Bifox Limited

ABN 61 004 287 790

Annual Financial Report

for the financial year ended
30 June 2018

Bifox

Corporate Directory

Directors

Chris West	Executive Chairman
Timothy Koster	Executive Director
Mark Sumner	Non-Executive Director

Company Secretary

Chris West

Principal Office

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Sydney, NSW, 2000

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Email: chris.west@sparcapital.com.au

Registered Office

Level 7, 92 Pitt Street
Sydney, NSW, 2000

Solicitors

Doorkeeper Legal
Level 7, 92 Pitt Street
Sydney, NSW, 2000

Share Register

Advanced Share Registry Services Ltd
110 Stirling Highway
Nedlands WA 6009

Auditors

RSM Australia Partners
Level 13
60 Castlereagh Street
Sydney, NSW, 2000

Internet Address

www.bifox.com.au

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Directors' Report

The Directors present their report on the consolidated entity consisting of Bifox Limited ("Bifox" or "the Company") and the entities it controlled at the end of, or during the financial year ended 30 June 2018 ("the Group" or "the Consolidated Entity").

Directors

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

Chris West
Executive Chairman and Company Secretary
Appointed 26 March 2014

Mr West has over 30 years of experience in corporate finance and resource funds management. Currently, he is the head of SPAR Capital, a boutique specialist fund manager with over $600 million in assets under management. Between 1991 and 2007, he was the Global Head of Corporate Finance and Funds Management at Allco Finance Group, where he led a corporate finance and funds management team in over $30 billion of public and private financings and had over $15 billion in assets under management. Prior to Allco, he was the head of project finance and resources management at State Bank of New South Wales, where he led a team of 6 geologists and engineers managing a $1.5 billion portfolio of resource assets across coal, iron ore, oil & gas, bauxite and copper.

Mr West holds a Bachelor of Commerce from the University of New South Wales and a Master of Business Administration from the University of Sydney, where he studied the coal industry of Australia.

Mr West has held no other Directorships in public listed companies in the last three years.

Mark Sumner
Non-Executive Director
Appointed 26 March 2014

Mr Sumner is the founder of Kiwanda Group LLC ("Kiwanda Group"). Prior to founding the Kiwanda Group in 2008, he was an investment specialist at Madison Avenue Financial Group, a private wealth boutique with approximately $220 million in assets under management. Since 2008, Mr Sumner has been the Managing Director of the Kiwanda Group. As Managing Director of the Kiwanda Group, he has arranged private and public equity investments into oil, natural gas, gold, zinc/lead, iron ore and gold projects in Asia, South America and Sub-Saharan Africa.

Mr Sumner is also the Chairman of the ASX listed Valor Resources Limited.

Timothy Koster
Executive Director
Appointed 26 March 2014

Mr Koster is an investment banking and business development professional with over 30 years of experience. He has a strong track record of establishing, financing and developing investment and operational businesses. Mr Koster established Azure Water and Energy Infrastructure Fund focused on Middle East water and energy utility assets. He also established Convergence Capital, a structured finance and business development investment bank, based in Australia and the Dubai International Finance Centre. He has funded several acquisitions and divestments of mining assets in Australia and China.

Mr Koster has held no other Directorships in public listed companies in the last three years.

Directors' Report

Company Secretary

Chris West
Appointed 26 March 2014

Principal Activities

Bifox's principle activity relates to developing a portfolio of phosphate exploration and exploitation projects in Chile with a phosphate production plant located on site, ready to produce phosphate rock at 20% plus of P2O5, for use as a direct application fertiliser. During the year, the Company's main activity has been directed towards the solution to the environmental issue with the Chilean authorities and improvement and refurbishment of the phosphate plant.

Review of Operations

During the year the Company defined the exploration program to deliver its JORC resources the next financial year. Commencement of this program is subject to receiving approval from the Chilean authorities to some environmental issues in respect of the leased tenements. The Company commenced the upgrade and repair of the current crushing and milling plant to be ready to produce up to 5,000 Tn/month.

Operating results

The consolidated loss of the consolidated group for the financial year after providing for income tax amounted to $1,559,280 (2017 loss of $5,977,031).

Dividends

No dividends have been paid or declared during the financial year, nor do the directors recommend the declaration of a dividend.

Financial Position

The net assets of the consolidated group decreased by $1,480,749 from $651,831 as at 30 June 2017 to a net liability position of $$828,918 as at 30 June 2018.

Significant Events Subsequent to Reporting Date

- On 1 September 2018 the Company commenced the metallurgical studies to upgrade their phosphate rock concentrate.
- On 3 December 2018 the Company commenced the exploration program to deliver the JORC resources. Field works subject to getting all permits from the Chilean authorities.
- On 4 March 2019 the Company commenced their geophysical survey in part of the Bifox area and was completed at end of this month.
- On 28 May 2019 the proposal that was lodged with the Chilean Authorities was formally approved. The settlement required an indemnity payment to the Government of US$1m plus the payment of their legal costs (US$100,000). This payment was due immediately after signing of the relevant documents. On 31 January 2020 that the Company and The State Treasury of Chile formally executed the Bifox CDE agreement. The signing of this agreement clears the path for the Company to process its phosphate rock ore and mine phosphate rock at its tenements. As part of the negotiated settlement, Bifox has funded the payment of US$1,000,000 to the Paleontological Research Corporation and US$156,250 in legal and other costs. In addition, Bifox is acting as a guarantor in terms of this agreement and is jointly responsible for a commitment to fund US$250,000 per annum for research, and enhancement of the paleontological site of Los Dedos located in the Comuna of Caldera, Region of Atacama and also paleontological assets and the

species found during the mining activities in the area of the Project. This contribution may not be less than ten years. In addition, Bifox is obliged to allocate US$150,000 for the construction of the infrastructure destined for a transitory deposit for the paleontological material that will be recovered as a result of the activities. Other key terms of this agreement include the requirement for a Mortgage to be registered over the full Selaqueos 1 to 2000 area in favor of the Chilean Tax authority to guarantee any future commitments. The agreement also contains a clause forcing the exclusion of all mining activity, on 2516 hectares of the as detailed in the plan forming part of the agreement.

- As a result of the settlement with Government the acquisition payments to the vendors of the Bifox tenements has been rescheduled and commences after mining is authorised on site.
- On 31 May 2019 the Company completed their upgrade and repairs to their crushing and milling plant to produce up to 5,000 Tn/ month, subject to permits approval.
- On 22 July 2019, following the geophysics interpretation, the company issued an updated JORC plan with an initial target resource of 2 million Tonnes of P_2O_5 and an estimated cost of USD545,000. This programme may only be commenced following the signing of the new documents with the Chilean Government. The trenching works and drilling activities are part of the mining approval process.
- On 11 March 2020 Novel Coronavirus (COVID-19) was declared a global pandemic by the World Health Organisation. There is significant uncertainty as to the short, medium, and long-term impact of COVID-19 outbreak on the local and global economy. It is reasonably possible that COVID-19 will have an adverse impact on the Group's revenues, its results, and its ability to source funding for the next reporting year. As at the date of this report, the full effect of the outbreak remains uncertain. The effects are potentially going to be significant but cannot be reliably estimated or quantified.
- The Directors agree that the valuation of the exploration and evaluation assets in the accounts is compromised until such time as the Company has completed the next stage of negotiations for the acquisition of the Bifox tenements. These negotiations are currently proceeding and no current action is being taken by the vendors for enforcement or other rights. The Directors believe that a suitable outcome will be reached with the vendors and the uncertainty regarding this item will be removed.

Environmental Regulations and Performance

The company is regulated by The Mining Code ("Mc")(Law No. 18,248) and its Regulations (Decree No. 1/1989), which establishes the regulation of the mining activity and in particular, mineral exploration, exploitation, and benefit. The Chilean leased tenements had environmental issues with the Chilean Government and the company acted on behalf of the lessor who was in breach of some environment regulations in relation to exploration of an area of paleontological significance. The matter with the Chilean Authorities has now been resolved and an agreement reached and signed in Jan 2020. The outcome was a payment of $1,000,000 to the Paleontological Research Corporation and an ongoing commitment of $250,000 per annum for research and enhancement of the paleontological site. In addition, there is a reduction in the area allowed to be mined. This is further disclosed in Note 30, Subsequent Events.

REMUNERATION REPORT – AUDITED

This remuneration report which forms part of the directors' report, sets out information about the remuneration of Bifox Limited's key management personnel for the financial year ended 30 June 2018. The term "key management personnel" refers to those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity.

Key management personnel

The following were key management personnel of the Group at any time during the reporting period:

	Position held as at 30 June 2018 and any change during the year	Contract details (term of agreement and termination)	Proportion of elements of remuneration related to performance			Proportion of elements of remuneration not related to performance	
			Non-salary cash based incentives	Shares /units	Option/ Rights	Fixed salary fees	Total
			%	%	%	%	%
Directors:							
Chris West	Executive Chairman and Company Secretary		-	-	-	100	-
Mark Sumner	Managing Director		-	-	-	100	-
Timothy Koster	Executive Director		-	-	-	100	-
Management:							
Rolando Tinoco	Chief Financial Officer	On-going commencing 4 Jan.2016 / 6 months	-	-	-	100	-
Mauricio Martinez	General Manager - Fosfatos de Cadera SpA	On-going commencing 1 May.2018 / 1 month		-	-	100	-

The company pays a fixed fee to each of the current Directors. The employment term and conditions of key management personnel are formalised in contracts of employment.

Remuneration details for the year ended 30 June 2018

The following table of benefits and payments details, in respect to the financial year, the components of remuneration for each member of the key management personnel of the consolidated group.

