

29 January 2021

ASX RELEASE

DECEMBER 2020 QUARTERLY ACTIVITIES REPORT

Tao Commodities Limited (“TAO” or “the Company”) (ASX: TAO) is pleased to provide its December 2020 quarterly activities report. Highlights during and subsequent to the quarter were:

- Completed the acquisition of a 100% interest in the Titan Project (“Project”) comprising titanium and zircon prospective heavy mineral sands (“HMS”) properties in Tennessee, United States;
- Increased the Company’s land position at the Titan Project by more than 80% to approximately 3,900 acres, adding to a large and contiguous package of surface and mineral rights;
- Completed a maiden Phase 1 drilling program at the Titan Project which confirmed thick, high grade mineralisation in all 15 drill holes;
- Thick zones of high-grade Total Heavy Mineral (“THM”) returned near surface in all holes, including:
 - 47.2m @ 3.69% THM including 10.7m @ 8.09% THM and 10.7m @ 5.47% THM;
 - 35.1m @ 3.04% THM including 10.7m @ 8.16% THM; and
 - 32.0m @ 3.12% THM including 10.7m @ 5.64% THM;
- Preliminary analysis of Valuable Heavy Minerals (“VHM”) (which ranges from 42% to 76% of THM across the selected drill holes) indicates a highly valuable average mineral assemblage of the VHM portion consisting of:
 - 16.9% Rutile, 14.5% Zircon, 21.6% Leucoxene, 46.0% other high-titanium minerals and 1.8% Monazite;
- The results highlight the potential for a world scale, high-grade HMS deposit in an infrastructure rich region, with the Company focused on rapidly moving towards defining a maiden JORC mineral resource estimate and completing a Scoping Study in Q2 2021;
- Completed a Phase 2 drilling program on the Titan Project comprising 10 drill holes with assay results due to be released during Q1 2021;
- Commenced a Phase 3 drilling program on the Titan Project to include infill drilling and bulk sampling for resource delineation and exploration drilling;
- Completed a Phase 2 soil sampling at the Milford Project in Utah, United States, extending geochemical anomalies along interpreted mineralised trends;
- Subsequent to quarter end, appointed experienced mining company executive, Mr. Todd Hannigan, as Non-Executive Chairman of the Company; and
- Subsequent to quarter end, announced a placement to raise A\$3.6 million to accelerate the development of the Titan Project. Mr. Hannigan subscribed for A\$1.0 million in the placement.



Anastasios Arima, Executive Director of Tao Commodities commented:

“We are very happy to have completed the acquisition of Hyperion Metals, and are highly encouraged by the progress made at the Titan Project in such a short amount of time. The initial results highlight the potential for a massive HMS deposit with exceptional characteristics including simple geology, high grade intersections, high value assemblage, located in an infrastructure rich, low cost region in the USA with customers on our doorstep.”

This announcement has been authorised for release by the Executive Director.

END

For further information, please contact:

Anastasios (Taso) Arima
Executive Director
TAO Commodities Limited
+1 347 899 1522
info@taocommodities.com.au

Dominic Allen
Corporate Development
TAO Commodities Limited
+61 468 544 888
info@taocommodities.com.au

PROJECT OVERVIEW

Tao Commodities Limited (“TAO”) holds a 100% interest in the Titan Project (“Project”), covering approximately 3,900 acres of titanium and zircon prospective heavy mineral sands (“HMS”) properties in Tennessee, U.S. The Project is located in an area which saw significant historic exploration from 1960 – 1990 by DuPont, BHP and others, and included over 200 drill holes and a bulk sample mining operation.

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.

The U.S. is the second-largest global importer of titanium feedstocks where it is primarily used to produce TiO₂ pigment for the coatings and plastics sector and Ti metal for the defense, aerospace, space and medical sector. Over the last decade the U.S. has seen a significant decrease in production of both titanium feedstocks and zircon with the closure of Iluka’s operations in Virginia in 2016. As a result, import reliance has risen to 95% in 2019, with import values of ~A\$1,200 million.

