

QX Resources Limited

AND CONTROLLED ENTITIES

ABN 55 147 106 974

**FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2020**

Contents

Corporate Information	2
Directors' Report	3
Auditor's Independence Declaration.....	9
Statement of Comprehensive Income.....	10
Statement of Financial Position.....	11
Statement of Changes in Equity	12
Statement of Cash Flows	13
Notes to the Financial Statements	14
Directors' Declaration.....	24
Auditor's Independent Review Report.....	25

Corporate Information

This financial report includes the consolidated financial statements of QX Resources Limited and controlled entities ('Group'). The Group's functional presentation currency is AUD (\$).

A description of the Group's operations and of its principal activities is included in the review of operations and activities in the Director's Report.

Directors

Mr Maurice Feilich – Executive Chairman

Mr Daniel Smith – Non-Executive Director

Mr Benjamin Jarvis – Non-Executive Director

Mr Roger Jackson – Non-Executive Director - Appointed 10 September 2020

Company Secretary

Mr Daniel Smith

Registered Office

Level 2, 34 Colin Street
West Perth WA 6005

Principal Place of Business

Level 2, 34 Colin Street
West Perth WA 6005

Share Registry

Computershare Investor Services
Level 11, 172 St Georges Tce
Perth WA 6000

Auditors

RSM Australia Partners
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2 The Esplanade
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Stock Exchange

Australian Securities Exchange
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152-158 St George's Terrace
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ASX Code: QXR

Website

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Solicitors

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16 Milligan Street
Perth WA 6000

Directors' Report

The directors present their report on the Group at the end of, or during, the half-year ended 31 December 2020.

Directors

The persons who were directors of the Group during the half-year and up to the date of this report are:

Mr Maurice Feilich (Executive Chairman)

Mr Daniel Smith (Non-Executive Director)

Mr Benjamin Jarvis (Non-Executive Director)

Mr Roger Jackson (Non-Executive Director) – Appointed 10 September 2020

Results

The statement of comprehensive income shows a net loss for the half-year ended 31 December 2020 of \$1,030,936 (2019: net loss from continuing operations of \$258,771).

Review of Operations for the Half-Year ended 31 December 2020

Queensland Gold Project

On 1 July the Company announced that it had entered into Heads of Agreement (**HoA**) with Zamia Resources Pty Ltd (**Zamia Resources**), a wholly-owned subsidiary of Zamia Metals Limited (**Zamia**) which owns four (4) exploration licenses (Permits) in the Central Queensland goldfields covering ~115km² and housing two open pit historical gold mines, the Belyando and Lucky Break Mines as well as multiple unexplored targets. The project is strategically located within the Drummond Basin that has >6.5moz gold endowment and a long history of ongoing mining (see **figure 1**).

On 16 October 2020 the Company announced that it had executed an earn-in agreement with Zamia (**Earn-in Agreement**) which replaced the previously executed HoA. Under the Earn-in Agreement, QX assumed a 50% ownership of Zamia Resources through the issue of 40,000,000 ordinary QXR shares subject to a 12-month voluntary escrow from the date of issue, and will move to 70% ownership by spending \$500,000 on the project within six months commencing 1 October 2020, with exploration activities now commenced so QX is already earning into this next 20%. The Company can then secure up to 90% of Zamia Resources by spending a further \$1m on exploration and project development works.

