 October 2018



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## INDEPENDENT AUDITOR'S REPORT

To the members of XS Resources Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of XS Resources Limited (the Company) and its subsidiary (the Group), which comprises the consolidated statement of financial position as at 30 June 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 period then ended, and notes to the financial report, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of XS Resources Limited, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards to the extent described in Note 1, 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 auditor independence requirements of 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

#### Material uncertainty related to going concern

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





### **Emphasis of matter - Basis of accounting**

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

### **Other information**

The directors are responsible for the other information. The other information comprises the information in the Directors' report for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of the directors for the Financial Report**

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a 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 relating 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 (<http://www.auasb.gov.au/Home.aspx>) at:

[http://www.auasb.gov.au/auditors\\_responsibilities/ar3.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf)

This description forms part of our auditor's report.

**BDO Audit (WA) Pty Ltd**

A handwritten signature in blue ink, appearing to read 'Dean Just', written over a faint, light blue BDO logo.

**Dean Just**

**Director**

Perth, 26 October 2018