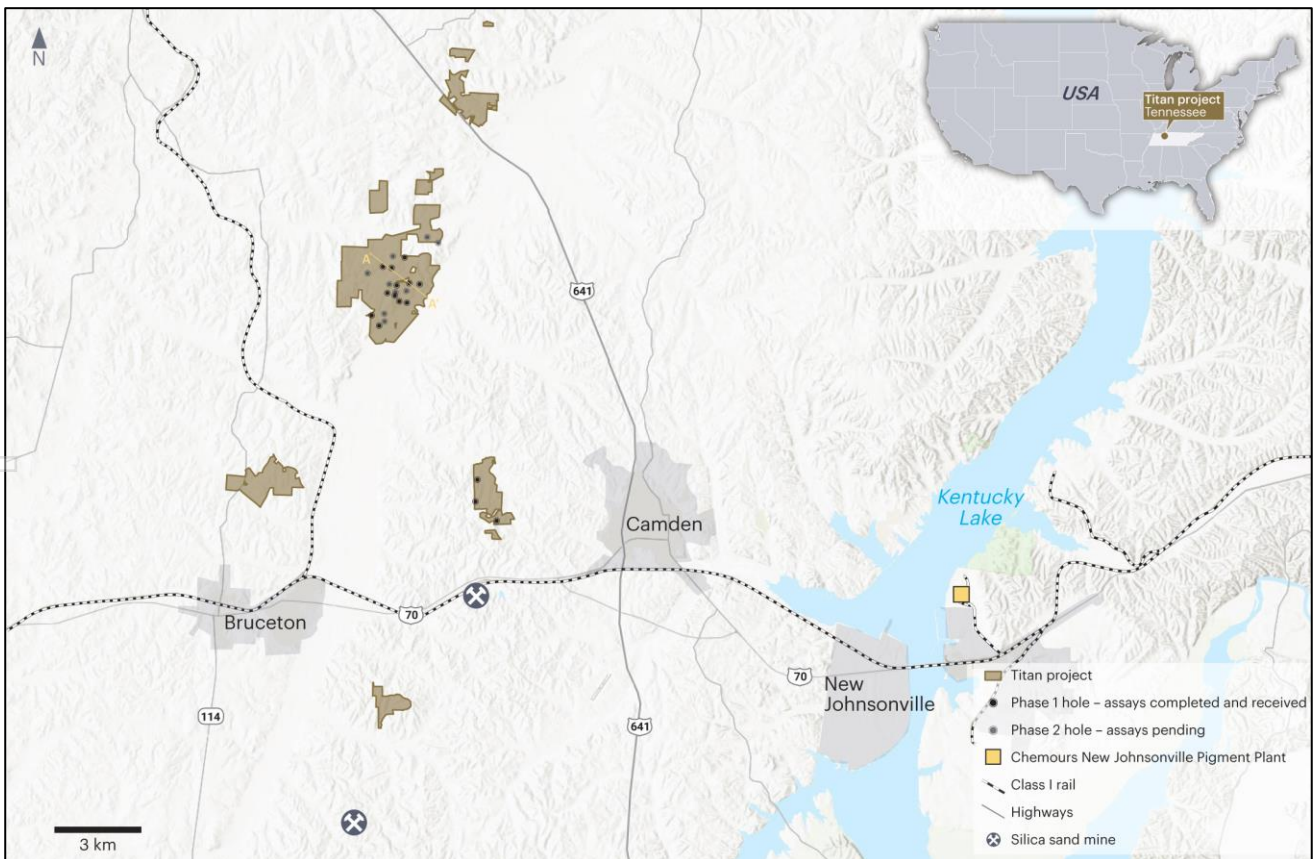


Figure 1: Regional location highlighting Phase 1 & 2 drill hole locations and local infrastructure

PHASE 1 DRILLING PROGRAM

During the quarter, the Company received results for 15 drill holes completed in the Phase 1 drilling program. All Phase 1 sonic core holes encountered zones with elevated HMS mineralisation.

