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28 October 2020

ASX RELEASE

QUARTERLY ACTIVITIES REPORT SEPTEMBER 2020

TAO Commodities Limited **("TAO" or "the company") (ASX: TAO)** is pleased to release the Quarterly Activities Report September 2020.

Milford Project

During the September quarter the Company reported that further soil and rock sampling[1] has been completed at its Milford Project in Beaver County, Utah, USA.

The soil sampling aims to extend the known mineralised trends defined from the Phase 1 sampling programme completed earlier in the year at the Moccasin and Captain Jack areas. The results from the Phase 1 sampling [2,3] defined two differing geochemical signatures/associations with both interpreted to follow a broad NE orientation;

- Gold-Silver association at the Captain Jack Prospect, with peak Au to 26 ppb (0.026 ppm) and 0.54 ppm Ag.
- Silver-lead-zinc-gold association at Moccasin Prospect with peak Au to 20 ppb (0.02 ppm), 1.08 ppm Ag, 827 ppm Zn and 550 ppm Pb.

Weakly elevated copper was recorded at both prospect areas although not as strongly associated with the interpreted anomalous NE trends. Other elements including As, Sb, Mo, Co and W also showed an association with the geochemical anomalies.

A total of 197 soil and 4 rock samples have been dispatched to the laboratory with results expected in the coming weeks. Further planned exploration will be finalised once results have been received and interpreted.

Previous ASX Announcements

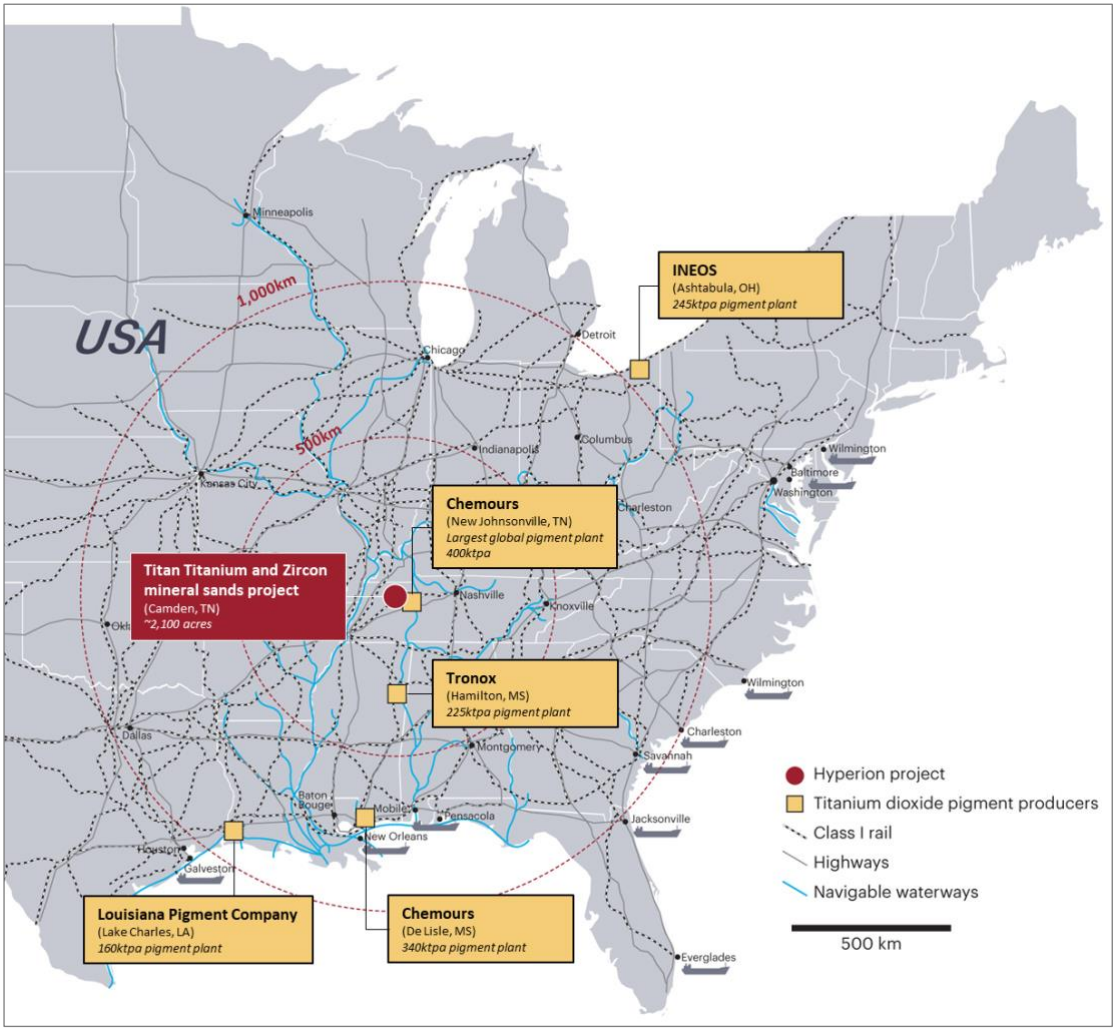
1- *30/06/2020 - TAO Commodities Ltd – ASX Announcement* – Further Gold exploration work planed at Milford
2- *30/04/2020 - TAO Commodities Ltd – ASX Announcement* – ROCK SAMPLING RETURNS UP TO 17.4 g/t Au & 8760 g/t Ag.
3- *02/06/2020- TAO Commodities Ltd – ASX Announcement* – Soil Sampling enhance prospect areas