Table of Benefits and Payments for the Year Ended 30 June 2018

	Short term benefits		Post-employment benefits	Share-base payment	Total
	Cash salary, fees and other	Deferred salary	Superannuation contribution	Option/shares	
Directors:					
Chris West	89,000	-	-	-	89,000
Mark Sumner	89,000	-	-	-	89,000
Timothy Koster	89,000	-	-	-	89,000
Management:					
Rolando Tinoco	177,083	-	16,823	-	193,906
Mauricio Martinez[(1)]	39,521	-	-	-	39,521
Total benefits	483,604	-	16,823	-	500,427

[(1)]Appointed on 1 May 2018.

Directors' Report

Table of Benefits and Payments for the Year Ended 30 June 2017

	Short term benefits		Post-employment benefits	Share-base payment	Total
	Cash salary, fees and other	Deferred salary	Superannuation contribution	Option/shares	
Directors:					
Chris West	78,000	-	-	-	78,000
Mark Sumner	78,000	-	-	-	78,000
Timothy Koster	78,000	-	-	-	78,000
Management:					
Rolando Tinoco	145,000	-	13,775	-	158,775
Total benefits	379,000	-	13,775	-	392,775

End of Remuneration Report – Audited

Directors' Meetings

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors of the Company whilst they were a Director during the financial year are:

	Number of meetings held	Number of meetings attended
Board of Directors:		
Chris West	1	1
Mark Sumner	1	1
Timothy Koster	1	1

Directors' Interests

The relevant interest of each Director in the share capital as notified by the Directors to the Australian Securities Exchange in accordance with s205G(1) of the *Corporations Act 2001*, at the date of this report is as follows:

	Fully Paid Ordinary Shares	**Options[(1)]**
Chris West	839,293	2,925,998
Mark Sumner	6,569,018	5,851,995
Tim Koster	855,293	2,925,997
Total	**8,263,604**	**11,703,990**

[(1)] Options received by Directors corresponds to the phosphate options attached to the ownership transfer, done on 23 May 2016, of Kiwanda Alliance (BVI) Inc. and Andean Coal (BVI) to Kiwanda Australia Pty Ltd and subsequently, on 9 June 2016, the ownership transfer of Kiwanda Australia to Bifox Limited.

Directors' Report

Indemnification and Insurance of Directors and Officers

The Company has agreed to indemnify the current Directors and Officers against any liability (other than the Company or related body corporate) that may arise from their position as Directors and Officers of the Company except where the liability arises out of conduct involving a lack of good faith. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.
Bifox has not provided any insurance or indemnity to the auditor of the Company.

Key management personnel equity holdings

Details of the movements in the holdings of key management personnel in the fully paid ordinary shares of the Company are:

	Balance at 1 July number of shares	Net Change	Balance at 30 June number of shares
2018:			
Chris West	6,771,699	(5,932,406)	839,293
Mark Sumner	7,012,325	(443,307)	6,569,018
Timothy Koster	6,795,699	(5,940,406)	855,293
Total	20,579,723	(12,316,119)	8,263,604
2017:			
Chris West	3,882,518	2,891,181	6,771,699
Mark Sumner	7,028,983	(16,658)	7,012,325
Timothy Koster	3,946,518	2,849,181	6,795,699
Total	14,858,019	5,721,704	20,579,723

Remuneration of key management personnel

Information about the remuneration of key management personnel is set out in the remuneration report section of this director's report. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the consolidated entity.

Share Options

At the date of this report, the unissued ordinary shares of Bifox Limited under options are as follows:

Grant date	Date of expiry	Exercise price	Number under option
09/06/16	09/06/19	First 12 months: $0.25 Second 12 months: $0.30 Third 12 months: $0.40	11,703,990

Proceedings on Behalf of the Company

At the date of this report there are no leave applications or proceedings brought on behalf of the Group under section 237 of the *Corporations Act 2001*.

Auditor's Independence

Section 307C of the *Corporations Act 2001* requires Bifox's auditors RSM Australia Partners to provide the Directors of Bifox Limited with an Independence Declaration in relation to the audit of the financial report for the year ended 30 June 2018. This Independence Declaration is included on page 11 of this annual report.

Directors' Report

Non-Audit Services
Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 28 to the financial statements.

The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The directors are of the opinion that the services as disclosed in note 28 to the financial statements do not compromise the external auditor's independence, for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of these services undermine the general principles relating to auditor independence as set out in APES 110 'Code of Ethics for Professional Accountants' issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Significant changes in the state of affairs
There have been no significant changes in the state of affairs of the Group during the year.

Likely developments and expected results of operations
Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

This Directors' Report is signed in accordance with a resolution of directors made pursuant to s.298(2) of the *Corporations Act 2001*.

On behalf of the Directors

Chris West
Executive Chairman
20 May 2020

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Bifox Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM

RSM AUSTRALIA PARTNERS

GNS

GARY N SHERWOOD
Partner

Sydney, NSW
Dated: 20 May 2020

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INDEPENDENT AUDITOR'S REPORT
To the Members of Bifox Limited

Disclaimer of Opinion

We were engaged to audit the financial report of Bifox Limited and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the declaration by those charged with governance.

We do not express an opinion on the accompanying financial report of the Group. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on this financial report.

Basis for Disclaimer of Opinion

We have not been able to satisfactorily apply the necessary audit procedures and have been unable to obtain all the information and explanations necessary to form an opinion on the following:

Exploration and evaluation assets

We refer to the Group's exploration and evaluation asset disclosed in Note 15. This expenditure is in relation to an option to acquire phosphate mining tenements in Chile. The Group also entered into a separate mining rights lease agreement in relation to these tenements with the vendors. The Group is in breach of the payment commitments stipulated in the option purchase agreement, which has a direct consequence over the mining rights lease agreement. The Group is in the process of renegotiating the option price and the lease of the mining tenements. At the date of this report these processes have not been completed. As a result, we were unable to obtain sufficient appropriate audit evidence over the accuracy and valuation of this balance.

Related party receivables

We refer to the Group's receivables from related parties totalling $1,873,557, disclosed in Note 10. Recoverability of this balance is dependent on the successful commercialisation of the Group's exploration and evaluation asset. We were unable to obtain sufficient appropriate audit evidence over the accuracy and valuation of this balance.

Material Uncertainty Related to Going Concern

We draw attention to Note 3.3 in the financial report, which indicates that the Group has net liabilities of $828,918. During the year ended 30 June 2018, the Group incurred a consolidated net loss of $1,559,280 and has net cash used in operating and investing activities of $636,441 and $1,728,511 respectively. As stated in Note 3.3, these events or conditions, along with other matters as set forth in Note 3.3, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

The impact of the matters described above is material and pervasive to the financial report. Therefore, we have not been able to satisfactorily apply the necessary audit procedures and have been unable to obtain all the information and explanations we require to form an opinion on the financial report.

RSM

Other Information

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 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 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 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to conduct an audit of the financial report in accordance with Australian Auditing Standards and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial report.

We are independent of the Group in accordance with the ethical requirements of the Corporations Act 2001 and 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.

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/ar4.pdf. This description forms part of our auditor's report.

RSM

RSM Australia Partners

G Sherwood GNS

Gary Sherwood
Partner

Sydney, 20 May 2020

Bifox

Directors' Declaration

The directors declare that in the opinion of the directors:

a) the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including

(i) giving a true and fair view of the financial position and performance of the consolidated entity; and

(ii) complying with Australian Accounting Standards, including the Interpretations, and the Corporations Regulations 2001;

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors

Chris West
Executive Chairman
20 May 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2018

	Note	30 June 2018 $	30 June 2017 $
Other income	6	-	76,494
Corporate and administrative expenses	6	(878,070)	(865,012)
Finance income	6	2,539	2,524
Finance expenses	6	(458,536)	(3,337,195)
Exploration expenses		(6,731)	-
Share of loss of joint venture		-	(125,716)
Impairment of investment accounted for using accounting method		-	(1,728,126)
Impairment of related party loans		(218,482)	-
Loss before income tax expense		(1,559,280)	(5,977,031)
Income tax (expense)/benefit	7	-	-
Loss for the year		(1,559,280)	(5,977,031)
Other comprehensive income, net of income tax		-	-
Total comprehensive loss for the year		(1,559,280)	(5,977,031)

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

For the year ended 30 June 2018

	Note	30 June 2018 $	30 June 2017 $
Assets			
Current assets			
Cash and cash equivalents	8	11,017	5,664
Trade and other receivables	9	57,728	35,081
Financial assets	10	99,940	1,606,527
Other assets	12	4,954	32,827
Total current assets		173,639	1,680,099
Non-current assets			
Property, plant and equipment	13	122,440	9,285
Investments accounted for using the equity method	14	-	-
Exploration and evaluation expenditure	15	2,626,802	1,827,575
Financial assets	10	1,873,557	1,388,242
Deferred tax assets	11	543	543
Total non-current assets		4,623,342	3,225,645
Total assets		4,796,981	4,905,744
Liabilities			
Current liabilities			
Trade and other payables	16	949,212	812,049
Borrowings	17	3,865,817	3,209,721
Provisions	18	11,582	-
Total current liabilities		4,826,611	4,021,770
Non-current liabilities			
Borrowings	17	619,387	52,242
Other provisions	18	179,901	179,901
Total non-current liabilities		799,288	232,143
Total liabilities		5,625,899	4,253,913
Net assets		(828,918)	651,831
Equity			
Issued capital	20	66,741,489	66,662,965
Reserves	21	877,972	877,965
Accumulated losses	21	(68,448,379)	(66,889,099)
Total equity		(828,918)	651,831