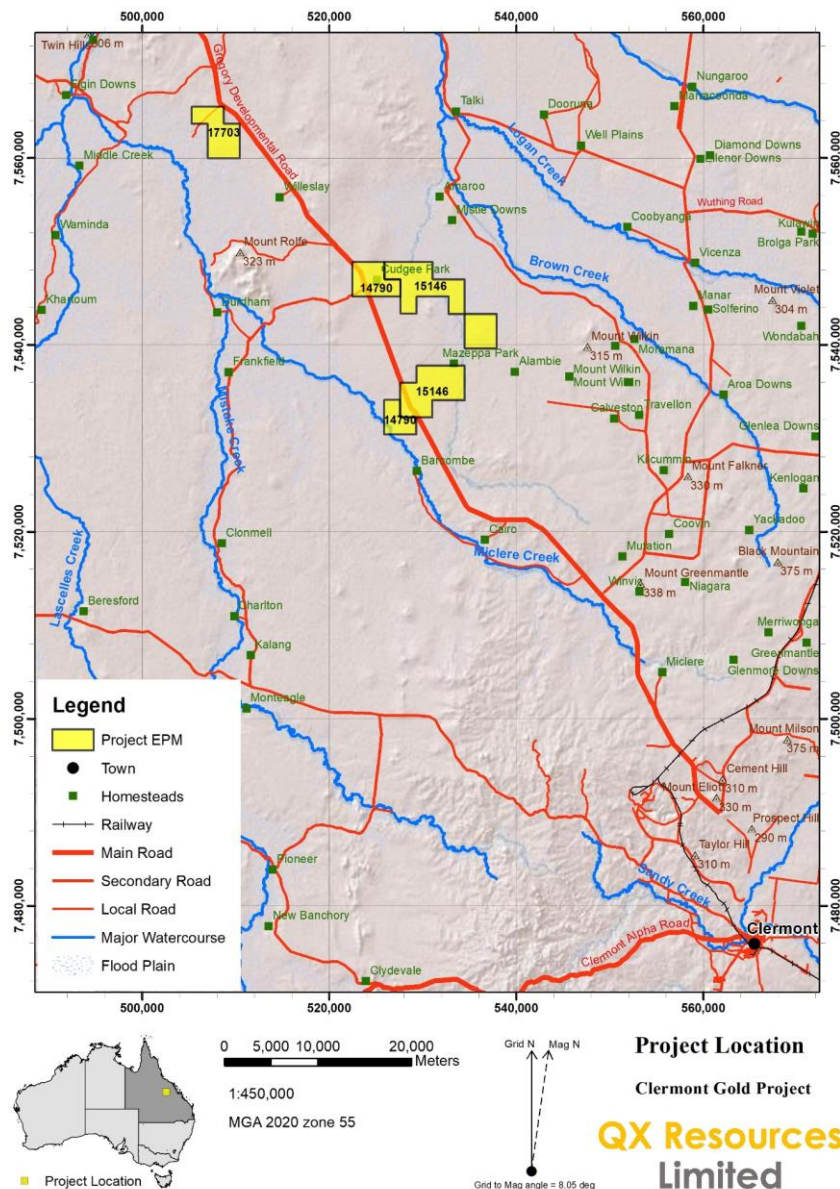


Figure 1: QX Project location map, Drummond Basin QLD

On 9 October 2020 the Company announced that had commenced detailed infill soil sampling over areas within the highly prospective exploration tenements of Disney and Belyando (**Figure 2**). The Company’s technical team, who have considerable exploration experience in Queensland’s Drummond Basin, have been reviewing historical drill results and previous soil sampling reports to define a number of new highly prospective targets.

Red Dog Prospect

On 10 November 2020, the Company announced that it had identified a 675m long gold in soil anomaly at the Disney tenement (EPM 17703) (see **figure 2**).

The soil survey targeted areas of infill and extension of the Zamia Resources soils results from sampling undertaken in 2013, 2014 and 2015. Zamia sampled 1mm screened B horizon soils to a 100m by 200m grid. This was infilled by QX to 100m by 50m. Samples were assayed by ALS by 30g fire assay with ICP AES finish having a 0.001 ppm detection limit.

The gold anomalism cut-off grade was determined by the statistically robust two absolute median deviations method which yielded a cut-off grade of 0.021 ppm Au. A log empirical transform was applied to assay data

to generate an automated exponential variogram for empirical Bayesian Kriging on a 5.6m cell, a maximum search distance of 100m oriented 40°N_{grid} and a 10 sample minimum 15 maximum search neighbourhood, using ArcMap 10.8 geostatistical tools.

Analysis of the results shows a clear and localised zone of gold anomalism, christened Red Dog, 675m long strike by 255m cross strike, supported by coincident arsenic, antimony and silver anomalies, located 440m southwest along strike from the known Big Red mineralised zone identified by BMA Gold Ltd, and 1670m southeast of the known Apache mineralisation.

Rock grab samples from soil float within the core of the Red Dog anomaly, taken during the soil programme, yielded grades up to 2.89 ppm Au; further supporting the anomaly.

