

29 January 2020

ASX RELEASE

QUARTERLY ACTIVITIES REPORT DECEMBER 2019

TAO Commodities Limited (**"TAO" or "the company"**) (ASX: TAO) is pleased to release the Quarterly Activities Report for December 2019.

New Project Opportunity

The Company announced on the 25th October 2019 that it had acquired an exclusive option with DSO Mining Pty Ltd to acquire a portfolio of drill tested hematite and CID type iron ore assets located in Western Australia. The company completed due diligence into DSO Mining Pty Ltd and announced it had exercised the option to proceed with the acquisition of November 14, 2019 and entered into an exclusive binding term sheet to acquire 100% of DSO Mining Pty Ltd (**"DSO"**). Pursuant to the Term Sheet, DSO has rights to a portfolio 26 tenements, comprised of 3 granted exploration licences and 23 pending exploration licences for bedded and channel iron type iron ore projects covering a total of 874km².

The Company believes the opportunity to acquire a more advanced project will greatly benefit shareholders. The following provides a summary of the portfolio:

- **Tom Price- Hematite & CID Project:**
 - Located **adjacent to Rio Tinto's Western Turner Syncline Open Pit Mine which contains proven and probable reserves of 278Mt at 61.8%Fe¹**
 - Rock chip sampling of hematite mineralisation returned **up to 66% Fe**
 - Multiple significant channel iron drilling intercepts across **1,400m strike** include;
 - RC15BULL0016: **14m at 55.58% Fe from 18m**
 - RC15BULL0017: **18m at 54.91% Fe from 16m**
 - RC15BULL0018: **12m at 54.94% Fe from 24m**
 - RC15BULL0019: **18m at 54.65% Fe from 16m**
 - RC15BULL0021: **22m at 55.19% Fe from 14m**
 - RC15BULL0022: **22m at 55.41% Fe from 14m**
 - RC15BULL0023: **22m at 55.17% Fe from 10m**
 - RC15BULL0024: **16m at 55.17% Fe from 10m**
- **West Pilbara CID Project:**
 - Located 180km via sealed Great Northern Highway to Cape Preston
 - **>40km of strike of mapped CID**
- **Wiluna West Hematite Project:**

¹ Rio Tinto Annual Report, 2nd March 2018

- Located directly along strike to south of GWR Group Ltd's Wiluna Iron Ore Project which contains a mineral resource of 131Mt at 60% Fe²
- Multiple significant hematite drilling intercepts include:
 - WWRC2855: **18m at 56.88% Fe from 23m**
 - WWRC0119: **13m at 59.54% Fe from 22m**
 - WWRC0118: **5m at 57.76% Fe from 7m**
 - WWRC0120: **5m at 60% Fe from 59m**
- **Mt Padbury Hematite Project:**
 - Multiple significant hematite drilling intercepts include:
 - HMP19: **92m at 55.4% Fe from surface**
 - HMP010: **53m at 56.0% Fe from 3m**
 - HMP14: **43m at 55.1% Fe from 4m**
 - HMP15: **28m at 53.4% Fe from 4m and 20m at 57.9% Fe from 54m**
 - HMP17: **47m at 54.7% Fe from 4m**
 - HMP21: **49m at 56.9% Fe from 16m**
 - HMP22: **15m at 55.4% Fe from surface**

Please refer to the ASX Announcement dated 14 November for further details regarding the portfolio and any previous exploration completed.

Capital Raising

A capital raising of \$2,500,000 at an issue price of \$0.12 per share will be completed concurrently with and subject to the shareholder (achieved) and regulatory approval of the Acquisition.

Funds raised will be used for exploration expenditure on the Projects, to maintain the tenements, progress the tenements, which are in application phase, and for general working capital.

The Company is currently working with its lead manager BW Equities Pty Ltd (in conjunction with GTT Ventures Pty Ltd "**GTT**")* to complete the proposed A\$2,500,000 equity issue via a placement of up to approximately 20,833,33 shares at \$0.12 each ("**Placement**") which remains a condition precedent to completion of the transaction by no later than 17 February 2020.