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2018

	Issued capital $	Shareholder loan $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2017	66,662,965	(105,597)	983,562	(66,889,099)	651,831
Loss for the year	-	-	-	(1,559,280)	(1,559,280)
Total comprehensive loss for the year	-	-	-	(1,559,280)	(1,559,280)
Foreign exchange reserve	-	-	7	-	7
Shares issued during the year	78,524	-	-	-	78,524
Balance at 30 June 2018	66,741,489	(105,597)	983,569	(68,448,379)	(828,918)
Balance at 1 July 2016	59,893,096	1,955,020	983,492	(60,912,068)	1,919,540
Loss for the year	-	-	-	(5,977,031)	(5,977,031)
Total comprehensive loss for the year	-	-	-	(5,977,031)	(5,977,031)
Movement in shareholder loan	-	(2,060,617)	-	-	(2,060,617)
Foreign exchange reserve	-	-	70	-	70
Shares issued during the year	6,895,209	-	-	-	6,895,209
Transaction cost	(125,340)	-	-	-	(125,340)
Balance at 30 June 2017	66,662,965	(105,597)	983,562	(66,889,099)	651,831

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 June 2018

	Note	30 June 2018 $	30 June 2017 $
Cash flows from operating activities			
Cash payments to suppliers and employees		(638,989)	(842,725)
Cash used in operations		(638,989)	(842,725)
Interest paid		2,548	58
Net cash used in operating activities	24	(636,441)	(842,667)
Cash flows from investing activities			
Purchase of property, plant and equipment		(117,102)	(1,800)
Payment for mining rights and exploration activities		(799,227)	(1,827,575)
Proceeds from loan to related party		-	274,776
Loans to related parties		(812,182)	(326,284)
Loan to third party		-	(26,023)
Net cash used in investing activities		(1,728,511)	(1,906,906)
Cash flows from financing activities			
Proceeds from share issue		78,524	2,397,843
Proceeds from related party loan		1,336,526	60,000
Proceeds from third party loan		-	125,000
Proceed from related party- Kiwanda Mines Convertible Notes		955,255	883,564
Loan to related parties		-	(2,348,521)
Net cash used in financing activities		2,370,305	1,117,886
Net decrease in cash and cash equivalents		5,353	(1,631,687)
Cash and cash equivalents at 1 July		5,664	1,637,351
Cash and cash equivalents at 30 June 2018	8	11,017	5,664

The accompanying notes are an integral part of these consolidated financial statements.

Bifox

Notes to the Consolidated Financial Statements

1. General information

Bifox Limited (the 'Company') is a company domiciled in Australia. The Company's registered office address is Level 7, 92 Pitt Street, Sydney, NSW, 2000. The consolidated financial statements of the Company as at and for the year ended 30 June 2017 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group' or 'consolidated entity'). The Company has been developing its assets in South America.

2. Application of new and revised Accounting Standards

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.
Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

3. Significant accounting policies

The significant accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Group.

3.1 Basis of preparation

These financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the Directors 20 May 2020.

3.2 Historical cost convention

The consolidated financial statements have been prepared on the basis of historical cost. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars unless otherwise noted. Fair value is 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis.

3.3 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 the discharge of liabilities in the normal course of business.

At 30 June 2018, the Group has net liabilities of $828,918. During the year ended 30 June 2018, the Group incurred a consolidated net loss of $1,559,280 and has net cash used in operating and investing activities of $636,441 and $1,728,511 respectively. The Group has not generated cash inflows from operations and has historically relied upon a shareholder loan to fund its operations. In addition, as disclosed in Note 30, the COVID-19 pandemic may have an adverse impact on the Company's and its ability to source funding for the next year. The Directors believe that there are reasonable grounds to believe that the company and consolidated entity will be able to continue as going concerns], after consideration of the following factors:

- The Company has a partially completed transaction with Lara Exploration Ltd ("Lara") with an associated equity capital raising ("the Kiwanda Transaction"). Lara owns the remaining 50% interest in the Kiwanda Assets. The Company and Lara have executed a Share Transfer Form and an Escrow Deed on 23 June 2016. The Escrow Deed effectively stipulates that on certain conditions being met, Lara will transfer their 50% interest to the Company. As at the date of this report, the conditions have not been met in their entirety.
- As stated in Note 30, the Company has the continued support of significant shareholders and has raised approximately $4,9million subsequent to year end. The Directors expect that the shareholders will continue to support the company in the event any additional equity funding is required in the foreseeable future. These funds will be used for general working capital and the development of the Company's assets in Chile and Colombia.
- As stated in Note 30, on 31 January 2020 the Company and The State Treasury of Chile formally executed the Bifox CDE agreement. The agreement clears the path for the Company to process its phosphate rock ore and mine phosphate rock at its tenements.

In considering the above, the Directors have reviewed the Company's financial position and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Company will be able realise its assets and discharge its liabilities in the normal course of business.

However, if the Company is not successful in achieving the planned capital raisings, the planned sales of phosphate or the financial support from third party lenders do not eventuate, there is a material uncertainty that may cast significant doubt whether the Company will continue as a going concern and therefore the Company may be unable to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does not contain any adjustments relating to the recoverability and classification of recorded assets or to the amounts or classification of recorded assets or liabilities that might be necessary should the Company not be able to continue as a going concern.

3.4 Foreign Currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Australian dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

3.5 Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 31.

3.6 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The

Notes to the Consolidated Financial Statements

Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

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

3.7 Investments in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing joint control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with AASB 5. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of AASB139 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB136 'Impairment of Assets' as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB136 to the extent that the recoverable amount of the investment subsequently increases.

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The Group discontinues the use of the equity method from the date when the investment ceases to be a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with AASB139. The difference between the carrying amount of the joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

3.8 Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Initial recognition of exploration and evaluation expenditure is at cost. Where a concession is acquired at fair-value it is recognised at that value representing the cost to the Company. Subsequent recognition of expenses remains at cost.
Accumulated costs in relation to an abandoned area are written off in full against profit or loss in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

3.9 Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.
An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.
A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there

is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.
Deferred tax assets and liabilities are always classified as non-current.

3.10 Receivables

Trade and other receivables are stated at amortised cost. Receivables are usually settled within no more than 30 days.

Receivables are reviewed on an ongoing basis. An impairment loss is recognised for debts which are known to be uncollectible. An impairment provision is raised for any doubtful accounts (see accounting policy 3.12).

3.11 Cash and cash equivalents

Cash and cash equivalents includes cash on hand and cash at bank. For the statement of cash flow presentation purpose, cash and cash equivalents comprise cash on hand and cash at bank.

3.12 Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the consolidated statement of Profit or Loss and Other Comprehensive Income.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than exploration and evaluation, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the 'cash generating unit').

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or am ortisation, if no impairment loss had been recognised.

Notes to the Consolidated Financial Statements

3.13 Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment.
Where the cost model is used, the asset is carried at its cost less any accumulated depreciation and any impairment losses. Costs include purchase price, other directly attributable costs and the initial estimate of the costs of dismantling and restoring the asset, where applicable.
Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Software	4 years
Plant and equipment	7 to 10 years
Computer equipment	4 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.
An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

3.14 Interest-bearing borrowings

The financial assets and financial liabilities included in non-current assets and non-current liabilities approximate fair values. Fair value is calculated based on discounted expected future principal and interest cash flows.

3.15 Employee benefits

(i) Short-term benefits
Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within twelve months of the reporting date represent present obligations resulting from employee's services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

(ii) Long-term benefits
Liabilities for employee benefits for long service leave that are not expected to be settled within twelve months of the reporting date represent present obligations resulting from employee's services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date.

(iii) Termination benefits
Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

3.16 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Notes to the Consolidated Financial Statements

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 the risks specific to the liability.

3.17 Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods and services provided to the Group prior to the end of the reporting period and are stated at amortised cost. The amounts are unsecured and are usually paid within 30 days of recognition.

3.18 Revenue

(i) Goods sold

Revenue from the sale of goods is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

Revenues are recognised at fair value of the consideration received net of the amount of GST. Exchanges of goods or services of the same nature and value without any cash consideration are not recognised as revenue.

(ii) Interest

Interest income is recognised as it accrues using the effective interest method.

3.19 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.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

3.20 Finance income and expenses

Finance income comprises interest income on funds invested, dividend income, and foreign currency gains that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group’s right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, foreign currency losses and impairment losses recognised on financial assets that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

Notes to the Consolidated Financial Statements

3.21 Taxes

(i) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities that affects both accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(ii) Tax consolidation

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Bifox Limited.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the ‘separate taxpayer within group’ approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated group and are recognised by the Company as amounts payable (receivable) to/(from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

(iii) Nature of tax funding arrangements and tax sharing arrangements

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability/(asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable/(payable) equal in amount to the tax liability/(asset) assumed. The inter-entity receivables/ (payables) are at call.

Notes to the Consolidated Financial Statements

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity in conjunction with other members of the tax-consolidated group has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

3.22 Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

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

3.23 Segment reporting

A segment is a distinguishable component of the Group that is identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. The Group's primary format for segment reporting is based on the type/nature of products and services provided.

3.24 Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Financial assets at fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(ii) Derivative financial instruments
The Group does not use derivative financial instruments to hedge its foreign currency and interest rate risk exposures and is exposed to changes in foreign exchange rates and commodity prices from its activities. As at the end of the financial year the Group does not use gold derivatives or hedging and it does not hold or deal in financial instruments for speculative purposes.

Derivatives not used for hedging are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are accounted for immediately in profit or loss.

3.25 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.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

3.26 Share capital

Ordinary shares

Ordinary shares are classified as equity.

3.27 Business combinations
The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquire and the amount of any non-controlling interest in the acquire. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree’s identifiable assets. All acquisition costs are expensed as incurred to profit or loss.

