

30 October 2020

Dear Shareholders

Annual General Meeting of TAO Commodities Limited

You are invited to attend the annual general meeting of shareholders of TAO Commodities Limited (**Company**) (ASX:TAO) to be held at 22 Townshend Road, Subiaco WA 6008 (**Location**) on Monday 30 November 2020 at 11:00am (AWST) (**Meeting**).

In accordance with section 5(f) of the *Corporations (Coronavirus Economic Response) Determination (No.1) 2020* (Cth), the Company will not be sending a hard copy of the notice of Meeting (**Notice**) to Shareholders. Instead, a copy of the Notice will be made available electronically as follows:

- via the Company's website at www.taocommodities.com.au/announcements;
- via the Company's ASX page at www.asx.com.au/asx/share-price-research/company/TAO; and
- if you have nominated an email address and have elected to receive electronic communications from the Company, via the electronic link that is sent to your nominated email address.

The Company will be conducting the Meeting at the Location without the use of video conferencing technology. With regards to the COVID-19 pandemic, the Company considers the health and safety of shareholders, advisers and staff to be paramount. As such, the Company has put in place measures to adhere to physical distancing requirements set by the government authorities for the Meeting.

All the resolutions in the Notice will be voted upon by poll. If you wish to vote on any of the resolutions identified in the Notice, you must vote online or attend the Meeting in person or by proxy. If you do not wish to vote at the Meeting, you are encouraged to appoint the Chair as proxy prior to the Meeting. A proxy form is provided with this letter and should be filled out with specific instructions on how your vote is to be exercised in relation to each resolution, and the Chair must follow such instructions. The Notice sets out instructions on how to properly complete and send the proxy form to the Company or submit your vote online.

If you are unable to access the Notice through the above means or for any other reason, please contact the Company Secretary on +61 8 6380 2470 or at enquiry@taocommodities.com.au between 9:00am to 5:00pm (AWST) on Monday to Friday to arrange to access a copy of the Notice.

Yours sincerely,

Anna Mackintosh
Company Secretary

TAO Commodities Limited

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Authorised by The Board of TAO Commodities Limited

For further information please contact: Patric Glovac – Executive Director enguiry@taocommodities.com.au



TAO COMMODITIES LIMITED (ACN 618 935 372)

NOTICE OF ANNUAL GENERAL MEETING AND EXPLANATORY MEMORANDUM

Monday 30 November 2020 11.00 am AWST 22 Townshend Road

INDEPENDENT EXPERT'S REPORT

Subiaco WA 6008

Shareholders should carefully consider Independent Expert's Report prepared for the purposes of ASX Guidance Note 19 in respect of the Performance Securities to be issued to various parties in respect of the Company's proposed acquisition of Hyperion Metals Pty Ltd and interests in the titanium and zircon mineral sands Titan Project in Tennessee, USA, pursuant to the Term Sheet described in the Explanatory Memorandum.

The Independent Expert's Report comments on the fairness and reasonableness of the Company's proposed Acquisition of Hyperion Metals Pty Ltd pursuant to the terms and conditions of the Term Sheet.

The Independent Expert has determined the Acquisition is

NOT FAIR BUT REASONABLE

to the non-associated Shareholders.

This Notice of Annual General Meeting and Explanatory Memorandum should be read in its entirety. If Shareholders are in doubt as to how to vote, they should seek advice from their accountant, solicitor or other professional adviser without delay.

Should you wish to discuss any matter please do not hesitate to contact the Company by telephone on +61 6380 2470.

NOTICE OF MEETING

Notice is given that the Annual General Meeting of Shareholders of Tao Commodities Limited (ACN 618 935 372) (**Company** or **TAO**) will be held at 22 Townshend Road, Subiaco WA 6008 on Monday 30 November 2020 commencing at 11.00 am AWST.

The Explanatory Memorandum to this Notice provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form form part of this Notice.

The Company advises that a poll will be conducted for each of the Resolutions.

The Directors have determined pursuant to regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders at 5:00 pm AWST on Friday 27 November 2020.

Terms and abbreviations used in this Notice and Explanatory Memorandum are defined in Schedule 1.

AGENDA - HYPERION ACQUISITION MATTERS

1. Resolution 1 – Acquisition of Hyperion Metals

To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

"That, subject to the approval of all Key Resolutions, for the purposes of ASX Listing Rule 11.1.2 and for all other purposes approval is given for the Company to acquire 100% of Hyperion Metals Pty Ltd (ACN 642 234 820) on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of Hyperion Metals Pty Ltd or the Vendors (being the counterparties to the transaction), and any other person who will obtain a material benefit as a result of the transaction (except a benefit solely by reason of being a holder of ordinary securities in the entity), or any Associates of those persons.

However, this does not apply to a vote cast in favour of the resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- (b) the Chair as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the Chair to vote on the resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an Associate of a person excluded from voting on the resolution; and
 - (ii) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

2. Resolution 2 – Issue of Acquisition Consideration

To consider and, if thought fit, to pass with or without amendment, the following resolutions each separately as ordinary resolutions:

"That, subject to the approval of all Key Resolutions, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue the following consideration securities in respect of the Company's Acquisition of Hyperion Metals Pty Ltd to the Vendors (and/or their nominees) on a pro-rata basis:

(a) 26,500,000 Consideration Shares (fully paid ordinary shares in the capital of TAO at a deemed issue price of \$0.08);

