



ABN 44 079 902 499

FINANCIAL REPORT

**FOR THE HALF YEAR ENDED
31 DECEMBER 2016**

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COMPANY INFORMATION

Directors

| | |
|----------------|---|
| Mr G East | Non-Executive Director, appointed Non-Executive Chairman 12 May 2017, resigned as Non-Executive Chairman 10 November 2017 |
| Mr B Garlick | Executive Director, Chief Financial Officer |
| Ms L Da' Silva | Non-Executive Director, appointed 12 May 2017, resigned 10 November 2017 |
| Mr D Cooper | Appointed Non-Executive Chairman 10 April 2017, resigned 11 May 2017 |
| Mr T Streeter | Non-Executive Chairman – resigned 10 April 2017, reappointed 10 November 2017 |

Company Secretary

B Garlick

Registered Office

10 Abbotsford Street
West Leederville WA 6007
Telephone: (08) 9318 5600
Facsimile: (08) 9328 1380
ABN: 44 079 902 499

Share Registry

Advanced Share Registry Limited
150 Stirling Highway
Nedlands WA 6009
Telephone: (08) 9389 8033
Facsimile: (08) 9389 7871

Lawyers

Armeli & Maloney
Level 3, 1008 Hay Street
Perth, WA 6000

Gilbert + Tobin
Level 16, Brookfield Place Tower 2
123 St Georges Terrace
Perth WA 6000

Bankers

Bank West
108 St Georges Terrace
Perth
Western Australia 6000

Auditors

Grant Thornton Audit Pty Ltd
Central Park
Level 43, 152-158 St Georges Terrace
Perth WA 6000

Website

www.foxresources.com.au

DIRECTORS' REPORT

The Directors of Fox Resources Ltd ('Fox Resources') present their Report together with the financial statements of the Consolidated Entity, being Fox Resources Ltd ('the Company') and its Controlled Entities ('the Group') for the half-year ended 31 December 2016.

Director details

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

| | |
|----------------|---|
| Mr G East | Non-Executive Director, appointed Non-Executive Chairman 12 May 2017, resigned as Non-Executive Chairman 10 November 2017 |
| Mr B Garlick | Executive Director, Chief Financial Officer |
| Ms L Da' Silva | Non-Executive Director, appointed 12 May 2017, resigned 10 November 2017 |
| Mr D Cooper | Appointed Non-Executive Chairman 10 April 2017, resigned 11 May 2017 |
| Mr T Streeter | Non-Executive Chairman – resigned 10 April 2017, reappointed 10 November 2017 |

REVIEW OF OPERATIONS

Mining Activities

The Radio Hill underground mine remained under care and maintenance during the half year.

Processing Activities

During the December 2016 half year, processing activities at Radio Hill remained suspended.

Exploration

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

Financial and Corporate

The Group placed all of its exploration and tangible assets for sale in the 30 June 2015 financial year. The net deficit position of \$6,875,383 continues to be financially supported by the Directors and their related entities up until the date of this report.

Events Subsequent To Reporting Date

On the 16 December 2016 Fox Resources Limited signed an agreement with Artemis Resources Ltd to purchase Fox Radio Hill Pty Ltd for \$3.5m in cash to be settled on the 31 March 2017. Subsequently Fox Resources Limited signed a revised agreement with Artemis Resources Ltd on the 12 May 2017 to sell Fox Radio Hill Pty Ltd for the issue of 28 million shares in Artemis Resources Ltd and Artemis to assume creditors in the amount of \$920,731, to be settled within eight weeks. In addition, Fox Resources Ltd has signed a service contract with Artemis Resources Ltd to provide ongoing services at Fox Radio Hill Pty Ltd.

In May 2017 Fox also entered an agreement with Artemis Resources Ltd, which will provide \$1,000,000 in service revenue:

- \$400,000 has already been received at the date of signing this report;
- \$200,000 payable in July;
- \$100,000 per month thereafter from August 2017 until November 2017;

On the 20 December 2016 Fox Resources Limited signed an agreement to sell 50% of the coking coal tenement EPC 1523 to Zimprops Pty Ltd for \$0.9m. Zimprops can sell their 50% of EPC 1523 back to Fox for \$1.5m at the earlier of the following events – the inferred resources increases by 50mt, or by the 22 June 2018. A Joint Venture will be formed if no election is made by Zimprops.