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On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity measures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previously carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration as an asset or liability is recognised in profit or loss. Contingent consideration classifies as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquire and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquire is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquire, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combination are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

4 Critical accounting judgments and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Management discusses with the Board of Directors the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. 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 profit or loss and equity.

Fair value measurement hierarchy

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.
The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Notes to the Consolidated Financial Statements

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Convertible Debt and Derivative Options
Included in Note 17 are various loans with an attaching call option agreement whereby lenders may acquire shares from Kiwanda Mines who will pay up options which it holds to acquire shares in Bifox Limited at an exercise price of $0.25. There is significant judgement and estimation uncertainty with regards to the determination of the fair value of the options attaching to the loans. Management has exercised their judgement in determining that the fair value of the options was nil as at the time the loans were granted.

Recoverability of loans to related parties

The company has made total loans of $1,115,717 to three related entities, which are interest free and unsecured and were made to enable the entities to meet their ongoing operating costs. These loans are anticipated to be repaid from cash flows received from the mining assets owned by these entities.

5 Segment information

AASB 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

The Company did not operate a trading business during the period under review. Its results and financial position are therefore reported to the chief operating decision maker on a single segment basis being that of the overall company.

Notes to the Consolidated Financial Statements

6 Loss before income tax expense

Other income	30 June 2018 $	30 June 2017 $
Other revenues	-	76,494
Total	-	76,494

Administrative expenses	30 June 2018 $	30 June 2017 $
Consultants and advisory expenses	(134,998)	(142,010)
Share registry and listing costs	(7,628)	(41,742)
Directors fees	(267,000)	(234,000)
Employee benefit expenses	(212,721)	(147,265)
Rates, taxes and rental outgoings	(120,521)	(112,004)
Insurance expenses	(12,113)	(12,168)
Audit fees	(74,357)	(65,127)
Other administrative expenses	(44,785)	(107,521)
Depreciation	(3,947)	(3,175)
Total	(878,070)	(865,012)

Net finance income (loss)

	30 June 2018 $	30 June 2017 $
Finance Income		
Interest income	2,539	2,524
Finance expenses		
Interest loan	(458,536)	(3,337,195)
Net finance income (loss)	(455,997)	(3,334,671)

7 Income tax expense/(benefit)

	30 June 2018 $	30 June 2017 $
a) Income tax expense comprises:		
Current income tax		
Current income tax charge/ (benefit)	-	-
Under/(over) recognition in the prior year	-	-
Deferred tax		
Movement in temporary differences	-	-
Income tax expense	-	-

Notes to the Consolidated Financial Statements

	30 June 2018 $	30 June 2017 $
b) Reconciliation of prima facie income tax expense to income tax expense per the Consolidation Statement of Profit or Loss and Other Comprehensive Income		
Accounting losses before tax	(1,559,280)	(5,977,031)
Prima facie income tax expense at 30% (2017: 30%)	(467,784)	(1,793,109)
Non-deductible expenses	171,939	951,106
Recognition of previously unrecognised temporary difference	(8,944)	(22,051)
Deferred tax assets not recognised	304,789	864,054
Total income tax expense/(benefit)	-	-

Total available tax and capital losses to date amount to $49,793,580 (2017: $48,777,618). As at the date of this report, no deferred tax assets have been recognised as it is not yet considered sufficiently probable that future taxable profits will be generated in the appropriate jurisdictions to enable these to be utilised. The total deferred tax asset not recognised in relation to tax losses and timing differences are $15,413,044 (2017: $14,959,044).

8 Cash and cash equivalents

Current	30 June 2018 $	30 June 2017 $
Cash at bank and on hand	11,017	5,664
	11,017	5,664

For the statement of cash flow presentation purpose, cash and cash equivalent comprise above.

9 Trade and other receivables

Current	30 June 2018 $	30 June 2017 $
Trade receivables	-	-
Other receivables	57,728	35,081
	57,728	35,081

10 Financial assets

Current	30 June 2018 $	30 June 2017 $
Letter of credit[2]	-	325,287
Kiwanda Mines receivables[3]	-	1,281,240
Term deposit[1]	99,940	-
	99,940	1,606,527
Non-Current		
Term deposit[1]	-	99,940
Loan to related parties[4]	1,873,557	1,288,302
	1,873,557	1,388,242

[1] The term deposit is restricted due to is a guarantee for the lease of the Sydney office.

Notes to the Consolidated Financial Statements

[2] On 7 October 2016 the Company prepaid a letter of Credit for USD 250,000 (equivalent to $325,287) as a guarantee for the Option to purchase of the rock phosphate assets in Chile. Balance of this account as a 30 June 2018 balance of this is nil.

[3] From September to November 2016 the Company purchased Convertible Notes issued by Kiwanda Mines NA LLC from third parties (the "Financier") for a total of $2,164,804. At the same time the Company entered into a new short term loan agreement with these parties to enable the Company to pay its ongoing operating expenses. These loans are unsecured and have been provided at an interest of between15% and 20% per annum. The loan was repayable on 31 December 2017 in cash or by the Company issuing new ordinary share to the investors at a deemed issue price of $0.25 per share. The choice of repayment method is at discretion of the financiers. Balance of this account (assets) as at 30 June 2018 is nil.

[4] The company has made total loans of $1,806,016 to two related entities, which are interest free and unsecured and were made to enable the entities to meet their ongoing operating costs. These loans are anticipated to be repaid from cash flows received from the mining assets owned by these entities. On 15 December 2016 the Company sold its 2,100,000 shares held in Kiwanda Copper LLC to Kiwanda Group LLC for a total of USD 50,000 ($67,540). These receivables are, in the view of the Directors, to entities that in other circumstances would be regarded as wholly owned subsidiaries of the Group. However these entities are accounted for based upon the Escrow Deed with Lara Exploration and as such the receivables are not consolidated into the Group accounts. The Directors hold the view, not confirmed by the Auditors, that these amounts will be consolidated into the accounts of the Company upon completion of the terms of the Escrow Deed.

11. Deferred tax assets

Deferred tax assets and liabilities are attributable to the following:

	30 June 2018 $	30 June 2017 $
Deferred tax assets		
Tax losses	14,938,074	14,633,285
Other	334,205	183,391
Undeducted borrowing cost	52,123	52,123
Investments	17,473	17,473
Blackhole expenditure	81,396	81,396
Total deferred tax assets	15,423,270	14,967,667
Deferred tax liabilities		
Prepayments and other assets	(10,226)	(8,623)
Total deferred tax liabilities	(10,226)	(8,623)
Net deferred tax assets/(liabilities)	15,413,044	14,959,044
Tax losses brought forward	(37,061,918)	(34,181,740)
Add tax losses generated this year	(1,015,962)	(2,880,178)
Tax losses available to be carried forward	(38,077,880)	(37,061,918)
Tax brought forward	(11,715,700)	(11,715,700)
Add; Capital tax losses generated this year	-	-
Tax losses available to be carried forward	(11,715,700)	(11,715,700)
Total tax losses	(49,793,580)	(48,777,618)

Bifox

Notes to the Consolidated Financial Statements

12 Other assets

Current	30 June 2018 $	30 June 2017 $
Prepayments	4,954	6,804
Carlos Caceres creditor	-	26,023
	4,954	32,827

13 Property, plant and equipment

Current	30 June 2018 $	30 June 2017 $
Computer equipment	9,422	7,353
Accumulated depreciation	(5,186)	(3,072)
	4,236	4,281
Software	7,681	6,942
Accumulated depreciation	(3,771)	(1,938)
	3,910	5,004
Plant and Equipment	114,294	-
Accumulated depreciation	-	-
	114,294	-
Total	**122,440**	**9,285**

Movements in carrying amounts

Movements in carrying amounts for each class of property , plant and equipment

Computer equipment		
Carrying value at beginning of the year	4,281	6,119
Additions	2,069	-
Accumulated depreciation	(2,114)	(1,838)
Carrying value at the end of the year	4,236	4,281
Software		
Carrying value at beginning of the year	5,004	4,541
Additions	739	1,800
Accumulated depreciation	(1,833)	(1,337)
Carrying value at the end of the year	3,910	5,004
Plant and Equipment		
Carrying value at beginning of the year	-	-
Additions	114,294	-
Accumulated depreciation	-	-
Carrying value at the end of the year	114,294	-
Total		
Carrying value at beginning of the year	9,285	10,660
Additions	117,102	1,800
Accumulated depreciation	(3,947)	(3,175)
Carrying value at the end of the year	122,440	9,285

Notes to the Consolidated Financial Statements

14 Associates and Joint Arrangements

On 9 June 2016 the Company acquired 100% of Kiwanda Australia Pty Ltd which has 50% interest in Kiwanda Alliance (BVI) Inc. and 50% interest in Andean Coal (BVI) Ltd. The acquisition of assets by Kiwanda Australia Pty Ltd. can be disregarded as Kiwanda Australia Pty. Ltd. was being used as a structuring vehicle to structure this transaction. The primary purpose of Kiwanda Alliance is to facilitate exploration, mining and sale of rock phosphate through its 100% subsidiary Kiwanda Chile S.A. in Bahia Inglesa located in north Chile. The primary purpose of Andean Coal is to produce and operate coal deposits in Colombia.

Details of the purchase consideration for the investment in Kiwanda Alliance (BVI) and Andean Coal (BVI) and recognised in the accounts, and the net assets involved are as follows.

	Shares / options issued recognised in accounts (50%)*	50% Consideration*
		$
Ordinary shares issued	13,935,237	422,101
Options issued	11,703,990	270,185
Contingent consideration (shares)	14,067,607	426,103
Contingent consideration (options)	12,441,250	287,204
Provision consideration		179,901
Cash component		268,348
Total purchase consideration		**1,853,842**

The fair value of the 13,935,237 shares and the 14,067,607 contingent shares as part of the consideration paid was based on the off–market acquisition of 19.9% of the issued capital of Bifox Limited for $135,000 by Kiwanda Group LLC which was $0.0303 per share.