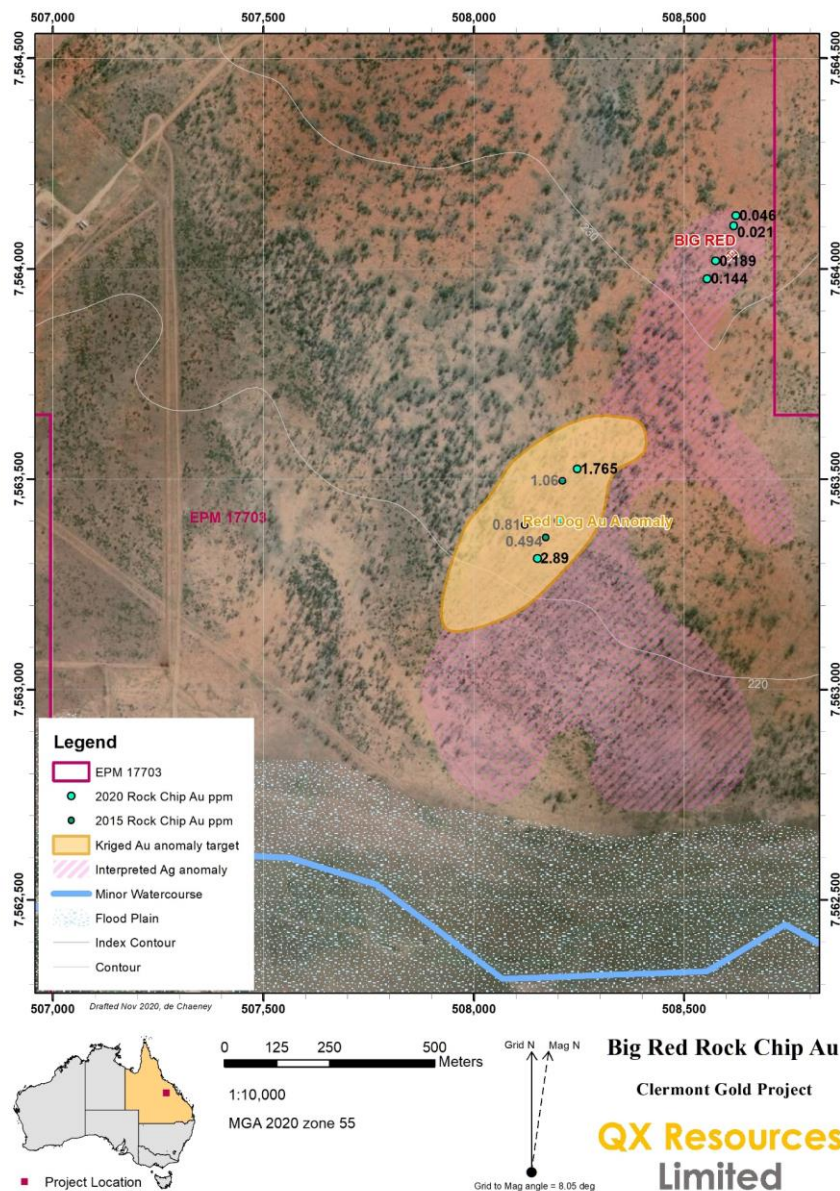


Figure 2: Rock float assays overlain on Red Dog gold and silver anomalies.

Ibis Prospect

On 13 December 2020, the Company announced the results from a soil survey undertaken at the Ibis Prospect (EPM 15145). The soil sampling program infilled previous sampling work undertaken by Zamia Resources in 2007 and 2015. Zamia sampled 1mm screened B horizon soils to a 50m by 100m grid around the Anthony

molybdenum, and a 200m by 200m grid across the flat between Anthony and the Belyando gold deposit. This was infilled at the Ibis gold prospect by QX to 50m by 50m (see **figure 3**). Samples were assayed by ALS using 30g fire assay with an ICP AES finish having a 0.001 ppm detection limit.

The gold anomalism threshold grade was determined by the statistically robust two absolute median deviations method which yielded a cut-off grade of 0.005 ppm Au.

QX believes that together these data show that Ibis has a distinct gold anomaly deriving from an underlying source mineralisation which is genetically and structurally related to the Belyando gold deposit, and that Ibis is a good prospect for further exploration. Though exploration is in early stages, the data so far are suggestive of either a breccia pipe or stockworks low sulphidation epithermal gold system.