Fox then signed a Share Sale Agreement ("SSA") on 28 November 2017 to sell all of the shares in a new subsidiary of Fox, which is to hold the remaining 50% interest in Bundaberg EPC 1523 coking coal tenements after the Zimprops sale, to Bundaberg Coal Pty Ltd. Fox will receive \$1,775,000 in cash or 8,875,000 shares at 20 cents per share in a new listed entity (which effectively owns all of EPC 1523, amongst other tenements), or a combination of cash and shares at Fox's election. Fox's share of the consideration payable under the SSA, the entity which will own its interest in EPC 1523, will increase in proportion to the potential increase in the coking coal resource from the current drilling program. Assuming Fox's share increases by 25Mt of coking coal resource then Fox will receive \$1,963,500 in cash or 9,817,500 shares at 20 cents per share in the new listed entity, or a combination of cash and shares at Fox's election.

Directors and any associated director-related entities have continued to financially support the company from the reporting date until the date of signing this financial report. This is reflected in the increase in interest bearing liabilities since the previous reporting period on the Statement of Financial Position. Fox's major director-related creditor is Jungle Creek Gold Mines Pty Ltd ("Jungle Creek"), which was owed \$6,438,074 as at 31 December 2014. Jungle Creek was placed into administration early 2017, however Fox obtained a Deed of Forbearance ("DOF") from the administrators of Jungle Creek. Under the DOF the administrators have agreed to provide Fox a forbearance period of 12 months until 12 May 2018 in exchange for \$1.2 million in Artemis shares from the Artemis sale agreement plus \$250,000. This was subsequently settled in 2017 with the administrators of Jungle Creek, Jungle Creek was released from administration and Mr Streeter was re-elected Non-Executive Chairman of Fox Resources Ltd on 10 November 2017.

AUDITOR INDEPENDENCE

Section 307C of the Corporations Act 2001, requires the lead auditor from the Company's auditors, Grant Thornton Audit Pty Ltd, to provide the directors with a written Independence Declaration in relation to their review of the financial report for the half year ended 31 December 2016. A copy of the declaration is attached to this report.

For and on behalf of the board



TERRY STREETER
NON-EXECUTIVE CHAIRMAN

Dated: 27 February 2018

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
 FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

| | Notes | Consolidated | |
|---|-------|------------------|--------------------|
| | | Dec-16 | Dec-15 |
| | | \$ | \$ |
| Other income | 3 | 101,131 | 129,732 |
| Other expenses | 3 | (253,378) | (396,944) |
| Finance costs | 3 | (259,419) | (234,951) |
| Loss before income tax | | (411,666) | (502,163) |
| Income tax benefit | | - | - |
| Loss from continuing operations | | (411,666) | (502,163) |
| Loss on discontinued operation, net of tax | 3 | (136,998) | (558,337) |
| Loss | | (548,664) | (1,060,500) |
| Other comprehensive income | | | |
| Other comprehensive income | | - | - |
| Income tax relating to comprehensive income | | - | - |
| Other comprehensive income/(loss) for the year, net of tax | | - | - |
| Total comprehensive loss for the period | | (548,664) | (1,060,500) |
| Basic and diluted earnings/(loss) per share attributable to the consolidated entity (cents) | | (0.07) | (0.13) |
| Basic and diluted earnings/(loss) per share attributable to continuing operations (cents) | | (0.05) | (0.06) |

The above statement should be read in conjunction with notes to the financial statements