- (b) 5,000,000 Consideration Options (unlisted options with an exercise price of \$0.20 and expiry of five years from their date of issue);
- (c) 18,000,000 unlisted Class A Performance Shares (unlisted performance shares that convert into an equal number of ordinary shares upon satisfaction of the Class A Milestone, being a positive pre-feasibility study (prepared in accordance with the JORC Code and independently verified by a Competent Person) for heavy mineral sands (HMS) mining and processing on any of the Titan Project Area which demonstrates a net present value of at least A\$200,000,000, within 4 years of the execution of the Term Sheet);
- (d) 18,000,000 unlisted Class B Performance Shares (unlisted performance shares that convert into an equal number of ordinary shares upon satisfaction of the Class B Milestone, being commencement of commercial production from the Titan Project Area, within 5 years of the execution of the Term Sheet);
- (e) 4,000,000 Class A Performance Options (unlisted performance options with an exercise price of \$0.20 and expiry of five years from their date of issue, which vest upon satisfaction of the Class A Milestone); and
- (f) 4,000,000 Class B Performance Options (unlisted performance options with an exercise price of \$0.20 and expiry of five years from their date of issue, which vest upon satisfaction of the Class B Milestone).

on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of any of the Hyperion Vendors listed in Schedule 3, or any Associates of those persons.

However, this does not apply to a vote cast in favour of the resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- (b) the Chair as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the Chair to vote on the resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an Associate of a person excluded from voting on the resolution; and
 - (ii) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Independent Expert's Report: Shareholders should carefully consider the report prepared by the Independent Expert for the purposes of the Shareholder approval required under ASX Guidance Note 19. The Independent Expert's Report comments on the fairness and reasonableness of the performance securities to be issued under the Acquisition transaction the subject of this resolution to the non-associated Shareholders in the Company. The Independent Expert has determined the Acquisition is <u>NOT FAIR BUT REASONABLE</u> to the non-associated Shareholders. A copy of the Independent Expert's Report accompanies this Notice and is also available on the Company's website (http://taocommodities.com.au/). If requested by a Shareholder, the Company will send to the Shareholder a hard copy of the Independent Expert's Report at no cost.

3. Resolution 3 – Issue of Acquisition Facilitation Securities

To consider and, if thought fit, to pass with or without amendment, the following resolutions each separately as an ordinary resolution:

"That, subject to the approval of all Key Resolutions, for the purpose of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue the following securities to GTT Ventures Pty Ltd (ACN 601 029 636) (and/or its nominees) in respect of the Facilitation Fee for the Acquisition:

(a) 2,650,000 fully paid ordinary Shares;

- (b) 1,800,000 Class A Performance Shares; and
- (c) 1,800,000 Class B Performance Shares,

on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of:

(a) GTT Ventures Pty Ltd who is to receive the securities (being the Related Party set out in the explanatory memorandum) and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the Company), or any Associates of those persons (including GTT Ventures Pty Ltd).

However, this does not apply to a vote cast in favour of the resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- (b) the Chair as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the Chair to vote on the resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an Associate of a person excluded from voting on the resolution; and
 - (ii) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Independent Expert's Report: Shareholders should carefully consider the report prepared by the Independent Expert for the purposes of the Shareholder approval required under ASX Guidance Note 19. The Independent Expert's Report comments on the fairness and reasonableness of the performance securities to be issued under the Acquisition transaction the subject of this resolution to the non-associated Shareholders in the Company. The Independent Expert has determined the Acquisition is **NOT FAIR BUT REASONABLE** to the non-associated Shareholders. A copy of the Independent Expert's Report accompanies this Notice and is also available on the Company's website (http://taocommodities.com.au/). If requested by a Shareholder, the Company will send to the Shareholder a hard copy of the Independent Expert's Report at no cost.

4. Resolution 4 - Election of a Director - Mr Anastasios (Taso) Arima

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

"That, subject to the approval of all Key Resolutions, and completion of the Acquisition, for the purposes of clause 11.7 of the Constitution, Mr Anastasios (Taso) Arima is elected as a Director on and from the date of completion of the Acquisition."

5. Resolution 5 – Grant of Options to Incoming Management and Consultants – Unrelated Parties

To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

"That, subject to the approval of all Key Resolutions, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 2,500,000 Management Options (unlisted options with an exercise price of \$0.25 expiring 31 December 2023) to unrelated incoming management and consultants in respect of the Acquisition as follows:

- (a) 625,000 Management Options to Mr Dominic Allen (or nominee);
- (b) 625,000 Management Options to Mr Lamont Leatherman (or nominee);
- (c) 625,000 Management Options to Mr Patrick Brindle (or nominee); and
- (d) 625,000 Management Options to Mr Gregory Swan (or nominee);

on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of Mr Dominic Allen, Mr Lamont Leatherman, Mr Patrick Brindle and Mr Gregory Swan, or any Associates of those persons.

However, this does not apply to a vote cast in favour of the resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- (b) the Chair as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the Chair to vote on the resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an Associate of a person excluded from voting on the resolution; and
 - (ii) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

6. Resolution 6 – Grant of Options to Incoming Director – Mr Anastasios (Taso) Arima

To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

"That, subject to the approval of all Key Resolutions, for the purposes of section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 1,000,000 Management Options (unlisted options with an exercise price of \$0.25 expiring 31 December 2023) to incoming Director Mr Anastasios (Taso) Arima in respect of the Acquisition, on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of Mr Arima (and/or his nominees) and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reasons of being a holder of ordinary securities in the entity), or any Associates of those persons.

However, this does not apply to a vote cast in favour of the resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- (b) the Chair as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the Chair to vote on the resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an Associate of a person excluded from voting on the resolution; and
 - (ii) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

7. Resolution 7 – Issue of Placement Shares – Unrelated Parties

To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

"That, subject to the approval of all Key Resolutions, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 24,000,000 ordinary Shares under the Placement to raise \$1,920,000 at an issue price of \$0.08 per Share, on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the entity), or any Associates of those persons.