Within the Phase 1 program, the thickest and highest-grade results were obtained from the Company's northern most properties following a ridge line where 12 holes intersected thick zones of mineralization. This thick zone of mineralization ranged from 12.2 to 48.8 meters with all results >1.0% THM and with values consistently ranging from 2% – 4% THM over intercepts of between 30 and 50 meters. Highlights include:

Drill hole ID	Result
20-SWW-014	47.2m @ 3.69% THM including 10.7m @ 8.09% THM and 10.7m @ 5.47% THM
20-SWW-003	35.1m @ 3.04% THM including 10.7m @ 8.16% THM
20-SWW-001	32.0m @ 3.12% THM including 10.7m @ 5.64% THM
20-STV-009	47.2m @ 2.12% THM including 9.1m @ 4.19% THM
20-SWW-006	35.1m @ 2.80% THM including 9.1m @ 8.21% THM
20-STV-013	36.6m @ 2.37% THM including 4.6m @ 5.07% THM

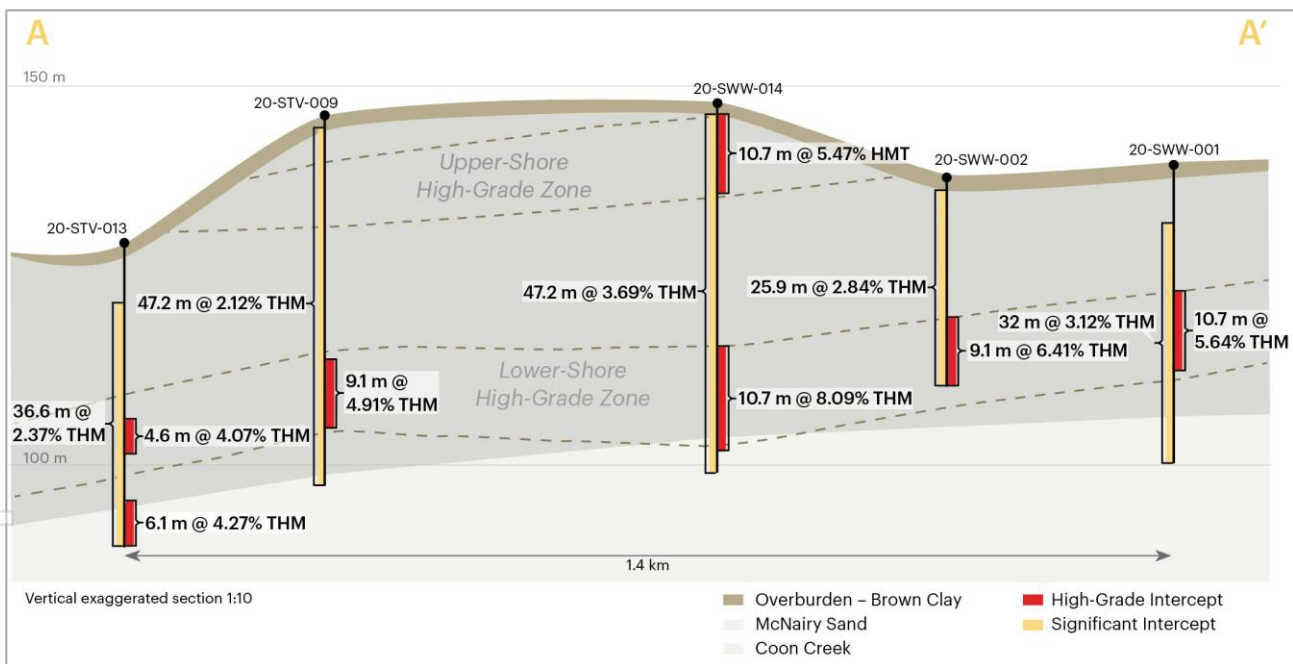


Figure 2: Cross section showing exceptional thickness and grade across the deposit

Within this thick envelope of mineralization, two zones of high-grade mineralization have been recognized, and are described as an Upper Shore Zone and a Lower Shore Zone. The cross section in Figure 2, oriented perpendicular to the paleo shoreline, shows the significant THM intercepts for 5 of the holes and the continuity of the upper and lower shoreline zones. Drilling remains open in all directions.