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 AS AT 31 DECEMBER 2016**

| | Notes | Consolidated | |
|---|-------|--------------------|--------------------|
| | | Dec-16 | Jun-16 |
| | | \$ | \$ |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | | 157,768 | - |
| Trade and other receivables | | - | - |
| Other financial assets | | - | 58,435 |
| | | <u>157,768</u> | <u>58,435</u> |
| Assets classified as held for sale | 4 | 5,358,731 | 5,608,731 |
| TOTAL CURRENT ASSETS | | <u>5,516,499</u> | <u>5,667,166</u> |
| NON-CURRENT ASSETS | | | |
| Other financial assets | | 6,954 | 40,000 |
| TOTAL NON-CURRENT ASSETS | | <u>6,954</u> | <u>40,000</u> |
| TOTAL ASSETS | | <u>5,523,453</u> | <u>5,707,166</u> |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 2,972,193 | 2,934,163 |
| Liabilities directly associated with assets classified as held for resale | | 920,731 | 920,731 |
| Interest bearing liabilities | | 2,410,430 | 2,332,293 |
| Provisions | | 25,146 | 17,512 |
| TOTAL CURRENT LIABILITIES | | <u>6,328,500</u> | <u>6,204,699</u> |
| NON CURRENT LIABILITIES | | | |
| Interest bearing liabilities | | 6,070,336 | 5,829,185 |
| TOTAL NON CURRENT LIABILITIES | | <u>6,070,336</u> | <u>5,829,185</u> |
| TOTAL LIABILITIES | | <u>12,398,836</u> | <u>12,033,884</u> |
| NET ASSETS | | <u>(6,875,383)</u> | <u>(6,326,718)</u> |
| EQUITY | | | |
| Issued capital | 5 | 125,976,992 | 125,976,992 |
| Reserves | | 150,346 | 150,346 |
| Accumulated losses | | (133,002,721) | (132,454,056) |
| TOTAL EQUITY | | <u>(6,875,383)</u> | <u>(6,326,718)</u> |

The above statement should be read in conjunction with notes to the financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS
 FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

| | Consolidated | |
|---|---------------------|------------------|
| | Dec-16 | Dec-15 |
| | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from customers | 181,825 | 176,306 |
| Payments to suppliers and employees | (231,808) | (159,106) |
| Interest and other costs of finance paid | - | (29,017) |
| NET CASH OUTFLOW FROM OPERATING ACTIVITIES | (49,983) | (11,817) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Payments for exploration activities | (204,559) | (449,581) |
| Proceeds from sale of exploration assets | 250,000 | - |
| Proceeds from sale of property, plant and equipment | 99,000 | - |
| NET CASH OUTFLOW FROM INVESTING ACTIVITIES | 144,441 | (449,581) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from borrowings | 63,310 | 461,398 |
| NET CASH INFLOW FROM FINANCING ACTIVITIES | 63,310 | 461,398 |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | 157,768 | - |
| Cash and cash equivalents at the beginning of the financial year | - | - |
| Effects of exchange rate changes on cash and cash equivalents | - | - |
| CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR | 157,768 | - |

The above statement should be read in conjunction with notes to the financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

| Consolidated | Notes | Issued Capital \$ | Accumulated Losses \$ | Other Reserves \$ | Total \$ |
|---------------------|-------|-------------------------|-----------------------------|-------------------------|--------------------|
| At 1 July 2015 | | 125,976,992 | (130,884,333) | 150,346 | (4,756,995) |
| Loss for the period | | - | (1,060,500) | - | (1,060,500) |
| Sub-total | | 125,976,992 | (131,944,833) | 150,346 | (5,817,495) |
| At 31 December 2015 | | 125,976,992 | (131,944,833) | 150,346 | (5,817,495) |
| | | | | | - |
| At 1 July 2016 | | 125,976,992 | (132,454,056) | 150,346 | (6,326,718) |
| Loss for the period | | - | (548,654) | - | (548,654) |
| Sub-total | | 125,976,992 | (133,002,710) | 150,346 | (6,875,372) |
| At 31 December 2016 | | 125,976,992 | (133,002,710) | 150,346 | (6,875,372) |

The above statement should be read in conjunction with notes to the financial statements.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

1. CORPORATE INFORMATION

The financial report of Fox Resources Ltd for the half year ended 31 December 2016 was authorised for issue in accordance with a resolution of the directors on 27 February 2018.

Fox Resources Ltd is a company limited by shares incorporated in Australia.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The condensed interim consolidated financial statements ('the interim financial statements') of the Group are for the six (6) months ended 31 December 2016 and are presented in Australian Dollar (\$AUD). These general purpose interim financial statements have been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 Interim Financial Reporting. They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2016 and any public announcements made by the Group during the half-year in accordance with the Corporations Act 2001.

The interim financial statements have been approved and authorised for issue by the Board of Directors on 27 February 2018.

Significant accounting policies

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2016.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these interim financial statements.

Estimates

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2016.