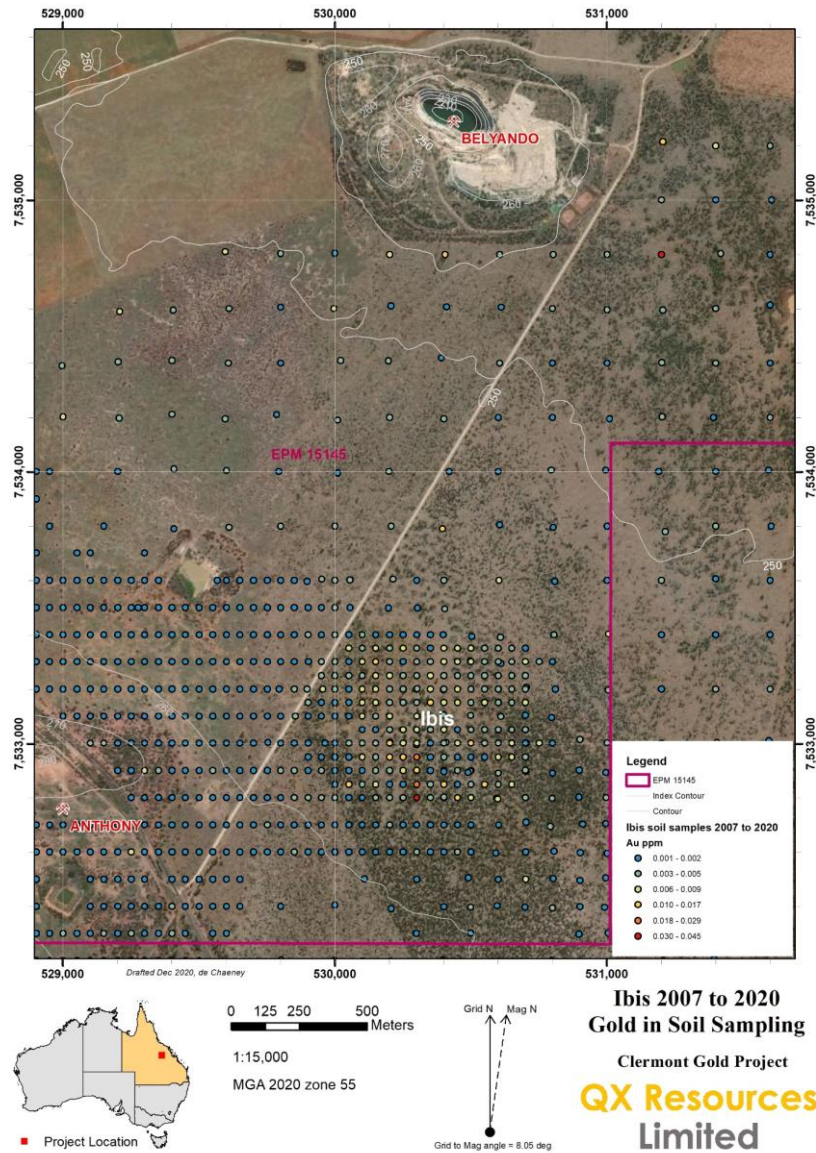


Figure 3: Zamia 2007, 2015, and QX 2020 soil sampling overlain on 30cm resolution satellite imagery.

Next-Battery

On 29 August 2018, the Company announced that it had entered into an earn-in agreement with Next-Battery Limited (“Next-Battery”). QX currently holds a 25% interest in Next-Battery.

Kamola Lithium Project 60% Joint Venture

On 5 April 2018, the Company announced that it had entered into an exclusive option with Crown Mining Sarl (“Crown”), whereby the Company had the ability to earn via farm-in, a 60% interest in Mining Permits PE 13081, PR 4076 & PR 4072. As announced 16 October 2020, the Company has notified Crown Mining of its intention to terminate the joint venture agreement in accordance with its terms.

Corporate

Board Appointment

On 10 September 2020, the Company announced that Mr Roger Jackson was appointed to the Board as a non-executive director of the Company. Mr Jackson has extensive experience in the small resources sector as a public company director.

Name Change

On 5 October 2020 the Company advised that its name had changed from Hipo Resources Limited to QX Resources Limited and its ASX Code had changed to QXR.

Capital Raising

On 3 July 2020, the Company advised that it had issued 56,000,000 ordinary shares at an issue price of \$0.012 per share. The shares were issued to new and existing professional and sophisticated investors to raise \$672,000 (before costs).

On 23 October 2020, the Company advised that it had issued 4,000,000 ordinary shares at an issue price of \$0.012 per share. The shares were issued to new and existing professional and sophisticated investors to raise \$48,000 (before costs).

On 31 December 2020, the Company advised that it had issued 60,000,000 unlisted options, exercisable at \$0.02 within 2 years from issue, at an issue price of \$0.001 each. The options were issued to new and existing professional and sophisticated investors to raise \$60,000 (before costs).

Shareholder Meetings

On 30 September 2020, all resolutions put to Shareholders at the Company’s General Meeting were passed by way of a poll.

On 26 November 2020, all resolutions put to Shareholders at the Company’s Annual General Meeting were passed by way of a poll.

Director Options

On 5 October 2020 the Company issued 35,000,000 unlisted options to directors following Shareholder approval received at the General Meeting held 30 September 2020.

Subsequent Events

The group has no events subsequent to the half-year ended 31 December 2020 to report.

Auditor’s Independence Declaration

A copy of the auditor’s independence declaration as required under section 307C of Corporations Act 2001 is set out immediately after this directors’ report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Maurice Feilich
Executive Chairman

Perth, Western Australia, 15 March 2021

Competent Person's Statement

The information in this report that relates to the Ibis project is based on information compiled by Mr. Roger Jackson, a Director and Shareholder of the Company, who is a 25+ year Member of the Australasian Institute of Mining and Metallurgy (MAusIMM) and a Member of Australian Institute of Company Directors. Mr. Jackson has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration results, Mineral Resources and Ore Reserves". Mr. Jackson consents to the inclusion of the data contained in relevant resource reports used for this announcement as well as the matters, form and context in which the relevant data appears.

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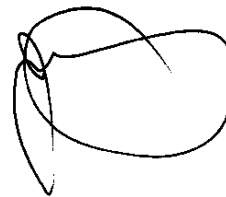
AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of QX Resources Limited for the half-year ended 31 December 2020, 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.



RSM AUSTRALIA PARTNERS



JAMES KOMNINOS
Partner

Perth, WA
Dated: 15 March 2021

Statement of Comprehensive Income

For the half-year ended 31 December 2020

	Note	Consolidated Half-Year 31 Dec 2020 \$	Half-Year 31 Dec 2019 \$
Share of profits/(losses) of associates accounted for using the equity method	9	(43,243)	-
Gain on fair value movement of listed investments		100,388	-
Acquisition related costs		(207,188)	-
ASX and share registry fees		(28,763)	(25,276)
Company secretarial expenses		(12,000)	(18,000)
Consultants and travel		(5,000)	(2,995)
Employee and director benefits expense		(70,020)	(90,000)
Exploration costs written off		(93,688)	(15,492)
Finance costs		(1,369)	(1,606)
Loss on debt/equity swap		(343,800)	-
Other expenses		(126,753)	(105,402)
Share-based payments expense		(199,500)	
Loss before income tax expense		(1,030,936)	(258,771)
Income tax expense		-	-
Loss after income tax for the half-year		(1,030,936)	(258,771)
Other comprehensive income, net of tax			
<i>Items that may be reclassified subsequently to operating result</i>			
Foreign currency translation differences		-	-
Total comprehensive loss for the half-year		(1,030,936)	(258,771)
Basic and diluted loss per share (cents per share)		(0.22)	(0.07)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of Financial Position