* On 23 June 2016 the Company signed an agreement with Lara Exploration Ltd and agreed that the Share transfer form executed by Lara Exploration Ltd (as Transferor) to Kiwanda Australia Pty Ltd (as Transferee) in relation to all of the shares held by Lara in the BVI companies (50%) be held in escrow subject to certain conditions. The escrow release conditions are the following:

a) all payments due pursuant to the Promissory Note obligation are satisfied (not completed);
b) the issue and delivery of the consideration shares by Bifox to Lara (or its nominee) (completed);
c) the successful completion of the capital raising by Bifox Limited (completed);
d) the approval of the ASX for the listing of Bifox Limited (not completed); and
e) the proceeds from the capital raising are made to Bifox Limited (completed).

Based on the above the company has not yet have full control of Kiwanda Alliance (BVI) and Andean Coal (BVI) so this issue of shares has not been recognised in the financial statements.

Set out below are the material associates and joint ventures for the Group:

Notes to the Consolidated Financial Statements

Name	Classification	Place of Business/ Incorporation	Proportion of ownership interest and voting power held by the Group 30 June 2018	30 June 2017	Carrying value 30 June 2018 $	30 June 2017 $
Kiwanda Alliance (BVI) Inc.	Associate	British Virgin Island	50%	50%	-	-
Andean Coal (BVI)	Associate	British Virgin Island	50%	50%	-	-

The summarised financial information below represents amounts shown in the associates and joint venture's financial statements prepared in accordance with Australian Accounting Standards adjusted by the Group for equity accounting purposes.

Summarised Financial Position

	Kiwanda Alliance		Andean Coal	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
Current assets	63,031	18,229	-	-
Non-current assets	702,620	83,661	403,150	544,525
Current liabilities	13,518	9,836	-	731,297
Non-current liabilities	1,137,907	1,032,683	694,569	-
Net assets	(385,774)	(940,793)	(291,419)	(186,772)

Summarised Financial Performance

	Kiwanda Alliance		Andean Coal	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
Revenue	-	179,754	-	-
Expenses	(724,174)	(172,123)	(44,751)	(8,015)
Profit/(Loss) from continuing operations	(724,174)	5,531	(44,751)	(8,015)
Other comprehensive income for the year	-	-		
Total comprehensive loss for the year	(724,174)	5,531	(44,751)	(8,015)
Dividends received for the year	-	-	-	-

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associates and joint venture recognised in the consolidated financial statements:

	Kiwanda Alliance		Andean Coal	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
Net assets of associates and Joint arrangements	(385,774)	(940,793)	(291,419)	(186,772)
Proportion of the group's ownership interest	50%	50%	50%	50%
Carrying amount of the Group	(192,887)	(430,397)	(145,709)	(93,386)

Notes to the Consolidated Financial Statements

15 Exploration and evaluation expenditure

	30 June 2018 $	30 June 2017 $
Option agreement - Bahia Inglesa (Chile)	1,932,416	1,614,314
Exploration cost capitalised	694,386	213,261
Total	2,626,802	1,827,575

16 Trade and other payables

	30 June 2018 $	30 June 2017 $
Current		
Trade payables	279,526	451,749
Other payables and accruals*	669,686	360,300
Total	949,212	812,049

The average credit period on purchases of goods and services is 30 days. No interest is generally charged or imposed on the trade payables for the first 30 days from the date of the invoice or thereafter. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

* The Company owes to Lara Exploration Ltd an additional amount of $163,574 (USD121,094) to settle its share on the acquisition of Kiwanda Alliance (BVI) and Andean Coal (BVI) by Kiwanda Australia Pty Ltd. This amount has not been recognized in the financial statements due to the share transfer form executed by Lara Exploration Ltd (as Transferor) to Kiwanda Australia Pty Ltd (as Transferee) in relation to all of the shares held by Lara in the BVI companies (50%) are in escrow subject to meet certain conditions.

17 Borrowings

	30 June 2018 $	30 June 2017 $
Current		
Unsecured liabilities:		
Loan from related parties [1]	717,139	95,781
Converting ordinary shares [2]	507,302	763,299
Convertible note converting ordinary shares [3]	505,987	534,816
Convertible note converting ord shares (Capri Trading Pty Ltd) [4]	2,135,389	1,815,825
Total borrowings- current	3,865,817	3,209,721
Non-Current		
Unsecured liabilities:		
Loan from related party [5]	619,387	52,242
Total borrowings- non current	619,387	52,242
Total borrowings	4,485,204	3,261,963

[1] The Company received a loan from Spar Capital Nominees Pty Ltd for $358,870 and Kiwanda Mines NA LLC for $358,569 to enable the Company to meet their ongoing operating costs. These loans are unsecured and interest free. These loans are anticipated to be repaid from cash flows received from the mining operations.

[2] The Company entered into a Loan Agreements with third parties to enable the Company to pay its operating expenses whilst finalizing the acquisition of the Kiwanda assets. This loan is unsecured. Attached to the loan is a call option agreement whereby lenders may acquire shares from Kiwanda Mines who will pay up options

which it holds to acquire shares in Bifox Limited at an exercise price of $0.25. The loan has been provided at an interest rate of 15%. The loan is repayable upon the earlier of the exercise date or the repayment date which is 15 August 2017. Balance of this loan including accrued interest to 30 June 2018 is $507,302.

[3, 4] From September to November 2016 the Company purchased Convertible Notes issued by Kiwanda Mines from third parties (the "Financier") for a total of $2,164,804. At the same time the Company entered into a new short term loan agreement with these parties to enable the Company to pay its ongoing operating expenses. These loans are unsecured and have been provided at an interest of 15% to 20% per annum. The loan is repayable on 31 December 2017 in cash or by the Company issuing new ordinary share to the investors at a deemed issue price of $0.25 per share. The choice of repayment method is at discretion of the financiers. Balance of this loan including accrued interest to 30 June 2018 is $2,641,376. Included in this balance is a loan granted by Capri Trading Pty Ltd (Capri) for $2,135,389 (which includes loan plus accrued interest).

[5] Kiwanda Chile S.A has given a loan to our Chilean subsidiary for $619,387 which are interest free and unsecured and were made to enable the entity to meet their ongoing operating costs. This loan is anticipated to be repaid from cash flows received from the mining operations.

18 Provisions

	30 June 2018 $	30 June 2017 $
Current		
Employee benefits	11,582	-
Total current provisions	11,582	-
Non-Current		
Royalties	179,901	179,901
Total non-current provision	179,901	179,901
Total provisions	191,483	179,901

	Employee benefits $	Royalties $	Total $
Opening balance at 1 July 2017	-	-	-
Raised during the year	11,852	-	11,852
Amounts used	-	-	-
Unused amounts reversed	-	-	-
Balance at 30 June 2018	11,852	-	11,852

Provision for royalties:

A provision of $179,901 at 30 June 2018 has been recognised by the Company for royalties in respect of the 50% acquisition of the Phosphate and Coal assets.

Amounts not expected to be settled within the next 12 months (in employee benefits note):

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the consolidated entity does not have an unconditional right to defer settlement. However, based on past experience, the consolidated entity does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

19 Share-based payments

Share options granted in the year

No options were granted to the Directors during the year ended 30 June 2018.

Movements in share options during the year

No shares options have been issued during the period.

Set out below are summaries of options granted. The Board on 9 June 2016 authorised the issue of 23,407,980 options to Kiwanda Mines and Lara Exploration as a part payment for the acquisition of the South American assets. Only 50% had been issued or 11,703,980 as the conditions required for the other 50% are yet to be satisfied. These options entitled the holder to acquire one ordinary share in Bifox Limited. Exercise period shall be 3 year from the date of issue. The 50% of the options yet to be issued are subject to an escrow agreement dated 23 June 2016

2018 Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ Forfeited/other	Balance at end of the year
09/06/16	09/06/19	0.25	11,703,990	-	-	-	11,703,990
09/06/16	*	0.25	11,703,990	-	-	-	11,703,990
			23,407,980	-	-	-	23,407,980

2017 Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ Forfeited/other	Balance at end of the year
09/06/16	09/06/19	0.25	11,703,990	-	-	-	11,703,990
09/06/16	*	0.25	11,703,990	-	-	-	11,703,990
			23,407,980				23,407,980

*The 50% of the options yet to be issued are subject to an escrow agreement dated 23 June 2016.

20 Issued Capital

	30 June 2018 $	30 June 2017 $
Ordinary shares 49,696,879 (2017: 49,382,783) fully paid ordinary shares*	66,741,489	66,662,965

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At the shareholders' meeting each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Notes to the Consolidated Financial Statements

Movements in ordinary shares on issue		No. of shares	$
	Balance at 1 July 2016	21,801,947	59,893,096
12/08/16	Pro-rata issue	27,682,836	6,920,709
31/12/16	Funds returned	(102,000)	(25,500)
	Less: transaction cost on share issue	-	(125,340)
	Balance at 30 June 2017	49,382,783	66,662,965
	Balance at 1 July 2017	49,382,783	66,662,965
15/08/17	Placement	314,096	78,524
	Balance at 30 June 2018*	**49,696,879**	**66,741,489**

*This share balance does not include 13,935,236 shares at $0.25 per share (total value $422,101) issued to Lara Exploration on 23 June 2016. On that date the Company signed an agreement with Lara Exploration Ltd and agreed that the Share transfer form executed by Lara Exploration Ltd (as Transferor) to Kiwanda Australia Pty Ltd (as Transferee) in relation to all of the shares held by Lara in the BVI companies (50%) be held in escrow subject to certain conditions. The escrow release conditions are the following:

a) all payments due pursuant to the Promissory Note obligation are satisfied (not completed);
b) the issue and delivery of the consideration shares by Bifox to Lara (or its nominee) (completed);
c) the successful completion of the capital raising by Bifox Limited (completed);
d) the approval of the ASX for the listing of Bifox Limited (not completed); and
e) the proceeds from the capital raising are made to BIfox Limited (completed).