Three holes were completed in the land package located just west of Camden, Tennessee, and encountered thick zones of lower grade mineralization compared to the results seen in the northern properties, with the mineralization hosted in the lower member of the McNairy Sand.

Phase 1 Total Heavy Minerals (THM) Interpretation

The Phase 1 drill program utilized a sonic drill rig, which allowed for core samples to be taken every ~1.5 meters (5 ft). These samples were then bagged and shipped to SGS Laboratories in Lakefield, Ontario, where a Heavy Mineral Concentrate (“HMC”) was prepared.

The HMC was prepared via screening for oversize (+600 microns) and slimes (-45 microns) and then subjecting an 85-gram sub-sample from the screened fraction to heavy liquid separation at 2.95 specific gravity. Weights were recorded for the HMC, oversize fraction (+600 microns) and the slimes (-45 microns) for each sample. The Total Heavy Mineral (“THM”) percentage was then calculated by including the mass of the oversize material and the slimes.

Phase 1 Valuable Heavy Minerals (VHM) Assemblage Interpretation

Subsequent to the THM interpretation, 70 select HMC samples from 4 drill holes were sent to SGS Lakefield and subjected to QEMSCAN analysis to determine the mineral assemblage within the HMC. Valuable Heavy Minerals (“VHM”) assemblage was derived from the HMC samples by adding the rutile, leucoxene, pseudorutile/Hi-Ti Ilmenite, ilmenite, Ti-magnetite/hematite, zircon and monazite (rare earths). This calculation excludes quartz, staurolite, kyanite and all other non-valuable minerals.

The initial results highlight a favorable VHM range of 42% - 76% across the selected drill holes with the average THM assemblage and VHM assemblage shown in Figure 3.

Particularly encouraging are initial indications of a highly valuable potential product suite within the VHM portion of the THM comprising of large proportions of rutile (16.9%) and zircon (14.5%) with the majority of the remaining VHM being titanium minerals including leucoxene and pseudorutile with minor amounts of ilmenite and titanium magnetite/hematite.