3. REVENUE, INCOME AND EXPENSES

The following revenue and expense items are relevant in explaining the financial performance for the interim period:

| | | Consolidated | |
|-----|--|---------------------|--------------------|
| | | 31 Dec 2016 | 31 Dec 2015 |
| | | \$ | \$ |
| (a) | Other Income | | |
| | Sundry income | 101,131 | 129,732 |
| | Total Other Income | <u>101,131</u> | <u>129,732</u> |
| (b) | Other Expenses | | |
| | Administration expenses | 253,378 | 396,944 |
| | Total Other Expenses | <u>253,378</u> | <u>396,944</u> |
| (c) | Finance costs | | |
| | Other loans including converting loan | 259,419 | 234,951 |
| | | <u>259,419</u> | <u>234,951</u> |
| (d) | Loss on discontinued operations | | |
| | Exploration & evaluation write off | 204,559 | 449,580 |
| | Profit on sale of assets | (80,000) | - |
| | Sundry income | (47,540) | - |
| | Administrative expense | 59,979 | 108,757 |
| | | <u>136,998</u> | <u>558,337</u> |

Exploration and evaluation costs of \$204,559 were costs incurred in maintaining the Group's exploration tenements. This costs were written off in the current period as the carrying value of exploration assets is measured at fair value within the Group's assets currently held for sale.

4. ASSETS CLASSIFIED AS HELD FOR SALE

| | | Consolidated | |
|---|----------------------------------|---------------------|--------------------|
| | | 31 Dec 2016 | 30 Jun 2016 |
| | | \$ | \$ |
| Movement in assets classified as held for sale | | | |
| | Balance at beginning of year | 5,608,731 | 5,608,731 |
| | Deposit on Queensland asset sale | (250,000) | - |
| | | <u>5,358,731</u> | <u>5,608,731</u> |

5. CONTRIBUTED EQUITY

| | Consolidated | |
|---|----------------------------|-----------------------------|
| | 6 months to 31 Dec 2016 | 12 months to 30 Jun 2016 |
| (a) Issued and paid up capital | \$ | \$ |
| Ordinary shares fully paid | <u>125,976,992</u> | <u>125,976,992</u> |
| (b) Movement in shares on issue | Number of Shares | \$ |
| Balance at beginning of year | <u>847,804,893</u> | <u>125,976,992</u> |
| Total issued and paid-up capital | <u>847,804,893</u> | <u>125,976,992</u> |
| (c) Share options | | |
| At 31 December 2016, there were nil (30 June 2016: nil) unissued ordinary shares in respect of which listed options were outstanding. | | |
| At 31 December 2016, there were 4,000,000 (30 June 2016: 4,000,000) unissued ordinary shares in respect of which unlisted options were outstanding. | | |
| Listed options to subscribe to ordinary shares | | |
| | 31 Dec 2016 | 30 Jun 2016 |
| | Number of Options | Number of Options |
| Balance at beginning of period | - | 282,351,520 |
| Cancelled / Forfeited | - | (282,351,520) |
| Balance at end of period | <u>-</u> | <u>-</u> |
| Unlisted options to subscribe to ordinary shares | | |
| | 31 Dec 2016 | 30 Jun 2016 |
| | Number of Options | Number of Options |
| Balance at beginning of period | 4,000,000 | 15,935,897 |
| Cancelled / Forfeited | - | (11,935,897) |
| Balance at end of period | <u>4,000,000</u> | <u>4,000,000</u> |

6. EVENTS SUBSEQUENT TO 31 DECEMBER 2016

On the 16 December 2016 Fox Resources Limited signed an agreement with Artemis Resources Ltd to purchase Fox Radio Hill Pty Ltd for \$3.5m in cash to be settled on the 31 March 2017. Subsequently Fox Resources Limited signed a revised agreement with Artemis Resources Ltd on the 12 May 2017 to sell Fox Radio Hill Pty Ltd for the issue of 28 million shares in Artemis Resources Ltd and Artemis to assume creditors in the amount of \$920,731, to be settled within eight weeks. In addition, Fox Resources Ltd has signed a service contract with Artemis Resources Ltd to provide ongoing services at Fox Radio Hill Pty Ltd.

In May 2017 Fox also entered an agreement with Artemis Resources Ltd, which will provide \$1,000,000 in service revenue:

- \$400,000 has already been received at the date of signing this report;
- \$200,000 payable in July;
- \$100,000 per month thereafter from August 2017 until November 2017;

On the 20 December 2016 Fox Resources Limited signed an agreement to sell 50% of the coking coal tenement EPC 1523 to Zimprops Pty Ltd for \$0.9m. Zimprops can sell their 50% of EPC 1523 back to Fox for \$1.5m at the earlier of the following events – the inferred resources increases by 50mt, or by the 22 June 2018. A Joint Venture will be formed if no election is made by Zimprops.