Based on the above the company does not have full control of Kiwanda Alliance (BVI) and Andean Coal (BVI) so this issue of shares has not been recognised in the financial statements.

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore the company does not have a limited amount of authorised capital and issued shares do not have a par value.

Fully paid ordinary shares carry one vote per share and carry a right to dividends.

Movements in options	No. of options
Balance at 1 July 2016	11,703,990
Balance at 30 June 2017	11,703,990
Balance at 1 July 2017	11,703,990
Balance at 30 June 2018*	**11,703,990**

21 Reserves and Accumulated losses

a) Reserves	30 June 2018 $	30 June 2017 $
Shareholder placement fee	(105,597)	(105,597)
Reserve	983,569	983,562
	877,972	877,965
Movements:		
Shareholder placement fee		
At the beginning of the year	(105,597)	(105,598)
Shareholder placement fee arising during the year	-	1
Balance at end of the year	(105,597)	(105,597)

Notes to the Consolidated Financial Statements

Options reserve		
At the beginning of the year	983,562	983,492
Foreign exchange reserve	7	70
Balance at end of the year	983,569	983,562

b) Accumulated losses	**30 June 2018** **$**	**30 June 20176** **$**
Movements in accumulated losses were as follows:		
Accumulated losses at the beginning of the year	(66,889,099)	(60,912,068)
Net loss attributable to member of Bifox Limited	(1,559,280)	(5,977,031)
Accumulated losses at the end of the financial year	(68,448,379)	(66,889,099)

22 Controlled entities

	Country of Incorporation	**Percentage owned** **30 June 2018**	**30 June 2017**
Tectonic Systems Pty Ltd	Australia	100%	100%
Tectonic Management Pty Ltd	Australia	100%	100%
Kiwanda Australia Pty Ltd	Australia	100%	100%
Fosfatos de Caldera SpA	Chile	100%	100%

23 Commitments and contingencies

Operating lease commitments	**30 June 2018** **$**	**30 June 2017** **$**
Not later than 12 months	122,357	192,738
Between 12 months and five year	21,153	102,211
	143,510	294,949

Contingencies:
Kiwanda Mines (NA) LLC
In February 2014 various agreements were entered into between Kiwanda Mines (NA) LLC (“Kiwanda Mines”), Spar Capital Nominees Pty Limited, Mark Sumner and a “Newco” to be formed in terms of the agreement. Kiwanda Australia Pty Limited (“Kiwanda Australia) was subsequently formed as “Newco” in terms of that Heads of Agreement. The documents included a Heads of Agreement, a Shareholders Agreement, a Novation Deed, and a Loan Agreement.

The Heads of Agreement required that the parties execute a Novation Deed so as to cause Newco (Kiwanda Australia) to be indebted to Kiwanda Mines for the amounts of $700,000. A Novation Deed and Loan Agreement were executed as required in terms of the Heads of Agreement.

This loan is non-recourse to Kiwanda Australia Pty Ltd and is repayable upon the occurrence of certain events and if those events do not arise then no amounts are due and payable by Kiwanda Australia Pty Ltd.

Tectonic Resources and Tectonic Systems Pty Ltd
On 18 April 2016 the Company received a claim for an Access and Compensation Agreement entered into by its subsidiaries Tectonic Resources and Tectonic Systems Pty Ltd back in 2003. This Agreement provided for (among other things) a) an extensions of term of the original Agreement (1999 Agreement), b) the payment of the sum of $1,400 per month where the term of the 2003 Agreement exceeds 18 months and c) obligations as to rehabilitation on an ongoing basis and upon the termination of the 2003 Agreement. The Directors are aware of a potential claim for no more than $181,720. The Directors consider that there are grounds for the Company rejecting this claim in its entirety.

Notes to the Consolidated Financial Statements

Additionally, and unrelated to the above, the company has given a bank guarantee as at 30 June 2018 of $99,940. A term deposit of an equal amount is held by the company as at 30 June 2018. This term deposit will be used to make payment of the $99,940 if required.

24 Cash flow information

Reconciliation of cash flows from operating activities	30 June 2018 $	30 June 2017 $
Cash flows from operating activities		
Loss for the year	(1,559,280)	(5,977,030)
Adjustments for:		
Depreciation	3,947	3,175
Interest accrued	458,536	281,618
Deferred tax asset	-	(543)
Share of losses from joint venture	-	125,716
Impairment of related party loans	218,482	2,386,093
Impairment investments	-	1,728,126
Foreign exchange	87,903	70
Operating loss before changes in working capital and provisions	(790,412)	(1,452,775)
Change in trade and other debtors	(22,647)	3,708,459
Change in financial assets	-	(325,687)
Change in other assets	27,873	(1,307,981)
Change in trade and other payables	137,163	(4,668,297)
Change in provisions	11,582	(6,107)
Change in borrowings	-	3,209,721
Net cash used in operating activities	(636,441)	(842,667)

Non cash transactions

During the current year, the Group did not enter into any other non-cash investing and financing activities which are not reflected in the consolidated statement of cash flows.

25 Financial risk management and financial instruments

Overview

The Company and Group have exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk (including currency risk, equity price risk and interest rate risk)

This note presents information and quantitative disclosures about the Company and Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Company and Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company and Group's activities. The Company and

Notes to the Consolidated Financial Statements

Group, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(i) Credit risk

Credit risk is the risk of financial loss to the Group and Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group and Company's cash and cash equivalents and trade and other receivables.

Exposure to credit risk

The carrying amounts of the Group's financial assets represent the maximum credit exposure and were as follows at the reporting date:

	Note	30 June 2018 $	30 June 2017 $
Current financial assets			
Cash and cash equivalents	8	11,017	5,664
Trade and other receivables	9	57,728	35,081
Financial assets	10	99,940	1,606,527
Other assets	11	4,954	32,827
Total financial assets		173,639	1,680,099

The Group and Company's short term cash surpluses are placed with banks that have investment grade ratings. The Board analyses each new customer individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. Considering the nature of the Group's ultimate customers and the relevant terms and conditions entered into with such customers, the Group believes that its credit risk exposure is limited.

(ii) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group ensures that it has sufficient liquidity to meet expected operational expenses for a period of 180 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting arrangements:

	Carrying amount $	Contractual cash flows $	Within 1 year $	1 to 5 years $
2018				
Non-derivative financial liabilities				
Trade and other payables	949,212	949,212	949,212	-
	949,212	949,212	949,212	-
2017				
Non-derivative financial liabilities				
Trade and other payables	812,049	812,049	812,049	-
	812,049	812,049	812,049	-

Notes to the Consolidated Financial Statements

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, equity prices and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

At 30 June 2017 the only financial instrument subject to interest rate risk was the Company's cash holdings.

	Weighted average interest rate	Fixed interest maturing in: 1 year or less $	Fixed interest maturing in: 1 to 5 years $	Non-interest bearing $	Floating interest rate $	Total $
2018						
Financial assets						
Cash and cash equivalents	0%	-	-		11,017	11,017
Trade and other receivables	-	-	-	57,728	-	57,728
		-	-	57,728	11,017	68,745
Financial liabilities						
Trade and other payables	-	-	-	949,212	-	949,212
Borrowings- current	18.08%	-	-	-	3,865,817	3,865,817
		-	-	949,212	3,865,817	4,815,029
2017						
Financial assets						
Cash and cash equivalents	0%	-	-	-	5,664	5,664
Trade and other receivables	-	-	-	177,854	-	177,854
		-	-	177,854	5,664	183,518
Financial liabilities						
Trade and other payables	-	-	-	812,049	-	812,049
Borrowings- current	17.74%	-	-	-	3,209,721	3,209,721
		-	-	812,049	3,209,721	4,021,770

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates on fixed rate instruments at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 1.00% in interest rates at the reporting date would have increased (decreased) equity and profit or loss of the Group and the Company by the amounts shown below.

	Profit or loss		Equity	
	1.00% Increase $	1.00% decrease $	1.00% increase $	1.00% decrease $
2018				
Variable rate financial assets	-	22,074	-	22,074
Cash flows sensitivity	-	22,074	-	22,074
2017				
Variable rate financial assets	-	22,587	-	22,587
Cash flows sensitivity	-	22,587	-	22,587

Currency risk sensitivity analysis

The Consolidated entity is exposed to movements in USD dollars and Chilean Pesos. The following details the Consolidated entity's sensitivity to a 10% increase and a 10% decrease in the Australian dollar against the relevant currencies.

	30 June 2018 $	30 June 2017 $
AUD increase against USD and Chilean Pesos		
Profit or loss	44	30
AUD decrease against USD and Chilean Pesos		
Profit or loss	(53)	(37)

(iv) Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated losses as described in notes 20 and 21 to the financial statements. The Company is currently in the process of an equity capital raising to increase its liquid funds and this will enable the Company to continue as a going concern for the foreseeable future.

There were no changes in the Group's approach to capital management during the year. Risk management policies and procedures are established with regular monitoring and reporting.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

(v) Fair values

The carrying amounts of financial assets and liabilities recognised in the consolidated financial statements approximate their fair values.