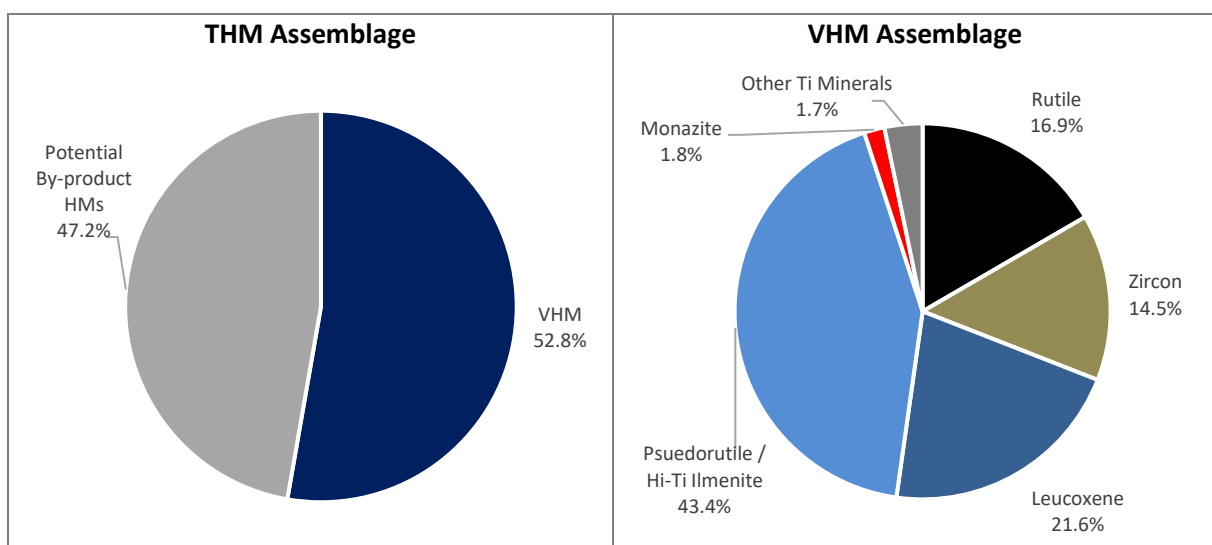


Figure 3: Mineral assemblage displayed as both THM and VHM

INCREASED LANDHOLDING

During the quarter, the Company increased its land position at the Titan Project through the addition of approximately 1,000 acres within the heavy mineral sands rich McNairy Sands geological formation, taking the Project's total land holding to approximately 3,100 acres.

Importantly, the additional properties form a large and contiguous parcel of land and mineral rights which are the focus of both the Phase 1 and Phase 2 drilling campaigns. The additional properties are highly prospective for HMS and cover an area successfully explored in previous drilling by other companies.

Subsequent to the end of the quarter, the Company further increased its land position through the addition of a further approximately 750 acres, taking the Project's total land holding to approximately 3,900 acres.

MILFORD PROJECT

During the quarter, Phase 2 soil sampling results received extended geochemical anomalies at the Moccasin and Captain Jack Prospects within the Company's Milford Project.

Sampling at Moccasin extended the geochemical soil anomaly, open to the SW, with the Ag component of the anomaly over 1.5 km long at +0.2 ppm Ag, with rock sampling returning Ag to 65.1 g/t and Au to 1.15 g/t.

Sampling at Captain Jack Prospect further defined a partially overlapping gold-silver soil anomaly along trend, open to NE.

MARCH 2021 QUARTER PLANNED ACTIVITIES

In December 2020, the Company completed a Phase 2 drill program totaling 10 holes for 344 meters. Samples have been received by SGS Laboratories with assays due to be released during Q1 2021.

The Company has also commenced a Phase 3 drilling program with the aim of delineating a maiden resource estimate in Q2 2021, intended to form the basis of a project scoping study. The Phase 3 drill program will include a bulk sampling program to conduct further mineralogy and metallurgical test work.

CORPORATE

During the quarter, the Company completed the 100% acquisition of Hyperion Metals Pty Ltd ("Hyperion") which holds the Titan Project comprising titanium and zircon prospective HMS properties in Tennessee, United States.

During the quarter, the Company completed a placement to raise A\$2,000,000 via the issue of 25 million shares at A\$0.08 per share.

During the quarter, Mr. Anastasios Arima was appointed as Executive Director of the Company, based in Charlotte, North Carolina, and Mr. Alastair Smith was appointed as Non-Executive Director of the Company. Mr. Frank Knezovic resigned as Non-Executive Director of the Company.

During the quarter, Mr. Greg Swan was appointed as Company Secretary, following the resignation of Mrs. Anna MacKintosh as Company Secretary.

Subsequent to the end of the quarter, experienced mining company executive, Mr. Todd Hannigan, was appointed as Non-Executive Chairman of the Company, effective from 1 February 2021. Mr. Mark Connelly remains a Non-Executive Director of the Company.

Subsequent to the end of the quarter, the Company announced a placement to raise A\$3,645,00 via the issue of 12.15 million shares at A\$0.30 per share to accelerate the development of the Titan Project.

ASX ADDITIONAL INFORMATION

Mining properties – Titan Project

As at 31 December 2020, the Titan Project comprised of approximately 3,133 acres of surface and associated mineral rights in Tennessee.