As at 31 December 2020

	Note	Consolidated 31 December 2020 \$	Consolidated 30 June 2020 \$
ASSETS			
Current Assets			
Cash and cash equivalents		492,870	867,895
Trade and other receivables		44,090	6,407
Total Current Assets		536,960	874,302
Non-Current Assets			
Investments	3	940,539	755,951
Investments accounted for using the equity method	9	511,757	-
Loans to associates		104,049	-
Total Non-Current Assets		1,556,345	755,951
TOTAL ASSETS		2,093,305	1,630,253
LIABILITIES			
Current Liabilities			
Trade and other payables		197,145	553,658
Total Current Liabilities		197,145	553,658
TOTAL LIABILITIES		197,145	553,658
NET ASSETS		1,896,160	1,076,595
EQUITY			
Issued capital	5	41,006,091	38,943,152
Reserves		323,625	666,743
Accumulated losses		(39,433,556)	(38,533,300)
TOTAL EQUITY		1,896,160	1,076,595

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the half-year ended 31 December 2020

	Issued capital \$	Accumulated losses \$	Share-based payments reserve \$	Total \$
Balance at 1 July 2019	38,943,152	(38,225,369)	327,441	1,045,224
Loss for the half-year	-	(258,771)	-	(258,771)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the half-year	-	(258,771)	-	(258,771)
<i>Transactions with owners in their capacity as owners:</i>				
Issue of placement shares	-	-	-	-
Issue of share-based payments	-	-	17,793	17,793
Share issue costs	-	-	-	-
Balance at 31 December 2019	38,943,152	(38,484,140)	345,234	804,246
Balance at 1 July 2020	38,943,152	(38,533,300)	666,743	1,076,595
Loss for the half-year	-	(1,030,936)	-	(1,030,936)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the half-year	-	(1,030,936)	-	(1,030,936)
<i>Transactions with owners in their capacity as owners:</i>				
Issue of placement shares	2,111,557	-	(483,833)	1,627,724
Issue of share-based payments	-	-	271,395	271,395
Share issue costs	(48,618)	-	-	(48,618)
Total transactions with owners	2,062,939	-	(212,438)	1,850,501
Transfer of reserves to accumulated losses	-	130,680	(130,680)	
Balance at 31 December 2020	41,006,091	(39,433,556)	323,625	1,896,160

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the half-year ended 31 December 2020

	Consolidated Half-Year 31 Dec 2020 \$	Half-Year 31 Dec 2019 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(204,037)	(65,230)
Interest paid	(1,249)	(1,486)
Net cash used in operating activities	(205,286)	(66,716)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration and evaluation	(93,688)	(15,492)
Payments for investments	(84,200)	-
Payments for acquisition of associates	(127,188)	-
Loans to associates	(104,049)	-
Net cash used in investing activities	(409,125)	(15,492)
CASH FLOW FROM FINANCING ACTIVITIES		
Cash received from issue of shares and options	288,005	-
Share issue costs	(48,619)	-
Proceeds from borrowing	-	-
Net cash provided by financing activities	239,386	-
Net decrease in cash held	(375,025)	(82,208)
Cash and cash equivalents at the beginning of the half-year	867,895	547,364
Cash and cash equivalents at the end of the half-year	492,870	465,156

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the half-year ended 31 December 2020

Note 1 – Summary of Significant Accounting Policies

Basis of Preparation

These general purpose interim financial statements for the half-year reporting period ended 31 December 2020 have been prepared in accordance with Australian Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These half-year financial statements do not include all notes of the type normally included within the annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial statements.

It is recommended that the half-year financial statements be read in conjunction with the annual financial report for the year ended 30 June 2020 and any public announcements made by the Group during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies have been consistently applied with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New and Revised Accounting Standards

In the half-year ended 31 December 2020, the Group has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the annual reporting period beginning on or after 1 July 2020. The adoption of these new and revised Standards and Interpretations has not resulted in a significant or material change to the entity's accounting policies.

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

Going Concern

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

As disclosed in the financial statements, the Group incurred a net loss of \$1,030,936 and net cash used in operating and investing activities of \$205,286 and \$409,125 respectively during the half-year ended 31 December 2020. This indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

Notes to the Financial Statements

For the half-year ended 31 December 2020

Note 1 – Summary of Significant Accounting Policies (cont'd)

The Directors believe that it is reasonably foreseeable that the Group will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the following factors:

- The ability to issue additional shares under the *Corporations Act 2001* to raise further working capital,
- The ability to liquidate investments in listed shares held by the Group; and
- The Group has the ability to scale down its operations in order to curtail expenditure, in the event insufficient cash is available to meet projected expenditure.

Note 2 – Segment Information

Management has determined the operating segments based on the geographical reports reviewed by the board of directors that are used to make strategic decisions. The Group has investments operated in Ukraine by Next-Battery Ltd (see note 3), mineral exploration operations in Australia and its head office located in Australia.