26 Key management personnel compensation

a) Name and position held of key management personnel in office at any time during or since the end of the financial year

Notes to the Consolidated Financial Statements

Directors:
Chris West
Mark Sumner
Timothy Koster

Management:
Rolando Tinoco, CFO
Mauricio Martinez, General Manager - Chile[(1)]

The aggregate compensation made to directors and other former key management personnel included in employee expenses (see the Remuneration Report) are as follows:

	30 June 2018 $	30 June 2017 $
Short term employee benefits (cash & deferred)	267,000	234,000
Post-employment benefits	-	-
Employment termination benefits	-	-
Equity compensation benefits	-	-
	267,000	234,000

Information regarding individual Director and executive's compensation and some equity instruments are permitted by Corporations Regulations 2M.3.03 and 2M.6.04 is provided in the Remuneration Report section of the Directors' Report on pages 8 to 11.

b) Share holdings

The number of shares in the Company held during the financial year by each key management personnel of Bifox Limited, including they related parties are set out below:

	Balance at 1 July 2017	Received as Compensation	Net change	Balance at 30 Jun 2018
Directors:				
Chris West	6,771,699	-	(5,932,406)	839,293
Mark Sumner	7,012,325	-	(443,307)	6,569,018
Timothy Koster	6,795,699	-	(5,940,406)	855,293
Management:				
Rolando Tinoco, CFO	-	-	-	-
Mauricio Martinez[(1)]	-	-	-	-

c) Option holdings

	Balance at 1 July 2017	Received as Compensation	Net change	Balance at 30 Jun 2018
Directors:				
Chris West	2,925,998	-	-	2,925,998
Mark Sumner	5,851,995	-	-	5,851,995
Timothy Koster	2,925,997	-	-	2,925,997
	11,703,990			11,703,990
Management:				
Rolando Tinoco, CFO	-	-	-	-
Mauricio Martinez[(1)]	-	-	-	-

(1) Appointed 1 May 2018

Notes to the Consolidated Financial Statements

27 Related party transactions

Parent entity
Bifox Limited is the parent entity and the ultimate parent company of the group.

Loans from related party
At 30 June 2018 there are loans from a related party for $358,570 given by Spar Capital Nominees Pty Limited and same amount from Kiwanda Mines NA LLC. These loans are anticipated to be repaid from cash flows received from the mining operations.
In addition, Kiwanda Chile S.A has given a loan to our Chilean subsidiary for $619,387 which are interest free and unsecured and were made to enable the entity to meet their ongoing operating costs. This loan is anticipated to be repaid from cash flows received from the mining operations.

Loans to related parties
The company has made total loans of $1,806,017 to two related entities (Kiwanda Alliance (BVI) and Kiwanda Chile S.A.), which are interest free and unsecured and were made to enable the entities to meet their ongoing operating costs. These loans are anticipated to be repaid from cash flows received from the mining assets owned by these entities.
Apart from the details disclosed, no Director has entered into a material contract with the Company or the Group since the end of the financial year and there were no other material contracts involving Directors' interests existing at year end.

Lease Agreement with an Option to purchase a mining concessions
On 12 December 2016 the Company executed a Lease Agreement with an Option to buy the Chilean mining concessions located in Bahia Inglesa. The leasers: Compania Minera de Fosfatos Naturales Limitada and Sociedad Contractual Minera Bahia Inglesa, are companies associated with Chris West, Tim Koster and Mark Sumner who are Directors of the Company. The leasers are the owners of a phosphate mining site in Chile that includes certain mining properties and diverse assets that include a phosphate processing plant. The leasers lease their mining property and assets to the lessee and additionally compromise with the lessee to sell these goods, in exchange that the lessee realise certain payments and fulfill certain obligations. The lessee will have the exclusive right to explore, exploit, extract mineral and to freely use the mining equipment, processing equipment, machinery, plant and infrastructure currently associated with the Mining Property and all of the Assets, in the broadest manner and in the form and opportunity that it estimates appropriate.

The Leasers grant the Lessee an exclusive and irrevocable option to buy (the "Option") over: (i) the Mining Property, and (ii) all of the Assets included in the property. The Leasers irrevocably compromise to sell, cease and transfer said goods and all of the rights arising from those to the Lessee, in the form, conditions and modalities expressed in the following clauses.

It is clarified that for the Option to be exercised, it is necessary for both Parties to ensure to finalise the transfer of the goods provided in the Option.

On 1 June 2017, the Company terminated the agreement dated 12 December 2016 and executed a new Lease Agreement with an Option to buy the Chilean assets through its 100% subsidiary Fosfatos de Caldera SpA, in the same terms and conditions of the original agreement previous executed.

<u>Rent of the Lease:</u>
The Leasers will maintain the right of commercialisation and distribution of all the mineral produced or other substances extracted or produced from the Mining Properties until a period of ten (10) years from the date of the present agreement has lapsed.

The Leasers will acquire all of the product of the Lessee. Uniquely the first US$ 5 per metric tonne sold will be retained by the Leasers (in concept of commercialization fee). When the sale price exceeds US$ 150 per tonne (including the commercialization fee) any surplus in the sale price above US$ 150 will be split in equal parts between the Leasers and the Lessee.

The Leasers reserve the right to receive up to a cumulative production of 250.000 metric tonnes of phosphate rock in any form, in the manner and occasion that it solicits. This right subsist and will subsist for owners independently of the subscription and definitive execution of the contract of sale over the Leased Goods in the terms of the present instrument. The Leasers will pay the Lessee the real cost of production of the phosphate rock produced. The Lessee will put the product at the disposition of the Leasers at the mine

Conditions for the exercise of the option:

a) Fulfillment of the payments: The Lessee will be able to decide to exercise the Option as long as it is on schedule with the agreed payments in the lease agreement and all of the payments due under the Agreement for the Purchase of Shares and Social Rights and Contract of Sale of Mining Concessions both date 6th. December 2016 between FCGPL Pty Ltd and Kiwanda Chile S.A. (as a buyers) and Inversiones VPF SpA and others as sellers. Notice that FCGPL Pty Ltd is a company associated with Chris West, Tim Koster and Mark Sumner who are Directors of the company. Kiwanda Chile S.A. is an associated company with Bifox Limited.

   In these contracts Compania Minera de Fosfatos Naturales Limitada and Sociedad Contractual Minera Bahia Inglesa take full control over the mining concessions located in Bahia Ingles in Chile.

   Summary of payment schedule as follows:

Due date	USD	Comment
06/12/16	750,000	Purchase price (at the date of execution the agreement)
06/03/17	249,999	Purchase price (Q1)
06/06/17	249,999	Purchase price (Q2)
06/09/17	249,999	Purchase price (Q2)
06/12/17	2,250,000	(*) First conditional increase to the price (Q4)
06/06/18	1,850,000	(*) Second conditional increase to the price (Q6)
06/12/18	8,149,999	(*) Third conditional increase to the price (Q8)
06/03/19	150,001	(*) Third conditional increase to the price (Q9)
06/06/19	150,001	(*) Third conditional increase to the price (Q10)
06/09/19	150,001	(*) Third conditional increase to the price (Q11)
06/12/19	2,000,001	(**) Eventual l increase to the price (3rd. anniversary)
Total	**16,200,000**	

(*) Conditional increases

The Parties agree on the Conditional increases of the Purchase Price as per Q4 (First Conditional increase to Purchase Price), Q6 (Second Conditional increase to Purchase Price) and Q8 (Third Conditional increase to Purchase Price payable in 4 instalments from Q8 to Q11), and which will only be applicable, enforceable and payable, in the case that each of them fulfills with the following suspensory conditions:

The Parties agree that for the Sellers to have the right to receive the Conditional increases to the Purchase Price which will be accrued as agreed (i) the first of them 12 months from the date when the document is executed (Q4); (ii) the second of them 18 months from this date when the document is executed (Q6), and the third from 24 months from this date when the document is executed (in four instalments, in Q8,Q9,Q10, and Q11), should be accrued to the Buyers when each suspensive condition referred below are met , which will need to be verified 10 day prior to the expiry day of each respective period, as follows:

From the tenth day prior to the end of the period indicated for Q4, Q6 and Q8, the Sellers must demonstrate to the Buyers that the Average Reference Price to the corresponding date, P2014-15.9.17, P2014-15.3.18 and P2014-14.9.18 respectively, is greater than or equal to a fifth of the result of the product of a constant "beta" (β) and the minimum value PAAAA of the period from 1994 to 2013 (P1994, P1995, ... , P2013), hereinafter "Suspensive condition", as is indicated and explained as follows:

(i) Suspensory Condition for the first Conditional increase to the Purchase Price (Q4):

$$P2016\text{-}15.9.17 \geq \min\{P1994, P1995, P1996, \ldots, P2013\} \times \beta/5$$

(ii) Suspensory Condition for the second Conditional increase to the Purchase Price (Q6) :

P2016-15.3.18 ≥ min { P1994, P1995, P1996, ... , P2013} x β/5

(iii) Suspensory Condition for the third Conditional increase to the Purchase Price (Q8), valid for all the instalments (Q8, Q9, Q10 and Q11):

P2016-14.9.18 ≥ min { P1994, P1995, P1996, ... , P2013} x β/ 5

Where:

- PAAA: is the average Reference Price for the year AAAA (Average Annual Reference Price).
- PAAAA-D.M.Y : is the average of the Reference Prices for the period from the 1st on January of the year AAAA and the date D.M. Y (D: day, M: month, Y: year}, based on (i)
  The average annual Reference Price for the previous years to the date D/M/Y and (ii) the average Reference Price between the 1st of January of the year Y, and the date D.M.Y, considering in this last case the monthly average Reference Price.
- β: is a constant equal to 0,4576.

The Parties agree if the Suspensory Condition is met for the conditional increment of the Purchase Price Q8 and its related payment, then the same will be applicable for payments for Q9, Q10, Q11, without needing to meet again the respective Suspensory Condition.