*TAO's Managing Director, Patrick Glovac is also a director and shareholder of GTT

Material Terms of the Acquisition

TAO, DSO and the vendors of DSO ("**Vendors**") executed a Binding Term Sheet providing a twenty one day exclusive option ("**Option**") for TAO to acquire 100% of the issued capital of DSO Mining ("**Acquisition**").

² GWR Group Ltd Annual Report, 30th October 2018

In consideration of TAO being provided with the Option, TAO has paid a non-refundable option fee via the issue of 416,667 Fully Paid Ordinary Shares.

Subject to all necessary ministerial consents, DSO will become the sole legal owner of the granted tenements and the beneficial owner of the tenements which are in application phase.

The Acquisition consideration is comprised of:

- the option fee of 416,667 Fully Paid Ordinary Shares, payable on execution of the Term Sheet;
- the following securities, payable at settlement of the Acquisition:
 - 22,916,667 Fully Paid Ordinary Shares;
 - 15,000,000 unlisted options at an exercise price of \$0.30 and expiry of four years from the date of issue;
 - 12,500,000 performance shares which vest into ordinary shares on a 1:1 basis, subject to satisfaction of the following milestones:
 - **Milestone 1:** 6,250,000 performance shares which vest upon the granting of three additional key exploration licences out of the four priority licences selected E08/3078, E08/3086, E52/3701 and E47/3971; and
 - **Milestone 2:** 6,250,000 performance shares which vest upon the announcement of an Inferred (or higher categorisation) Mineral Resource in accordance with JORC 2012 Edition Guidelines (or other globally recognised mineral code) of a minimum of 3 million tonnes at >55% iron; and
- 2% Net Smelter Royalty on all future metals obtained from the Tenements.

Settlement of the Acquisition was subject to satisfaction of the following conditions precedent, which must be satisfied on or before 30 December 2019 (or such other date as agreed in writing by the parties):

- TAO obtaining all necessary shareholder and regulatory approvals to implement the Acquisition, including but not limited to approval under Listing Rule 11.1.2;
- completion of TAO's proposed \$2.5m capital raising;
- TAO completing legal, financial and technical due diligence on DSO and the Projects;
- all necessary ministerial and third party consents are obtained for the transfer of the granted tenements to DSO;
- all necessary ministerial and third party consents are obtained for TAO, DSO and the Vendors to enter into power of attorneys and trust deeds for each tenement which is in application phase, appointing DSO and TAO power of attorney in respect of all decisions to be made on the tenements and confirming that the tenement applications are held on trust for the benefit of DSO and TAO, with effect from the date of settlement of the Acquisition;

Subject to the completion of the Acquisition, GTT Ventures Pty Ltd will be paid the following consideration for GTT's services in facilitating the Acquisition:

- 2,291,667 Fully Paid Ordinary Shares;
- 3,000,000 unlisted options at an exercise price of \$0.30 and expiry of four years from the date of issue;
- 1,250,000 performance shares which vest into ordinary shares on a 1:1 basis, subject to satisfaction of the following milestones:
 - 625,000 performance shares which vest upon the satisfaction of Milestone 1 described above; and
 - 625,000 performance shares which vest upon the satisfaction of Milestone 21 described above.

TAO prepared and released a Notice of Meeting (18 December 2019) to approve the DSO Mining transaction. The shareholder meeting took place subsequent to the end of December 2019 (21 January 2020) and all resolutions were passed by way of Poll.

Corporate

The Company held its Annual General Meeting on 25 November 2019 and all resolutions were passed on a show of hands.

Tenement Schedule (Disclosure per ASX Listing Rule 5.3.3)

Tenements held at end of the quarter by TAO Commodities Ltd and subsidiary companies.

TENEMENT	LOCATION	INTEREST
ML-001 to ML-100, ML-051a	Utah USA	100%
Total Number of Claims	101	

Authorised by the Board of TAO Commodities Ltd

For further information, please contact

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