Consolidated	Australia	Ukraine	Total
31 December 2020	\$	\$	\$
Revenue			
Other income	100,388	-	100,388
Total segment revenue	<u>100,388</u>	<u>-</u>	<u>100,388</u>
Result			
Segment result	<u>(1,030,936)</u>	<u>-</u>	<u>(1,030,936)</u>
Assets and Liabilities at			
31 December 2020			
Segment assets	1,337,354	755,951	2,093,305
Segment liabilities	(197,145)	-	(197,145)
31 December 2019			
Revenue			
Other income	-	-	-
Total segment revenue	<u>-</u>	<u>-</u>	<u>-</u>
Result			
Segment result	<u>(258,771)</u>	<u>-</u>	<u>(258,771)</u>

Notes to the Financial Statements

For the half-year ended 31 December 2020

Note 3 – Investments

	Consolidated 31 December 2020 \$	Consolidated 30 June 2020 \$
Non-Current		
Next-Battery Ltd	755,951	755,951
Share in listed companies at fair value	184,588	-
	940,539	755,951

During the half-year ended 31 December 2020, the Group made investments in listed companies totalling \$84,200. The fair value of the Groups listed investment as at 31 December 2020 is \$184,588 based on the market value of each share held at 31 December 2020.

Note 4 – Fair Value Measurement

Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed 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

Level 3: Unobservable inputs for the asset or liability

Consolidated – 31 December 2020	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets				
Shares in listed companies at fair value through profit or loss	184,588	-	-	184,588
Investment in Next-Battery Ltd at fair value through profit or loss	-	-	755,951	755,951
Total Assets	184,588	-	755,951	940,539
Consolidated – 30 June 2020	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets				
Investment in Next-Battery Ltd at fair value through profit or loss	-	-	755,951	755,951
Total Assets	-	-	755,951	755,951

Notes to the Financial Statements

For the half-year ended 31 December 2020

Note 4 – Fair Value Measurement (Cont'd)

Assets and liabilities held for sale are measured at fair value on a non-recurring basis.

There were no transfers between levels during the half-year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

Valuation techniques for fair value measurements categorised within level 2 and level 3.

The Group's investment in Next-Battery Ltd has been classified as an available for sale financial asset and has valued it at its historic cost as there is currently insufficient financial information available for the Group to make an accurate assessment of the fair value of the Group's investment in Next-Battery Ltd, and the Group has determined this to be the most appropriate carrying value of its investment.

Level 3 assets and liabilities.

There has been no movement in level 3 assets and liabilities during the half-year ended 31 December 2020.

Note 5 – Issued Capital

	31 December 2020	30 June 2020
	\$	\$
Issued capital		
Ordinary shares	41,006,091	38,943,152
	41,006,091	38,943,152
 (a) Movements for the period:		
<i>Ordinary shares</i>	No. of Shares	\$
Opening balance as at 1 July 2020	386,510,456	38,943,152
Placement shares	60,000,000	720,000
Shares issued upon conversion of options	91,917	1,838
Shares issued for settlement of outstanding creditors	47,159,949	909,719
Shares issued to Zamia Metals	40,000,000	480,000
Share issue costs	-	(48,618)
Closing balance as at 31 December 2020	533,762,322	41,006,091

Notes to the Financial Statements

For the half-year ended 31 December 2020

Note 5 – Issued Capital (cont'd)

(b) Options outstanding over ordinary shared capital as at the reporting date were as follows:

	Expiry date	Exercise price (\$)	Balance at start of the period	Number issued during the period	Number exercised during the period	Number expired during the period	Balance at end of the period
Listed option	30/06/2020	\$0.02	91,917	-	91,917	-	-
Unlisted option	31/10/2020	\$0.02	7,000,000	-	-	7,000,000	-
Unlisted option	5/10/2022	\$0.025	-	17,500,000	-	-	17,500,000
Unlisted option	5/10/2023	\$0.035	-	17,500,000	-	-	17,500,000
Unlisted option	30/12/2022	\$0.02	-	60,000,000	-	-	60,000,000
			<u>7,091,917</u>	<u>95,000,000</u>	<u>91,917</u>	<u>7,000,000</u>	<u>95,000,000</u>

Refer to note 7 for details with respect to the valuation of options issued during the period.

Note 6 – Dividends

No dividends were declared or paid during the half-year ended 31 December 2020 (2019: Nil).

Notes to the Financial Statements

For the half-year ended 31 December 2020

Note 7 – Share-Based Payments

- (1) On 20 July 2018, 7,000,000 unlisted options exercisable at \$0.02 per option, exercisable by 31 October 2020, were granted and issued to a service provider of the Group. These options were granted in three tranches with the following vesting conditions:

Tranche 1: 2,000,000 options exercisable upon the Company achieving a 10-day VWAP of \$0.045 per share

Tranche 2: 2,500,000 options exercisable upon the Company achieving a 10-day VWAP of \$0.065 per share

Tranche 3: 2,500,000 options exercisable upon the Company achieving a 10-day VWAP of \$0.085 per share

The total estimated fair value of these options of \$80,650 was determined using a barrier option pricing model. The Group has recognised public relations expense of \$11,895 during the period for the grant of these options.