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Titan Titanium and Zircon Heavy Mineral Sands Project

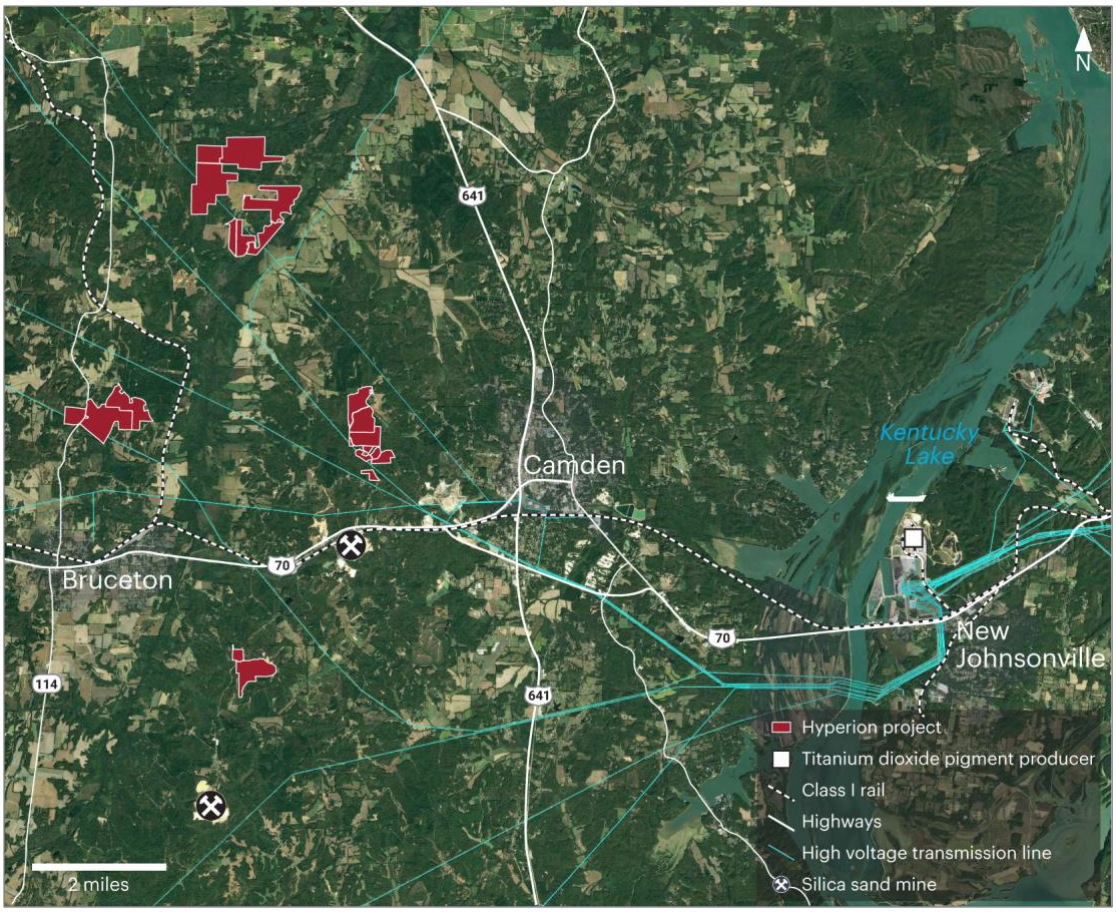
The Company announced that it had entered into an option to acquire 100% of the issued capital of Hyperion Metals Pty Ltd ("Hyperion") ("Acquisition"). Hyperion holds a 100% interest over the Titan Project, which is comprised of ~2,100 acres of options to lease or purchase private surface and mineral rights ("Option Agreements") that are highly prospective for titanium and zircon mineral sands proximal to the town of Camden in Benton, Henry and Carroll counties in Tennessee, USA.