However, this does not apply to a vote cast in favour of the resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- (b) the Chair as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the Chair to vote on the resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an Associate of a person excluded from voting on the resolution; and
 - (ii) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Resolution 8 – Related Party Participation in Placement – Mr Patrick Glovac

To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

"That, subject to the approval of all Key Resolutions, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 1,000,000 ordinary Shares under the Placement to raise \$80,000 at an issue price of \$0.08 per Share to Director Mr Patrick Glovac (and/or his nominees), on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of Mr Glovac (and/or his nominees) and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reasons of being a holder of ordinary securities in the entity), or any Associates of those persons.

However, this does not apply to a vote cast in favour of the resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- (b) the Chair as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the Chair to vote on the resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an Associate of a person excluded from voting on the resolution; and
 - (ii) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

9. Resolution 9 – Grant of Placement Options to Broker

To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

"That, subject to the approval of all Key Resolutions, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 2,000,000 Placement Options (unlisted options with an exercise price of \$0.20, expiring 31 December 2023) to Taylor Collison Limited (and/or its nominees) in respect of the Placement, on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of Taylor Collison (and/or its nominees) and any other person who will obtain a material benefit as a result of the issue of the securities

(except a benefit solely by reasons of being a holder of ordinary securities in the entity), or any Associates of those persons.

However, this does not apply to a vote cast in favour of the resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- (b) the Chair as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the Chair to vote on the resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an Associate of a person excluded from voting on the resolution; and
 - (ii) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

10. Resolution 10 – Grant of Placement Options to Unrelated Parties

To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

"That, subject to the approval of all Key Resolutions, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 3,000,000 Placement Options (unlisted options with an exercise price of \$0.20, expiring 31 December 2023) in respect of the Placement, on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the entity), or any Associates of those persons.

However, this does not apply to a vote cast in favour of the resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- (b) the Chair as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the Chair to vote on the resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an Associate of a person excluded from voting on the resolution; and
 - (ii) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Resolution 11 – Creation of a New Class of Securities – Performance Shares

To consider and, if thought fit, to pass with or without amendment, the following resolution as a special resolution:

"That, subject to the approval of all Key Resolutions, pursuant to and in accordance with sections 246B(1) and 246C(5) of the Corporations Act and clause 3.6 of the Constitution and for all other purposes, the Company be authorised to create a new class of shares, being Performance Shares, on the terms and conditions set out in the Explanatory Memorandum."

AGENDA - ANNUAL GENERAL MEETING MATTERS

Annual Report

To table and consider the Annual Report of the Company and its controlled entities for the financial year ended 30 June 2020, which includes the Financial Report, the Directors' Report and the Auditor's Report.

12. Resolution 12 – Adoption of Remuneration Report

To consider and, if thought fit, to pass as an ordinary resolution the following:

"That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, the Remuneration Report that forms part of the Directors' Report for the financial year ended 30 June 2020 be adopted by the Shareholders on the terms and conditions in the Explanatory Memorandum."

Please note that a vote on this Resolution is advisory only and does not bind the Directors or the Company.

Voting Prohibition

In accordance with section 250R of the Corporations Act, a vote on this Resolution must not be cast (in any capacity) by, or on behalf of, a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such member.

However, a vote may be cast by such person if:

- (a) the person is acting as a proxy and the Proxy Form specifies how the proxy is to vote, and the vote is not cast on behalf of a person who is otherwise excluded from voting on this Resolution as described above; or
- (b) the person is the Chair voting an undirected proxy which expressly authorises the Chair to vote on a resolution connected with the remuneration of a member of the Key Management Personnel.

13. Resolution 13 – Re-election of Director – Mark Connelly

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That, for the purposes of clause 11.4 of the Constitution and for all other purposes, Mr Mark Connelly, a Director, retires by rotation, and being eligible, offers himself for re-election as a Director of the Company."

14. Resolution 14 – Re-election of Director – Frank Knezovic

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

"That, for the purpose of clause 11.12 the Company's Constitution and for all other purposes, Mr Frank Knezovic, a Director who was appointed to fill a casual vacancy on 23 January 2020, retires, and being eligible, is re-elected as a Director."

15. Resolution 15 – Approval of 10% Placement Facility

To consider and, if thought fit, to pass with or without amendment, as a special resolution the following:

"That, pursuant to and in accordance with Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities up to 10% of the issued capital of the Company (at the time of issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on terms and conditions in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of any person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company), or any Associates of those persons. However, this does not apply to a vote case in favour of the resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way;
- (b) the Chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the Chair to vote on the resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - (ii) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

16. Resolution 16 – Grant of Management Options to Existing Directors

To consider and, if thought fit, to pass with or without amendment, the following resolutions each separately as ordinary resolutions:

"That, for the purposes of section 195(4) and section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue the following unlisted options with an exercise price of \$0.25 expiring 31 December 2023 (Management Options):

- (a) 2,000,000 Management Options to Patrick Glovac (and/or his nominee);
- (b) 1,000,000 Management Options to Mark Connelly (and/or his nominee); and
- (c) 500,000 Management Options to Frank Knezovic (and/or his nominee);

on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of Patrick Glovac, Mark Connelly or Frank Knezovic (and/or their respective nominees) and any other person who will obtain a material benefit as a result of the transaction (except a benefit solely by reason of being a holder of ordinary securities in the Company), or any Associates of those persons (**Resolution 16 Excluded Party**).

However, this does not apply to a vote cast in favour of a resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- (b) the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - (ii) the holder votes on the resolution in accordance with directors given by the beneficiary to the holder to vote in that way.

Voting Prohibition Statement

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

Provided the Chair is not a Resolution 16 Excluded Party, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

Dated 29 October 2020 BY ORDER OF THE BOARD Anna MacKintosh Company Secretary

EXPLANATORY MEMORANDUM

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1. Introduction

This Explanatory Memorandum has been prepared for the information of Shareholders of the Company in connection with the business to be conducted at the Annual General Meeting to be held at 22 Townshend Road, Subiaco WA 6008 on Monday 30 November 2020 commencing at 11.00 am AWST.