These options expired unexercised on 31 October 2020.

- (2) On 30 September 2020, shareholders approved the issue of 35,000,000 unlisted options to directors in the following tranches:

Tranch 1: 17,500,000 options exercisable at \$0.025 per option, exercisable within 2 years of issue

Tranch 2: 17,500,000 options exercisable at \$0.035 per option, exercisable within 3 years of issue

The above options were issued on 5 October 2020. The transactional value of these options was \$96,250 for tranche 1 and \$103,250 for tranche 2 based on the Black Scholes valuation model. The options vested immediately and the entire expense has been recognised in the current period in the statement of comprehensive income.

- (3) On 30 September 2020, shareholders approved the issue of 40,000,000 shares to Zamia Metals Ltd at an issue price of \$0.012 per share and a total transactional value of \$480,000 as part consideration to acquire an initial interest of 50% of the issued capital of Zamia Resources Pty Ltd. On 15 October 2020 the Group finalised the acquisition of Zamia Resources Pty Ltd and issued the shares to Zamia Metals Ltd on 23 October 2020. The value of these shares has been capitalised to the Balance Sheet as investments accounted for using the equity method.
- (4) On 30 September 2020, shareholders approved the issue of 29,159,949 shares to Directors in lieu of cash settlement of previously accrued director and consulting fees of \$349,919. The total fair value of the shares issued of \$495,719 was determined by the share price on the grant date of \$0.017. A loss of \$145,800 has been recognised in the Statement of Comprehensive Income in connection with the debt for equity swap.
- (5) On 23 October 2020, the Board granted the issue of 18,000,000 shares to consultants in lieu of cash settlement of previously accrued creditor balances of \$216,000. The total fair value of the shares issued of \$414,000 was determined by the share price on the grant date of \$0.023. A loss of \$198,000 has been recognised in the Statement of Comprehensive Income in connection with the debt for equity swap.

The Group had no other share-based payments during the half-year ended 31 December 2020.

Notes to the Financial Statements

For the half-year ended 31 December 2020

Note 7 – Share-Based Payments (Cont'd)

	Consolidated 31 December 2020 \$	31 December 2019 \$
Recognised as public relations expense during the period	11,895	17,793
Recognised as share-based payments expense during the period	199,500	-
Total value of options expensed during the period	<u>211,395</u>	17,793
Fair value yet to vest	-	29,495
Total fair value of options granted during the period	<u>211,395</u>	-
Total value of options expensed during the period	211,395	17,793
Issue of 60,000,000 options at \$0.001 per option	60,000	-
Transfer of reserve to accumulated losses on expiry of options	(130,680)	-
Total movement in the share-based payment reserve	<u>140,715</u>	17,793
Capitalised as acquisition costs during the period	480,000	-
Recognised as a reductions in trade and other payables during the period	565,919	-
Total movement in net assets as a result of share based payments	<u>1,045,919</u>	-
Recognised as loss on debt/equity swap	343,800	-
Total fair value of shares issued as share-based payments during the period	<u>1,389,719</u>	-

Notes to the Financial Statements

For the half-year ended 31 December 2020

Note 8 – Related Party Transactions

(a) Transactions and balances with related parties

Below are transactions and balances with directors and director-related entities for the half year ended 31 December 2020:

Related Party	Type of Service	2020 \$
Expenses		
Minerva Corporate Pty Ltd ¹	Company secretarial services	12,000
Six Degrees Group Holdings Pty Ltd ²	Public relation services	12,000
Every Day Hire Pty Ltd ³	Geological consulting fees	17,800
Sanlam Private Wealth Pty Ltd ⁴	Capital raising fees	36,000
Maurice Feilich	Share based payments expense – director options	114,000
Maurice Feilich	Loss on debt/euity swap	93,062
Benjamin Jarvis	Share based payments expense – director options	57,000
Benjamin Jarvis	Loss on debt/euity swap	44,071
Daniel Smith	Share based payments expense – director options	28,500
Daniel Smith	Loss on debt/euity swap	8,667
Total Expenses		423,100
Liabilities		
Maurice Feilich	Accrued director fees	26,680
Minerva Corporate Pty Ltd ¹	Director fees and company secretary services included in trade payables	26,400
Benjamin Jarvis	Accrued director fees	10,000
Six Degrees Group Holdings Pty Ltd ²	Director fees and public relation services included in trade payables	2,200
Every Day Hire Pty Ltd ³	Director fees and geological consulting fees included in trade payables	18,040
Total Liabilities		83,320

¹ Daniel Smith is a Director and shareholder of Minerva Corporate Pty Ltd, a company which provides company secretary and non-executive director services to the Group.

² Benjamin Jarvis is a Director and shareholder of Six Degrees Holdings Pty Ltd, a company which provides public relation and non-executive director services to the Group. The public relation services expense identified above only relates to the period in which Mr Jarvis was a director of the Group.