The Company, through its 100% owned U.S. subsidiary, has entered into exclusive option agreements with local landowners in Tennessee, which upon exercise, allows the Company to lease or purchase approximately 3,133 acres of surface property and the associated mineral rights from the local landowners. During the option period, the Company 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 making annual cash option payments to the landowners. Upon exercise, in the case of an option to lease, the Company will pay a production royalty to the landowners, subject to a minimum royalty. Upon exercise, in the case of a purchase, the Company will pay cash consideration approximating the fair market value of the property, excluding the value of any minerals, plus a premium.

During the quarter, the Company entered into exclusive option agreements with local landowners to lease or purchase an additional approximately 989 acres of surface properties (and associated mineral rights).

Mining properties – Milford Project

Tenements held at 31 December 2020 by the Company relating to the Milford Project are:

Tenement	Location	Interest
ML-001 to ML-100, ML-051a	Utah, USA	100%
Total number of claims	101	

Mining exploration expenditures

During the quarter, the Company made the following payments in relation to mining exploration activities:

Activity	A\$000
Drilling and assays	(88)
Geological consultants	(70)
Field supplies, vehicles, travel and other	(27)
Total as reported in Appendix 5B	(185)

Related party payments

During the quarter the Company made payments of approximately A\$222,000 to related parties and their associates. These payments relate to executive directors' remuneration, non-executive directors' fees, consulting fees, rental fees, and legal fees.

Forward looking statements

Information included in this release constitutes forward-looking statements. Often, but not always, forward looking statements can generally be identified by the use of forward looking words such as "may", "will", "expect", "intend", "plan", "estimate", "anticipate", "continue", and "guidance", or other similar words and may include, without limitation, statements regarding plans, strategies and objectives of management, anticipated production or construction commencement dates and expected costs or production outputs.

Forward looking statements inherently involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance, and achievements to differ materially from any future results, performance or achievements. Relevant factors may include, but are not limited to, changes in commodity prices, foreign exchange fluctuations and general economic conditions, increased costs and demand for production inputs, the speculative nature of exploration and project development, including the risks of obtaining necessary licenses and permits and diminishing quantities or grades of reserves, political and social risks, changes to the regulatory framework within which the company operates or may in the future operate, environmental conditions including extreme weather conditions, recruitment and retention of personnel, industrial relations issues and litigation.

Forward looking statements are based on the Company and its management's good faith assumptions relating to the financial, market, regulatory and other relevant environments that will exist and affect the Company's business and operations in the future. The Company does not give any assurance that the assumptions on which forward looking statements are based will prove to be correct, or that the Company's business or operations will not be affected in any material manner by these or other factors not foreseen or foreseeable by the Company or management or beyond the Company's control.

Although the Company attempts and has attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in forward looking statements, there may be other factors that could cause actual results, performance, achievements or events not to be as anticipated, estimated or intended, and many events are beyond the reasonable control of the Company. Accordingly, readers are cautioned not to place undue reliance on forward looking statements. Forward looking statements in these materials speak only at the date of issue. Subject to any continuing obligations under applicable law or any relevant stock exchange listing rules, in providing this information the company does not undertake any obligation to publicly update or revise any of the forward looking statements or to advise of any change in events, conditions or circumstances on which any such statement is based.

Competent Person's Statement

The information in this announcement that relates to the Titan Project Exploration Results is extracted from the Company's ASX Announcement dated 7 January 2021 and the information in this announcement that relates to the Milford Project Exploration Results is extracted from the Company's ASX Announcements dated 9 July 2018, 30 April 2020, 30 June 2020 and 17 August 2020 ("Original ASX Announcements"). These announcements are available to view at the Company's website at taocommodities.com.au.

The Company confirms that a) it is not aware of any new information or data that materially affects the information included in the Original ASX Announcements; b) all material assumptions included in the Original ASX Announcements continue to apply and have not materially changed; and c) the form and context in which the relevant Competent Persons' findings are presented in this report have not been materially changed from the Original ASX Announcements.