This Explanatory Memorandum should be read in conjunction with and forms part of the accompanying Notice. The purpose of this Explanatory Memorandum is to provide information to Shareholders in deciding whether or not to pass the Resolutions in the Notice.

A Proxy Form is located at the end of the Explanatory Memorandum.

2. Action to be taken by Shareholders

Shareholders should read the Notice and this Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

2.1 Proxies

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a proxy) to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions thereon. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

Please note that:

- (a) a member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy:
- (b) a proxy need not be a member of the Company; and

(c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

Shareholders and their proxies should be aware that:

- (a) If proxy holders vote, they must cast all directed proxies as they are directed to; and
- (b) Any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details are set out below.

Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, if it does:

- (a) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed);
- (b) if the proxy has 2 or more appointments that specify different ways to vote on the resolution the proxy must not vote on a show of hands;
- (c) if the proxy is the Chair of the meeting at which the resolution is voted on the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- (d) if the proxy is not the Chair the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

Transfer of non-chair proxy to Chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members;
- (b) the appointed proxy is not the Chair of the meeting;
- (c) at the meeting, a poll is duly demanded on the resolution; and
- (d) either of the following applies:
 - (i) the proxy is not recorded as attending the meeting;
 - (ii) the proxy does not vote on the resolution.

the Chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

2.2 Corporate Representatives

A corporation may appoint an individual as a representative to exercise its powers as Shareholder or as a Shareholder's proxy. The representative must bring to the Meeting evidence of his or her appointment, including any authority under which it is signed, unless it has been previously given to the Company's share registry.

2.3 Submit your Proxy Vote Online

Vote online by visiting https://investor.automic.com.au/#/loginsahor use your mobile device to scan the QR code located on the enclosed Proxy Form, and simply follow the instructions on the enclosed Proxy Form.

Or alternatively:

2.4 Submit your Proxy Vote by Paper

If you do not wish to vote online, then it is necessary to complete in accordance with the detailed instructions set out on the enclosed Proxy Form.

The return of your completed form (ONLY if you do NOT vote online) can be done by one of the following ways:

BY MAIL IN PERSON BY EMAIL

Automic Automic meetings@automicgroup.com.au

GPO Box 5193 Level 5, 126 Phillip Street Sydney NSW 2001 Sydney NSW 2000

2.5 Voting in Person

To vote in person, Shareholders are able to attend the Meeting at the time, date and place set out above. In light of on the status of the evolving COVID-19 situation and easing of Government restrictions on public gatherings in place at the time of the Notice and the number of Shareholders that normally attend Shareholder meetings for the Company, the Directors have made a decision that Shareholders will be able to physically attend the Meeting in person and accordingly, have arranged an appropriate meeting venue. If the Government restrictions and corresponding decision of the Director's changes prior to the Meeting, the Directors will update Shareholders via the Company's ASX platform.

2.6 Key Resolutions

The Acquisition and Placement are conditional on the passing of each of the Key Resolutions (being Resolutions 1 to 11 (inclusive)), meaning that Resolutions 1 to 11 (inclusive) will only take effect if the requisite majority of Shareholders vote at the Meeting to approve Resolutions 1 to 11 (inclusive).

3. Background to Hyperion Acquisition

3.1 Important Information

In the event that Resolution 1 and the other Key Resolutions are not approved by the Shareholders, the Placement and the Acquisition will not proceed.

Shareholder approval of the Resolutions in this Notice of Meeting does not guarantee that the Placement will be able to be completed, that the other conditions precedent to the Acquisition will be able to be satisfied or waived, or that the Acquisition will proceed to Completion.

ASX takes no responsibility for the content of this Notice of Meeting.

3.2 Acquisition and Capital Raising

As announced on 24 September 2020, the Company has entered into a binding term sheet (**Term Sheet**) with Hyperion Metals Pty Ltd (ACN 642 234 820) (**Hyperion** or **Hyperion Metals**) and the majority shareholders of Hyperion listed in Schedule 3 (**Vendors**) to grant the Company the option to acquire 100% of the issued capital of Hyperion (**Option**), and in turn acquire an interest in the **Titan Project**, which is comprised of ~2,100 acres of options to lease or purchase private surface and

mineral rights (**Option Agreements**) for titanium and zircon mineral sands proximal to the town of Camden in the Titan Project Area listed in Schedule 3 (**Properties**) (**Acquisition**).

On 6 October 2020, the Company announced that it had completed its due diligence for the Acquisition and exercised the Option to proceed with the Acquisition.

The material terms and conditions of the Term Sheet are as follows:

- (a) Upon exercise of the Option, TAO will advance to the Company a loan of USD\$125,000 (interest free) to be applied towards exploration work on the Titan Project (Loan). If the Acquisition does not proceed to Completion (for any reason) then the Loan is fully refundable within 7 days of notice from TAO.
- (b) The conditions precedent to the Acquisition include (but are not limited to):
 - (i) TAO completing a capital raising of \$2,000,000 at an issue price of \$0.08 (being the placement of Shares the subject of Resolutions 7 and 8 (**Placement**));
 - (ii) TAO obtaining the necessary shareholder and regulatory approvals required to implement the Acquisition (being the approvals sought pursuant to this Notice);
 - (iii) TAO maintaining a cash balance of at least \$1,100,000;
 - (iv) Each remaining minority vendor (representing 30.5% of Hyperion) providing TAO with a duly executed share transfer form for the transfer of their Hyperion Shares to TAO; and
 - (v) TAO and the Vendors obtaining all necessary third party consents and governmental/ministerial approvals,

(collectively, Conditions Precedent).