³ Roger Jackson is a Director and shareholder of Every Day Hire Pty Ltd, a company which provides geological consulting and non-executive director services to the Group.

⁴ Maurice Feilich is a Director and shareholder of Sanlam Private Wealth Pty Ltd, a company which provides capital raising services to the Group.

Notes to the Financial Statements

For the half-year ended 31 December 2020

Note 9 – Interests in Associates

Interests in associates are accounted for using the equity method of accounting. Information relating to associates that are material to the consolidated entity are set out below:

Name	Principal Place of Business / Country of Incorporation	Ownership Interest	
		Consolidated 31 December 2020 %	31 December 2019 %
Zamia Resources Pty Ltd	Australia	50.00%	0.00%

Summarised financial information

	Consolidated 31 December 2020 \$	31 December 2019 \$
<i>Summaries statement of financial position</i>		
Current Assets	9,034	-
Non-current assets	-	-
Total Assets	9,034	-
Current Liabilities	106,187	-
Non-current Liabilities	-	-
Total Liabilities	106,187	-
Net Assets	97,153	-

Summaries statement of profit or loss and other comprehensive income

Revenue	-	-
Expenses	(86,486)	-
Loss Before Income Tax	(86,486)	-
Income Tax Expense	-	-
Loss After Income Tax	(86,486)	-
Other Comprehensive Income	-	-
Total Comprehensive Loss	(86,486)	-

Reconciliation of the Consolidated Entity's Carrying Amount

Opening Carrying Amount	-	-
Acquisition Cost	555,000	-
Impairment Expense	-	-
Share of Profit after Income Tax	(43,243)	-
Closing Carrying Amount	511,757	-

As announced on 16 October 2020, the Group executed an earn-in agreement with Zamia Resources Pty Ltd ("Zamia Resources"), a wholly owned subsidiary of Zamia Metals Ltd ("Zamia"), to assume an initial 50% interest in Zamia Resources Pty Ltd through an upfront cash payment of \$75,000 and the issue of 40,000,000 ordinary QXR shares to Zamia. Under the agreement the Group must meet an expenditure commitment of \$425,000 on Zamia Resources projects within six months of the agreement to move to a 70% interest. The Group can then move to a 90% interest in Zamia Resources by spending an additional \$1m on exploration and project development expenditure by 31 March 2022.

Notes to the Financial Statements

For the half-year ended 31 December 2020

Note 10 – Commitments

	Consolidated 31 December 2020 \$	Consolidated 30 June 2020 \$
<i>Exploration & evaluation expenditure commitments</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Zamia Resources Pty Ltd expenditure commitment – within 1 year	320,951	-
	<u>320,951</u>	<u>-</u>

As detailed in note 9, the Group must meet an expenditure commitment of \$425,000 within six months of executing the earn-in agreement with Zamia Resources to move to a 70% interest in Zamia Resources. In the event the Group does not complete the above expenditure commitment, the Group must relinquish its 50% interest in Zamia Resources by transferring its shareholding in Zamia Resources for \$1. As at 31 December 2020 the Group has provided \$104,049 towards the above expenditure commitment.

Other than the above there has been no change in commitments since the last annual reporting date.

Note 11 – Contingent Liabilities

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

Note 12 – Events Subsequent to Reporting Date

The group has no events subsequent to the half-year ended 31 December 2020 to report.

Directors' Declaration

The directors of the group declare that:

1. The financial statements and notes are in accordance with the *Corporations Act 2001*, including:
 - (a) Complying with the Accounting Standard AASB 134: Interim Financial Reporting and the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (b) Giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year then ended.
2. In the directors' opinion there are reasonable grounds to believe that the group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Executive Chairman
Maurice Feilich

Perth, Western Australia, 15 March 2021

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of QX Resources Limited (the company) and its subsidiaries (the consolidated entity), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of QX Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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Independence

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

Basis for qualified conclusion

As disclosed in Note 3 to the financial statements, the company's investment in Next-Battery Limited is carried in the statement of financial position at \$755,951. We were unable to obtain appropriate evidence about the carrying amount of the investment as at 31 December 2020 due to no financial information being available regarding the financial performance and financial position of Next-Battery Limited, which is an unlisted, private company, limited by shares and incorporated in Gibraltar. Had we been able to complete our review of this information, matters might have come to our attention indicating that adjustments might be necessary to the half-year financial report.

Material uncertainty related to going concern

We draw attention to Note 1 to the financial statements, which indicates that the consolidated entity incurred a net loss of \$1,030,936 and had cash outflows from operating and investing activities of \$205,286 and \$409,125 respectively for the half-year ended 31 December 2020. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the consolidated entity's ability to continue as a going concern. Our conclusion is not further modified in respect of this matter.

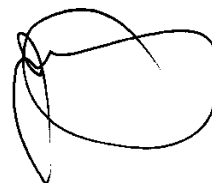
Qualified Conclusion

Except for the adjustments to the half-year financial report that we might have become aware of had it not been for the situation described above, based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of QX Resources Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink that reads 'RSM'.

RSM AUSTRALIA PARTNERS

A handwritten signature in black ink, appearing to be 'James Komninos', written in a cursive style.