Fox then signed a Share Sale Agreement (“SSA”) on 28 November 2017 to sell all of the shares in a new subsidiary of Fox, which is to hold the remaining 50% interest in Bundaberg EPC 1523 coking coal tenements after the Zimprops sale, to Bundaberg Coal Pty Ltd. Fox will receive \$1,775,000 in cash or 8,875,000 shares at 20 cents per share in a new listed entity (which effectively owns all of EPC 1523, amongst other tenements), or a combination of cash and shares at Fox’s election. Fox’s share of the consideration payable under the SSA, the entity which will own its interest in EPC 1523, will increase in proportion to the potential increase in the coking coal resource from the current drilling program. Assuming Fox’s share increases by 25Mt of coking coal resource then Fox will receive \$1,963,500 in cash or 9,817,500 shares at 20 cents per share in the new listed entity, or a combination of cash and shares at Fox’s election.

Directors and any associated director-related entities have continued to financially support the company from the reporting date until the date of signing this financial report. This is reflected in the increase in interest bearing liabilities since the previous reporting period on the Statement of Financial Position. Fox’s major director-related creditor is Jungle Creek Gold Mines Pty Ltd (“Jungle Creek”), which was owed \$6,438,074 as at 31 December 2014. Jungle Creek was placed into administration early 2017, however Fox obtained a Deed of Forbearance (“DOF”) from the administrators of Jungle Creek. Under the DOF the administrators have agreed to provide Fox a forbearance period of 12 months until 12 May 2018 in exchange for \$1.2 million in Artemis shares from the Artemis sale agreement plus \$250,000. This was subsequently settled in 2017 with the administrators of Jungle Creek, Jungle Creek was released from administration and Mr Streeter was re-elected Non-Executive Chairman of Fox Resources Ltd on 10 November 2017.

7. SEGMENT INFORMATION

The Company has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (Chief Operating decision makers) in assessing performance and determining the allocation of resources. The Company is managed on the basis it is a mineral exploration company operating in the geographical region of Australia, mainly in Western Australia with additional tenements held in Queensland. The mineral assets held via outright ownership or joint venture are considered one business. Decisions are made on a prospectivity basis, not a geographical or commodity basis.

8. RELATED PARTY INFORMATION

Wholly-owned group transactions

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

Transactions with related parties

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

Since February 2012, the Company has entered into various agreements with Jungle Creek, a company controlled by the Company’s non-executive chairman and director, Mr Terrence Streeter, pursuant to which Jungle Creek made unsecured loans of varying amounts to the Company, totalling \$7,272,338 with total interest of \$1,890,103, as at 31 December 2016. Under the terms of the agreement, Jungle Creek may elect for the loan (including accrued interest) to be repaid, subject to shareholder approval, by the issue of shares.

The company has entered into an agreement with R & D White Pty Ltd since July 2012. The unsecured loan amounted to \$33,844, with total interest of \$8,844.

The company has entered into an agreement with Zashvin. The unsecured loan amounted to \$288,984, with total interest of \$68,984.

The company has entered into an agreement with Garry East. The unsecured loan amounted to \$606,812, with total interest of \$66,873.

The company has entered into an agreement with Bruce Garlick. The unsecured loan amounted to \$278,958, with total interest of \$28,958.

Other related party transactions:

At 31 December 2016, the following amounts were payable to directors and ex directors for directors' fees:

T E J Streeter: \$860,625 (\$787,500 relates to director fees; \$73,125 relates to superannuation contribution).

R White: \$136,297 (\$125,000 relates to director fees; \$11,297 relates to superannuation contribution). Resigned 2/10/2013)

G East: \$205,312 (\$187,500 relates to director fees; \$17,812 relates to superannuation contribution).

There were no other related party transactions during the year.

9. GOING CONCERN

This financial report has been prepared on the basis of going concern, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. As at 31 December 2016 the Group has reported a loss after tax for the period of \$548,654, net cash outflows from operations of \$49,983 and a net deficit position of \$6,875,383.