- (c) Subject to satisfaction of the Conditions Precedent, the Company anticipates that Completion will occur shortly after the Meeting.
- (d) The consideration payable by TAO at Completion is as follows:
 - (i) 26,500,000 fully paid ordinary TAO shares at a deemed issue price of \$0.08 (8 cents) (Consideration Shares);
 - (ii) 5,000,000 unlisted options with an exercise price of \$0.20 and expiry of 5 years from their date of issue, and otherwise on the terms and conditions set out in Schedule 5 (**Consideration Options**);
 - (iii) 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 prefeasibility 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), and otherwise on the terms and conditions set out in Schedule 4;
 - (iv) 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) and otherwise on the terms and conditions set out in Schedule 4;
 - (v) 4,000,000 Class A performance options (Class A Performance Options) on the same terms and conditions as the Consideration Options which vest upon satisfaction of the Class A Milestone and otherwise on the terms and conditions set out in Schedule 5: and

(vi) 4,000,000 Class B performance options (Class B Performance Options) on the same terms and conditions as the Consideration Options which vest upon satisfaction of the Class B Milestone and otherwise on the terms and conditions set out in Schedule 5.

(collectively, Consideration Securities).

- (e) The facilitation fees for the Acquisition, payable to GTT Ventures Pty Ltd (ACN 601 029 636) (GTT) are as follows:
 - (i) 2,650,000 fully paid ordinary shares;
 - (ii) 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 otherwise on the terms and conditions set out in Schedule 4; and
 - (iii) 1,800,000 unlisted Class B Performance Shares that convert into an equal number of ordinary shares upon completion of the Class B Milestone and otherwise on the terms and conditions set out in Schedule 4.

(collectively, Facilitation Securities).

TAO director Patrick Glovac is also a director and shareholder of GTT.

The Term Sheet otherwise contains terms, conditions, warranties and representations which are typical for an agreement of this type.

Please refer to the Company's announcement dated 24 September 2020 and the Independent Expert's Report accompanying this Notice for further details regarding the Acquisition.

3.3 Placement

The Company is seeking approval under Resolutions 7 and 8 to conduct the Placement to raise \$2,000,000. The purpose of the Placement is to satisfy the relevant Condition Precedent under the Term Sheet and for the Company to obtain funds required to pay for the costs of the Acquisition and provide working capital for the Company to explore the Project and as otherwise detailed in the Use of Funds at section 3.4 below.

The participants in the Placement (**Placement Participants**) will be exempt investors in accordance with section 708 of the Corporations Act (**Exempt Investor**). The Placement Participants are all unrelated parties, with the exception of Mr Patrick Glovac, a director of TAO, for whom separate related party approval is being sought under Resolution 8.

As announced on 24 September 2020, the Placement is being managed by Taylor Collison Limited (**Taylor Collison**) pursuant to the terms of a lead manager mandate.

Taylor Collison will receive the following fees for its services:

- (a) a management fee of 1% (plus GST) of the total value of all funds raised in respect of the Placement by Taylor Collison;
- (b) a selling fee of 5% (plus GST) of the total value of all funds raised in respect of the Placement by Taylor Collison; and
- (c) subject to completion of the Placement and the Acquisition (including regulatory and shareholder approvals) 2,000,000 unlisted options with an exercise price of \$0.20 per option, expiring 31 December 2023 (**Placement Options**).

In addition, a further 3,000,000 Placement Options will be granted to other participants in the Placement (and/or their nominees) who are not related parties of the Company.

3.4 Effect of Placement and Acquisition

Accordingly, this Notice of Meeting sets out a number of Resolutions for consideration in relation to the above Acquisition and Placement. If the Acquisition and Placement are approved, pro-forma details of the Company's revised capital structure and the possible full dilutionary effect are set out in the Company's indicative capital structure set out in Schedule 2.

The effect of the Acquisition on the key financial metrics of the Company is set out in Schedule 2

Funds raised under the Placement (together with existing cash reserves) will be used to fund the Acquisition, exploration activities on the Titan Project, Acquisition costs and for general working capital, as follows:

Item of Expenditure	Indicative Expenditure Budgeted for 12-18 months on the new Titan Project
Leasing & Land Services	\$250,000
Exploration & Drilling	\$650,000
Metallurgy	\$200,000
Scoping Study	\$350,000
Contingency	\$100,000
Total	\$1,550,000

3.5 Indicative Timetable

Events	Indicative Dates
Annual General Meeting	30 November 2020
Subject to Shareholder approval, Completion of Placement and Acquisition	by 7 December 2020

3.6 Changes to the Board

Pursuant to the terms and conditions of the Term Sheet, upon Completion of the Acquisition, Mr. Anastasios Arima will join the board of TAO as an Executive Director and will be based out of Charlotte, North Carolina.

Mr. Arima brings recent successful experience in the exploration, development and permitting of mineral resource projects in the south eastern USA. Mr. Arima is a resource company executive with a strong history of identifying company-making resource projects. He has extensive experience in the formation, development and financing of resource projects in North America. Mr Arima is currently the Director of Piedmont Lithium Ltd (ASX: PLL) where he was the founder of Piedmont's lithium project in North Carolina and instrumental in raising over A\$83 million towards its development. There will be no other changes to the Company directors or senior management.

3.7 Changes to the Company's Business Model

Completion of the Acquisition remains subject to various other Conditions Precedent as set out in Section 3.1. If the Acquisition and Placement is approved, post-Completion, the Company will seek to commence exploration activities on the Titan Project.

In respect of the Company's existing projects, as announced on 24 September 2020 and 17 August 2020, a total of 197 soil and 4 rock samples were dispatched to the laboratory for assay. Due to a backlog of works, the Company is now expecting the results to be received in the coming weeks. Further planned exploration will be finalised once results have been received and interpreted.