Subsequent to the end of the September 2020 quarter the Company announced (on the 6th October) its intention to exercise the option and proceed with the acquisition. Further detail on the project can be found in the ASX announcement "US Titanium & Zircon Heavy Mineral Sand Project" dated 29 September 2020.



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The Project is strategically located in the southeast of the U.S., close to significant manufacturing capacity, providing a significant logistical advantage over current U.S. supplies of imported titanium feedstock. Specifically, the Project is ~15 km from Chemours' New Johnsonville pigment plant, one of the largest pigment plants globally and within a low-cost barge, truck or rail-served distance to all other major U.S. titanium pigment and metal plants.



Geology & Historic Exploration

The Project targets a segment of the unconsolidated Cretaceous stratigraphy along the eastern boundary of the Mississippi Embayment in northwestern Tennessee, USA. More specifically, the Project is located in portions of Benton, Henry and Carroll Counties, where the Cretaceous McNairy Sand is approximately 90 meters (300 feet) thick and is divided into three members.

The basal member is of the most significance as it consists of fine-grained grey and orange quartz sand which locally hosts heavy mineral sands in economic proportions. Wilcox (1971)[1] reported heavy mineral sand concentrations from the McNairy Sand, with a mineral assemblage of ilmenite, leucoxene, rutile, zircon, monazite, staurolite, kyanite and

[1] Wilcox, J.T. (1971), Preliminary Investigations of Heavy Minerals in the McNairy Sand of West Tennessee, Nashville, TN, State of Tennessee Department of Conservation

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tourmaline. In 1998 Altair International Inc. reported a resource from the McNairy Sand in the vicinity of the Project which graded 3.6% HMS with the heavy mineral concentrate containing a mineral assemblage of 15% zircon, 5% rutile and 60% ilmenite.

The McNairy Sand outcrops in a north – northeast trend and dips gently westward. Generally, the unit is poorly exposed. Force (1991)[2] describes the depositional environment for the McNairy sand as "shoreline facies of the upper regressive sequence in a transgressive-regressive wedge".

Importantly, the region includes active permitted mining operations, with the McNairy Sand hosting two mines producing high-quality quartz for the industrial glass industry.

Terms of Option Agreements -Hyperion

Hyperion, through its 100% owned U.S. subsidiary, has entered into exclusive option agreements with local landowners in Tennessee, which upon exercise, allows Hyperion to lease or purchase approximately 2,100 acres of surface property and the associated mineral rights from the local landowners.

During the option period, Hyperion has the exclusive right to access, enter, occupy and use the surface property for all purposes related to exploring for and evaluating all minerals (except hydrocarbons) in return for Hyperion making annual cash option payments to the landowners (generally between US$25 – US$75 per acre per year).

Upon exercise, in the case of an option to lease, Hyperion will pay a production royalty to the landowners (generally a 5% net smelter return royalty for all product mined and sold), subject to a minimum royalty (generally US$75 per acre per year). Upon exercise, in the case of a purchase, Hyperion will pay cash consideration approximating the fair market value of the property, excluding the value of any minerals, plus a premium (generally between US$1,750 – US$1,950 per acre).

Material terms and conditions of the Acquisition

Upon exercise of the Option by the Company which occurred 6 October 2020, the Consideration for the Acquisition is comprised of the following ordinary shares, unlisted options, performance shares, and performance options, to be issued by the Company at Settlement to the vendors:

- 26,500,000 fully paid ordinary TAO shares at a deemed issue price of $0.08 (8 cents) ("Consideration Shares");
- 5,000,000 unlisted options with an exercise price of $0.20 and expiry of 5 years from their date of issue ("Consideration Options");
- 18,000,000 unlisted Class A performance shares ("Class A Performance Shares") that convert into an equal number of ordinary shares upon completion of a positive pre-

[2] Force, E.R. (1991) Geology of titanium-mineral deposits, Boulder, CO, The Geological Society of America, Inc.