Directors and any associated director-related entities have continued to financially support the Group from the reporting date until the date of signing this financial report. Fox's major director-related creditor is Jungle Creek Gold Mines Pty Ltd ("Jungle Creek"), which was owed \$7,272,338 as at 31 December 2016. Jungle Creek was placed into administration early 2017, however Fox obtained a Deed of Forbearance ("DOF") from the administrators of Jungle Creek. Under the DOF the administrators have agreed to provide Fox a forbearance period of 12 months until 12 May 2018 in exchange for \$1.2 million in Artemis shares from the Artemis sale agreement plus \$250,000. This was subsequently settled in 2017 with the administrators of Jungle Creek, Jungle Creek was released from administration and Mr Streeter was re-elected Non-Executive Chairman of Fox Resources Ltd on 10 November 2017. Mr Streeter will continue to financially support the Group until the date of signing this financial report.

As at 31 December 2016 the Group holds \$157,768 cash on hand. The Group is committed to payments to maintain its rights over its exploration assets. As a result the Group has and expects further cash outflows from operating and investing activities in the next financial period. The ability of the Group to be able to continue as a going concern is thus dependent upon the Group being able to secure additional working capital as and when required. The Directors are satisfied that additional working capital has and will be secured as required and that it is appropriate to prepare the financial statements on a going concern basis based on the following:

- Fox has sold Fox Radio Hill Pty Ltd to Artemis Resources Ltd for 28m shares in Artemis Resources Ltd and \$920,726 in cash to settle the creditors in Fox Radio Hill Pty Ltd that was settled on 12 May 2017;
- Fox has entered an agreement with Artemis Resources Ltd, which will provide \$1,000,000 in service revenue:
 - \$400,000 has already been received at the date of signing this report;
 - \$200,000 payable in July 2017;
 - \$100,000 per month thereafter from August 2017 until November 2017;
- Fox has sold 50% of its Bundaberg coking coal assets to Zimprops Pty Ltd for \$1,000,000. This amount has been paid in full. Zimprops can sell their 50% of EPC 1523 back to Fox for \$1.5m at the earlier of the following events – the inferred resources increases by 50mt, or by the 22 June 2018. A Joint Venture will be formed if no election is made by Zimprops.
- Fox signed a Share Sale Agreement ("SSA") on 28 November 2017 to sell all of the shares in a new subsidiary of Fox, which is to hold the remaining 50% interest in Bundaberg EPC 1523 coking coal tenements after the Zimprops sale, to Bundaberg Coal Pty Ltd. Fox will receive \$1,775,000 in cash or 8,875,000 shares at 20 cents per share in a new listed entity (which effectively owns all of EPC 1523, amongst other tenements), or a combination of cash and shares at Fox's election;
- Fox has sold its remaining camp assets for \$200,000. These funds were received 1 January 2017;
- Forecast cash flows through to 28 February 2019 support Fox being able to meet its debts as and when they fall due on the basis on the agreements outlined above; and
- The Group's historical track record of being able to secure additional working capital as and when required.

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

DIRECTORS' DECLARATION

In the opinion of the Directors of Fox Resources Ltd:

1. The consolidated financial statements and notes of Fox Resources Ltd are in accordance with the Corporations Act 2001, including:
 - (i) Giving a true and fair view of its financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
 - (ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting; and
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:



TERRY STREETER
NON-EXECUTIVE CHAIRMAN

Dated: 27 February 2018

Central Park, Level 43
152-158 St Georges Terrace
Perth WA 6000

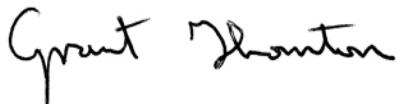
Correspondence to:
PO Box 7757
Cloisters Square
Perth WA 6850

T +61 8 9480 2000
F +61 8 9322 7787
E info.wa@au.gt.com
W www.grantthornton.com.au

Auditor's Independence Declaration to the Directors of Fox Resources Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Fox Resources Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

- a No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



P W Warr
Partner – Audit & Assurance

Perth, 27 February 2018

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Independent Auditor's Review Report to the Members of Fox Resources Limited

Report on the Half Year Financial Report

Conclusion

We have reviewed the accompanying half year financial report of Fox Resources Limited (the "Company"), and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 31 December 2016, and 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, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Fox Resources Limited does not give a true and fair view of the financial position of the Group as at 31 December 2016, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial reporting*.

Directors' Responsibility for the Half Year Financial Report

The Directors of the Group 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2016 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 Fox Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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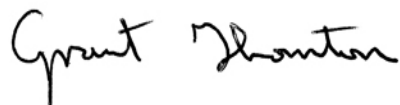
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A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



P W Warr
Partner – Audit & Assurance

Perth, 27 February 2018