3.8 Information regarding the Company's relationship with GTT

GTT is engaged as the Company's corporate advisor and has provided corporate advisory and facilitation services in respect of the Acquisition as described above.

Mr Patrick Glovac, Managing Director of the Company, is also a director and shareholder of GTT.

The Company has considered and determined that GTT is not an entity that is controlled by Mr Glovac.

Accordingly, Shareholder approval is not required in relation to section 208 of the Corporations Act in respect of the Facilitation Securities.

3.9 Independent Expert's Report

The Independent Expert has concluded that the Acquisition is NOT FAIR BUT REASONABLE

Pursuant to ASX Guidance Note 19: Performance Securities, ASX has determined that it is appropriate and equitable to impose a condition that this Notice must include a report from an independent expert that complies with the requirements of ASX Regulatory Guide 111: Content of Experts Reports that opines on whether the issue of the Performance Securities under the Hyperion Acquisition is fair and reasonable to non-participating security holders.

The Independent Expert's Report accompanying this Notice sets out a detailed independent examination of the Acquisition to enable non-associated Shareholders to assess the merits and decide whether to approve the issue of Performance Securities under Resolutions 2 and 3. The independent expert has concluded that the Acquisition is **NOT FAIR BUT REASONABLE** to the non-associated Shareholders.

Shareholders are urged to carefully read the Independent Expert's Report which accompanies this Notice to understand its scope, the methodology of the valuation and the sources of information and assumptions made.

The Independent Expert's Report is also available on the Company's website (http://taocommodities.com.au/). If requested by a Shareholder, the Company will send to the Shareholder a hard copy of the Independent Expert's Report at no cost.

3.10 Information Required by Section 8 of Guidance Note 19

The Company provides the following information as required under section 8 of Guidance Note 19:

GN 19 Requirement	Information	
The full terms and conditions of the performance securities	The terms and conditions of the Performance Shares and Performance Options are set out in Schedules 4 and 5.	
Why the performance securities are being issued in connection with the acquisition, including the commercial goals the company is trying to achieve, and the risks it is trying to manage by imposing the relevant milestones	The Performance Securities are being issued in recognition of the future potential of the Titan project that the Company and Vendors believe may be achievable from continued exploration success leading into potential positive economic commercialisation of the Titan Project. The Company has taken the view that the Titan Project has strong merits to achieve future success, however to minimise the risk of entering into the acquisition and reducing the initial dilution for existing TAO shareholders a structure incorporating part of the consideration payable across two milestone achievements will achieve the desired effect of minimised dilution, whilst also creating a strong set of incentives to achieve further success from the Titan Project.	

GN 19 Requirement	Information
	The Company's ultimate goal from entering into the Acquisition is aiming for commercial success through economic production from the Titan Project, hence why the milestones have been directly linked to key deliverables to achieve that desired result being – Class A Milestone – PFS demonstrating greater than \$200m NPV and Class B - Commencement of commercial production.
Details of how the company determined the number of performance securities to be issued to the vendors and why it considers that number to be appropriate and equitable	The Company, through discussions with independent experts and internally from the Board's own strong industry experience in acquiring and developing exploration projects (which also includes the structuring and valuation of numerous other transactions) ascribed an overall value to the Titan Project under the Acquisition.
	This also included reference to several other ASX listed entities which are developing projects of a similar scale and nature. From this basis, the Board took into account the current capital structure of TAO on a pre and post completion basis to determine an end valuation for the Titan Project. This included a current valuation taking into account only the exploration undertaken to date on the Titan Project and a further projected valuation if the key desired deliverables were achieved from the Titan Project.
	The Board formed the view that a larger portion of the value should be subscribed for future success given the Titan Project is still in exploration stage. Therefore the Acquisition was structured around circa 41.5% in upfront consideration and the remaining 58.5% in performance based securities.
	The Board believes the structure and quantum of the Performance Securities is appropriate, taking into account the overall valuation of the Titan Project, the exploration undertaken to date on the Project and the potential future prospects of the Project.
Details of the vendors	Refer to Schedule 3.
For the performance securities being issued to facilitators or any other parties who are not vendors – why this is the case and how that is considered appropriate and equitable	The Company has taken the view that linking the facilitator's fee to performance securities aligns well with the interest of the Company's shareholders that a portion of the remuneration for the facilitator will only become payable on key deliverables being achieved from the Titan Project and in this Acquisition being only achieved if the facilitators have assisted the Company in acquiring a commercially successful project.
	Given the Company is proposing (subject to shareholder approval) that both milestones are based on the economic success of the Titan Project, the Board's view is that it considers it appropriate and equitable to have a portion of the facilitator's remuneration linked to commercial success of the Titan Project (as opposed to the entire facilitation fee being comprised of upfront ordinary securities).
	Other than the Facilitation Securities described in this Notice, the facilitator, GTT, will receive no other fees or consideration (including securities) for its services in connection with the Acquisition.
	In respect of GTT's interests in the Company outside of the Acquisition:
	GTT do not have any equity holdings in the Company.

GN 19 Requirement	Information
	GTT currently have a Corporate Advisory Mandate with the Company to provide Corporate Advisory services. The fees associated with this service are \$10,500 (excluding GST) per month. A sub lease for the premises at 22 Townshend Road is in place at a monthly cost of \$3,000 per month (excluding GST)
The number of ordinary shares that the performance securities will convert into if the applicable performance milestone is met and the impact that will have on the entity's capital structure	If both performance milestones are met, a total of 47,600,000 ordinary shares will be issued on conversion of the Performance Securities. This represents approximately 36% of the number of shares that are proposed to be on issue at the date the Performance Securities are issued. For further information, refer to Schedule 2 of this Notice and section 4 of the Independent Expert's Report.

4. Resolution 1 – Acquisition of Hyperion Metals

4.1 General

A summary of the background and terms of the Acquisition is set out in Section 3.