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feasibility study (prepared in accordance with the JORC Code and independently verified by a Competent Person) for HMS mining and processing on any of the Project area which demonstrates a net present value of at least A$200,000,000, within 4 years from the date of execution of the Term Sheet ("Class A Milestone");

- 18,000,000 unlisted Class B performance shares ("Class B Performance Shares") that convert into an equal number of ordinary shares upon commencement of commercial production from the Project area, within 5 years from the date of execution of the Term Sheet ("Class B Milestone");

- 4,000,000 Class A performance options ("Class A Performance Options") on the same terms and conditions as the Consideration Options that vest upon satisfaction of the Class A Milestone; and

- 4,000,000 Class B performance options ("Class B Performance Options") on the same terms and conditions as the Consideration Options that vest upon satisfaction of the Class B Milestone.

All consideration securities will be subject to a 12-month voluntary escrow from the Settlement Date.

The Acquisition is subject to condition precedents including:

- TAO exercising its Option to acquire Hyperion (completed);
- TAO and Hyperion completing due diligence to their satisfaction (completed);
- TAO completing a capital raising of $2,000,000 at an issue price of $0.08;
- TAO maintaining a cash balance of at least $1,100,000;
- TAO obtaining the necessary shareholder and regulatory approvals required (including but not limited to approvals required by ASX under the Listing Rules and shareholder approval for the Acquisition and the issue of the Consideration Shares, Consideration Options, Performance Shares and Performance Options);
- Each remaining minority vendor (representing 31% of Hyperion) providing TAO with a duly executed share transfer form for the transfer of their Hyperion Shares to TAO; and
- TAO and the Majority Vendors obtaining all necessary third party consents and governmental/ministerial approvals.

The Agreement includes pre-completion obligations on both parties and standard representations and warranties.

Subject all necessary shareholder and regulatory approvals, and subject to completion of the Acquisition, GTT Ventures Pty Ltd will be paid the following consideration for GTT's services in facilitating the Acquisition:

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- 2,650,000 fully paid ordinary shares;
- 1,800,000 unlisted Class A performance shares that convert into an equal number of ordinary shares upon completion of the Class A Milestone; and
- 1,800,000 unlisted Class B performance shares that convert into an equal number of ordinary shares upon completion of the Class B Milestone.

Placement

TAO has secured commitment letters for a placement of A$2,000,000 via the issue of 25 million shares at A$0.08 per share ("Placement") to occur concurrent to the closing of the transaction. Shareholder approval will be sought for the issue of shares pursuant to the Placement. Funds from the Placement and existing cash reserves will be used to fund the Acquisition, exploration activities at the Project, transaction costs, and for working capital.

Taylor Collison Limited will act as the lead manager to the Placement and GTT Ventures will act as Corporate Advisor. Subject to shareholder approval, the Company will issue 5 million unlisted broker options (exercisable at $0.20 each, expiring 31 December 2023) in connection with the Placement.

Subject to shareholder approval under Listing Rule 10.11, Mr. Patrick Glovac, a director of TAO, intends to participate in the Placement up to the extent of $80,000 for 1 million shares.

Subject to shareholder approval at the Company's upcoming Annual General Meeting, the Company will also issue 3.5 million unlisted management options (exercisable at $0.25 each and expiring 31 December 2023) to current management as ongoing incentivisation for their roles.

Corporate

The audited Financial Statements of the company for the financial year ended 30 June 2020 were released on the 18 September 2020. The Corporate Governance Statement and Appendix 4G were also released at this time.

Listed Options expiry and Option Entitlement Issue

During the quarter the Company's 15,448,351 quoted options exercisable at $0.20 each expired (1 September 2020).

On the 7th August, the Company released a pro-rata non-renounceable entitlement issue of options to eligible shareholders on the basis of one (1) option for every eligible two (2) shares held being up to 15,693,334 options. Each Option is exercisable for one fully paid ordinary share, at $0.20 (20c) per Option, on or before 31 August 2021. The purpose of the Option Issue is to recognise the support and loyalty the Company has received from its Shareholders to date.

These options were issued 3 September 2020.

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Payments to related parties of the entity and their associates

Section 6.1 Appendix 5B description of payments:

Director Fees	$49,275	
GTT Ventures Pty Ltd – Consultant fees and rent	$40,500	P Glovac is Director and shareholder of GTT Ventures
Nova Legal – legal fees	$17,406	F Knezovic is Director and shareholder of Nova Legal
Total	**$107,181**	

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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