While the Sellers do not demonstrate the respective Suspensory Condition they will have no right to charge the corresponding amount for the Conditional increase of the Purchase Price, as it corresponds. If the Sellers for any reason delay the accreditation of the fulfillment of the Suspensory Condition, the Buyers will not have to pay for this interests or any compensation to the Sellers. In the case that the Suspensory Conditions are not met in each of the cases then the Buyers will postpone the respective payment for the conditional increase until the date in which the corresponding Suspensory Condition is met.

The parties agree that the only way to validate the respective Suspensory Condition would be through a report which will be done by a Civil Engineer, who will ratify through his judgement that the Suspensory Condition indicated in this clause has been met in the respective cases.

For the prior, the Sellers should give the Buyers a copy of a report prepared by a Civil Engineer that contains the conclusions already marked. The designation of this engineer will be decided by the mutual agreement of the Parties and, in the case an agreement cannot be reached over who this engineer will be who will complete this report, this will then be designated by the Sellers. The appointment of mutual agreement will consist of the delivery of a list from the Sellers containing 3 engineers which will be sent to the Buyer's address disclosed in this contract, or another given for this purpose. The Buyers will have 10 consecutive days to respond. The response of the Buyers should be sent to the Seller's address stated on this contract or the one which has been given for this effect. If during this time, there is no communication between the Parties or if it is a negative communication against the 3 suggested names, the Sellers will unilaterally designate the engineer that will step into the role. The related cost to obtain and manage this report will be covered by the sellers.

(**) Eventual increase to Purchase price

Additionally, and subject to the reference price P205 exceeding USD 667 per metric tonne on the third year counted from the date when the document is executed, the Buyers will pay the Sellers, only one time, by the concept of Eventual increase to purchase price, the sum of USD 2.000.000 (two million dollars). In the case, circumstances allow for this payment, the Buyers will then have thirty business days, counted from the third year of this date, to make the payment. In the case, that on the third anniversary of this date there is no published Reference Price P205 then the last Reference Price P205 published before the third anniversary of this date.

This payment will not be realised, and the Sellers will have no right to receive it, in the case that the Reference Price P205 does not exceed USD 667 per metric tonne on the third year from this date, as stated above.

b) Term to exercise the option: The Lessee will be able to decide to exercise the option, in the measure that this agreement allows, and only from (i) ninety (90) consecutive days lapsed after the 6th of December 2019, and (ii) in which moment the precautionary measures, mortgage an burdens have been lifted in a definitive form from the Mining Property and the Assets.

c) Lifting of precautionary measures: The Lessee will be able to decide to exercise the option, when the prohibition for the transfer of the Leased Goods has been lifted enacted in the trial rol N°5532-2004 del Segundo Juzgado de Letras en lo Civil de Copiapo, titled "Fisco de Chile con SCM Bahia lnglesa y Otros". The Parties acknowledge that they are aware that, in virtue of this trial, the Tribunal has declared a precautionary measure of prohibition of charge and transfer the Mining Property, as well as its respective effects.

d) Price for the exercise of the option to buy:

(i) the Lessees will pay all of the costs, expenses and legal fees in relation to the solution, transaction and satisfactory finalisation of the following trials against the Leasers: (a) Juicio rol N°5532-2004 del Segundo Juzgado de Letras en lo Civil de Copiapo, titled "Fisco de Chile con SCM Bahia Inglesa y Otros"; and (b) Juicio rol C-147-2015, del Segundo Juzgado de Letras de Copiapo, titled "Fisco de Chile/ Cia. Mra. de Fosfatos Naturales"; and

(ii) additionally, the Lessee with pay the Leasers USD 1.000 one thousand American dollars, the moment of exercise of the Option and the transfer of the goods.

Surviving Obligations: The Parties declare that in the case the mentioned Option is exercised, said exercise will not extinguish the obligations of payment of royalties over the Mining Properties undertaken by the Leasers prior to the subscription to the present contract, but it will survive this, until the validity stated in the " Contract of Sale of Mining Concessions)' dated 6th of December 2016.

At 30 June 2018 the Company has paid to the lessors the amount of $1,690,341 (USD1,275,000) as a part of payment for the option to buy the Chilean mining assets.

Payment for goods and services to related parties

	30 June 2018 $	30 June 2017 $
Consultancy services relating to capital raising paid to Spar Capital Partners, a company associated with Chris West (Director) and Tim Koster (Director)	-	74,087
Accounting and taxation services paid to RTGF Capital Pty Ltd, a company associated with Rolando Tinoco (CFO)	66,156	30,113

Receivable from and payable to related parties

	30 June 2018 $	30 June 2017 $
Current payables:		
Mark Sumner	49,496	19,500

Spar Capital Partners	47,970	71,500

Apart from the details disclosed, no Director has entered into a material contract with the Company or the Group since the end of the financial year and there were no other material contracts involving Directors' interests existing at the end of the year.

28 Auditors' remuneration

	30 June 2018 $	30 June 2017 $
Audit and review of financial statements		
Auditing or reviewing the financial statements	80,000	65,127
Other services	10,000	11,890
	90,000	77,017

29 Changes in liabilities arising from financing activities

	Total loans
Balance at 1 July 2016	535,307
Cash flows	2,726,656
Balance at 30 June 2017	3,261,963
Cash flows	1,223,241
Balance at 30 June 2018	**4,485,204**

30 Events subsequent to balance date

Significant changes in the state of the Consolidated Group that occurred during the year ended 30 June 2018 were as follows:

- On 1 September 2018 the Company commenced the metallurgical studies to upgrade their phosphate rock concentrate.
- On 3 December 2018 the Company commenced the exploration program to deliver the JORC resources. Field works subject to getting all permits from the Chilean authorities.
- On 4 March 2019 the Company commenced their geophysical survey in part of the Bifox area. And was completed at end of this month.
- On 28 May 2019 the proposal that was lodged with the Chilean Authorities was formally approved. The settlement required an indemnity payment to the Government of US$1m plus the payment of their legal costs (US$100,000). This payment was due immediately after signing of the relevant documents. On 31 January 2020 that the Company and The State Treasury of Chile formally executed the Bifox CDE agreement. The signing of this agreement clears the path for the Company to process its phosphate rock ore and mine phosphate rock at its tenements. As part of the negotiated settlement, Bifox has funded the payment of US$1,000,000 to the Paleontological Research Corporation and US$156,250 in legal and other costs. In addition, Bifox is acting as a guarantor in terms of this agreement and is jointly responsible for a commitment to fund US$250,000 per annum for research, and enhancement of the paleontological site of Los Dedos located in the Comuna de Caldera, Region of Atacama and also paleontological assets and the species found during the mining activities in the area of the Project. This contribution may not be less than ten years. In addition, Bifox is obliged to allocate US$150,000 for the construction of the infrastructure destined for a transitory deposit for the paleontological material that will be recovered as a result of the activities. Other key terms of this agreement include the requirement for a Mortgage to be registered over the full Selaqueos 1 to 2000 area in favor of the Chilean Tax authority to guarantee any future commitments. The agreement also contains a clause forcing the exclusion of all mining activity, on 2516 hectares of the as detailed in the plan forming part of the agreement.

Notes to the Consolidated Financial Statements

- As a result of the settlement with Government the acquisition payments to the vendors of the Bifox tenements has been rescheduled and commences after mining is authorised on site.
- On 31 May 2019 the Company completed their upgrade and repairs to the crushing and milling plant to produce up to 5,000 Tn/month, subject to permits approval.
- On 22 July 2019, following the geophysics interpretation, the company issued an updated JORC plan with an initial target resource of 2 million Tonnes of P2O5 and an estimated cost of USD545,000. This programme may only be commenced following the signing of the new documents with the Chilean Government. The trenching works and drilling activities are part of the mining approval process.
- On 11 March 2020 Novel Coronavirus (COVID-19) was declared a global pandemic by the World Health Organisation. There is significant uncertainty as to the short, medium, and long-term impact of COVID-19 outbreak on the local and global economy. It is reasonably possible that COVID-19 will have an adverse impact on the Group's revenues, its results, and its ability to source funding for the next reporting year. As at the date of this report, the full effect of the outbreak remains uncertain. The effects are potentially going to be significant but cannot be reliably estimated or quantified.
- The Directors agree that the valuation of the exploration and evaluation assets in the accounts is compromised until such time as the Company has completed the next stage of negotiations for the acquisition of the Bifox tenements. These negotiations are currently proceeding and no current action is being taken by the vendors for enforcement or other rights. The Directors believe that a suitable outcome will be reached with the vendors and the uncertainty regarding this item will be removed.

31 Parent entity disclosures

Financial position

	30 June 2018 $	30 June 2017 $
Assets		
Current assets	130,229	1,921,620
Non-current assets	6,826,377	5,675,914
Total assets	6,956,606	7,597,534
Liabilities		
Current liabilities	4,462,321	3,703,453
Non-current liabilities	179,901	179,901
Total liabilities	4,642,222	3,883,354
Equity		
Issued capital	66,741,489	66,662,965
Reserves	(166,506)	(166,506)
Retained losses	(64,260,599)	(62,782,279)
Total equity	2,314,384	3,714,180

Financial performance

	30 June 2018 $	30 June 2017 $
Loss for the year	(1,478,320)	(2,487,620)
Total comprehensive loss	(1,478,320)	(2,487,620)

Notes to the Consolidated Financial Statements

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

The parent entity and some of its subsidiaries are party to a deed of cross guarantee under which each company guarantees the debts of the others.

	30 June 2018 $	30 June 2017 $
Bank guarantee	99,940	99,940
Letter of credit	-	325,288

Contingent liabilities

	30 June 2018 $	30 June 2017 $
Contingent liabilities	181,720	181,720

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2018 and 30 June 2017