Resolution 1 seeks Shareholder approval for the Acquisition on the terms set out in this Notice and the resulting change in the nature and scale of the Company's activities resulting from the Acquisition.

4.2 ASX Listing Rule 11.1.2

ASX Listing Rule 11.1.2 empowers ASX to require a listed company to obtain the approval of its shareholders to a significant change to the nature of scale of its activities. The Acquisition will involve a significant change to the nature or scale of the Company's activities for these purposes and, as is its usual practice, ASX has imposed a requirement under Listing Rule 11.1.2 that the Company obtain Shareholder approval to the Acquisition.

Resolution 1 seeks the required Shareholder approval to the Acquisition under and for the purposes of Listing Rule 11.1.2.

If Resolution 1 is passed, (and the other Key Resolutions) the Company will be able to proceed with the Acquisition and acquire Hyperion and the Titan Project, issue the securities the subject of Resolutions 1-11, and seek to commence exploration of the Titan Project.

If Resolution 1 is not passed, (and the other Key Resolutions) the Company will not be able to proceed with the Acquisition, it will not acquire Hyperion or the Titan Project and it will not issue the securities the subject of Resolutions 1-11. The Company may seek suitable other investment opportunities to deliver value to its Shareholders.

4.3 Information specific to ASX Listing Rule 11.1.2

The following information is provided in relation to Resolution 1:

- (a) the parties and material terms of the Acquisition are set out in Section 3.2;
- (b) information regarding the likely effect of the Acquisition is set out in Section 3.4;
- (c) changes to the Company's business model are set out in Section 3.7;
- (d) the Company is proposing to raise up to \$2,000,000 from the issue of securities under the Placement and the funds will be used to fund the Acquisition, fund exploration activities on the Titan Project, to cover Acquisition costs and for general working capital. No funds will be raised

from the issue of the securities under the Acquisition, as they are being issued as consideration for TAO's acquisition of the issued capital in Hyperion Metals:

- (e) changes to the board and senior management of the Company are set out in Section 3.6;
- (f) a timetable for the Acquisition is set out at Section 3.5; and
- (g) a voting exclusion statement is set out in the Notice.

4.4 Board Recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolution 1. The Chair intends to vote undirected proxies in favour of Resolution 1.

5. Resolution 2 – Issue of Acquisition Consideration

5.1 General

A summary of the background and terms of the Acquisition is set out in Section 3 above.

Pursuant to the terms of the Term Sheet, if the Acquisition proceeds to Completion, the Company must pay the consideration to each of the Vendors on a pro-rata basis, based on their respective shareholding proportions in Hyperion, as described in Schedule 3.

Resolutions 2(a) to 2(f) seek Shareholder approval pursuant to ASX Listing Rule 7.1 for the issue of the Consideration Securities listed in Section 3.2(d).

5.2 ASX Listing Rule 7.1

Broadly speaking, and subject to a number of exceptions which are contained in Listing Rule 7.2 (which do not apply in the circumstance of this Resolution), Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary securities it had on issue at the start of that period.

The effect of Resolutions 2(a) to 2(f) will be to allow the Company to issue the Consideration Securities pursuant to the Term Sheet during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

If Resolutions 2(a) to 2(f) are passed, (along with the other Key Resolutions) the Company will be able to proceed with the Acquisition and acquire Hyperion and the Titan Project, issue the securities the subject of Resolutions 1-11, and seek to commence exploration of the Titan Project.

If Resolutions 2(a) to 2(f) are not passed, (and the other Key Resolutions) the Company will not be able to proceed with the Acquisition, it will not acquire Hyperion or the Titan Project and it will not issue the securities the subject of Resolutions 1-11. The Company may seek suitable other investment opportunities to deliver value to its Shareholders.

5.3 Section 208 of the Corporations Act and Listing Rule 10.11

Section 228(6) of the Corporations Act states that a person is a related party of a company if the company believes, or has reasonable grounds to believe, that the person is likely to become a related party.

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

(a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and

(b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

As set out in Schedule 3, one of the Vendors, Moshos Family Investments Pty Ltd, is an entity associated with incoming Director Mr Anastasios Arima and will receive Consideration Securities as set out in Schedule 3. This Vendor is a related party of TAO by virtue of section 228(6) of the Corporations Act (**Related Party Vendor**). No other Vendors are related parties of the Company.

ASX Listing Rule 10.11 provides that unless one of the exceptions in ASX Listing Rule 10.12 applies, a listed company must not issue or agree to issue equity securities to:

- (a) a related party;
- (b) a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (30%+) holder in the company;
- (c) a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (10%+) holder in the company and who has nominated a director to the board of the company pursuant to a relevant agreement which gives them a right or expectation to do so;
- (d) an associate of a person referred to in ASX Listing Rules 10.11.1 to 10.11.3; or
- (e) a person whose relationship with the company or a person referred to in ASX Listing Rules 10.11.1 to 10.11.4 is such that, in ASX's opinion, the issue or agreement should be approved by its shareholders,

unless it obtains the approval of its shareholders.

The issue of the Consideration Securities the subject of Resolution 2 to the Related Party Vendor falls within ASX Listing Rule 10.11.1 (as the Related Party Vendor is a related party of the Company). However, although the Related Party Vendor is a related party, it is only related by reason of the terms of the Acquisition (which is the reason for the issue of the Consideration Securities) and the application of section 228(6) of the Corporations Act. Accordingly, as a result of Listing Rule 10.12, Exception 12, the Company is not required to obtain approval pursuant to Listing 10.11 for the issue of the Consideration Securities to the Related Party Vendor.

The issue of Consideration Securities to the Related Party Vendor constitutes giving a financial benefit and the Related Party Vendor is a related party of the Company as a result of its association with incoming director Mr Anastasios Arima pursuant to section 228(6) as described above.

The Existing Directors consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of the Consideration Securities under Resolution 2 as the Consideration Securities will be issued to the Related Party Vendor on the same pro-rata basis as the non-related Vendors, and accordingly, the giving of the financial benefit is on arm's length terms.

5.4 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue of the Consideration Securities:

- (a) the Consideration Securities will be issued to the Vendors. None of the Vendors are related parties of the Company, other than as set out in Section 5.3 above;
- (b) the number of Consideration Securities to be issued under Resolution 2(a) to 2(f) is set out below, together with a description of the terms on which the Consideration Securities will be issued:
 - (i) 26,500,000 Consideration Shares (fully paid ordinary TAO shares at a deemed issue price of \$0.08);

- (ii) 5,000,000 Consideration Options (unlisted options with an exercise price of \$0.20 and expiry of 5 years from their date of issue, and otherwise on the terms and conditions set out in Schedule 5:
- (iii) 18,000,000 Class A Performance Shares (unlisted performance shares that convert into an equal number of ordinary shares upon satisfaction of the Class A Milestone, and otherwise on the terms and conditions set out in Schedule 4);
- (iv) 18,000,000 Class B Performance Shares (unlisted performance shares that convert into an equal number of ordinary shares upon satisfaction of the Class B Milestone, and otherwise on the terms and conditions set out in Schedule 4);
- (v) 4,000,000 Class A Performance Options (unlisted performance options that convert into an equal number of ordinary shares upon satisfaction of the Class A Milestone, and otherwise on the terms and conditions set out in Schedule 5);
- (vi) 4,000,000 Class B Performance Options (unlisted performance options that convert into an equal number of ordinary shares upon satisfaction of the Class B Milestone, and otherwise on the terms and conditions set out in Schedule 5);
- (c) the Consideration Securities will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is intended that the Consideration Securities will all be issued on the same day (being the date on which Completion of the Acquisition under the Term Sheet occurs);
- (d) the issue price of the Consideration Securities is nil, as the Consideration Securities are issued as part consideration for the Acquisition;
- (e) the purpose of the issue of the Consideration Securities is as consideration for the Acquisition. No funds will be raised from the issue of the Consideration Securities as they are issued for nil cash consideration but rather as consideration for the Acquisition;
- (f) a summary of the material terms of the Term Sheet under which the issue of the Consideration Securities is made, is set out in Section 3;
- (g) the Consideration Securities are not being issued under, or to fund, a reverse takeover; and
- (h) a voting exclusion statement is set out in the Notice.

5.5 Dilution

The dilutionary effect of Resolutions 2(a) to 2(f) is set out in Schedule 2.

5.6 Board Recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolution 2(a) to 2(f). The Chair intends to vote undirected proxies in favour of Resolution 2(a) to 2(f).

6. Resolution 3 - Issue of Acquisition Facilitation Securities

6.1 General

Pursuant to the terms of the Term Sheet, GTT will be paid fees in respect of GTT's services in facilitating the Acquisition.

Resolutions 3(a) to 3(c) seek Shareholder approval pursuant to ASX Listing Rule 10.11 for the issue of the following:

(a) 2,650,000 fully paid ordinary Shares;

- (b) 1,800,000 Class A Performance Shares; and
- (c) 1,800,000 Class B Performance Shares,

(Facilitation Securities).

Details regarding the Company's relationship with GTT are set out in Section 3.8 and below.

6.2 ASX Listing Rule 10.11

A summary of Listing Rule 10.11 is set out in Section 5.3 above. The exceptions to ASX Listing Rule 10.12 do not apply. Accordingly, the Company is seeking ASX Listing Rule 10.11 approval on the basis GTT is an Associate of Mr Glovac (as Mr Glovac is a related party of the Company in his capacity as Managing Director of the Company).

The effect of Resolutions 3(a) to 3(c) will be to allow the Company to issue the Facilitation Securities pursuant to the Term Sheet during the period of one month after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

If Resolutions 3(a) to 3(c) are passed, (along with the other Key Resolutions) the Company will be able to proceed with the Acquisition and acquire Hyperion and the Titan Project, issue the securities the subject of Resolutions 1-11, and seek to commence exploration of the Titan Project.

If Resolutions 3(a) to 3(c) are not passed, (and the other Key Resolutions) the Company will not be able to proceed with the Acquisition, it will not acquire Hyperion or the Titan Project and it will not issue the securities the subject of Resolutions 1-11. The Company may seek suitable other investment opportunities to deliver value to its Shareholders.

6.3 Technical information required by ASX Listing Rule 10.11

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to the ratification of the Consideration Shares:

- (a) the Facilitation Securities will be issued to GTT;
- (b) pursuant to ASX Listing Rule 10.1.4, GTT is an Associate of Mr Glovac. Mr Glovac is a related party of the Company in his capacity as Managing Director of the Company. GTT's relationship with the Company is further set out in Section 3.8;
- (c) the number of Facilitation Securities to be issued under Resolution 3(a) to 3(c), and the terms on which they are to be issued is as follows:
 - (i) 2,650,000 fully paid ordinary Shares;
 - (ii) 1,800,000 Class A Performance Shares (on the terms set out in Schedule 4); and
 - (iii) 1,800,000 Class B Performance Shares (on the terms set out in Schedule 4);
- (d) the Facilitation Securities will be issued no later than one month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is intended that the Facilitation Securities will all be issued on the same day (being the date on which Completion of the Acquisition under the Term Sheet occurs);
- (e) the issue price of the Facilitation Securities is nil, as the Facilitation Shares are issued as consideration for GTT's services in respect of the Acquisition;
- (f) the purpose of the issue of the Facilitation Securities is as consideration for GTT's services in facilitating the Acquisition. No funds will be raised from the issue of the Facilitation Securities as they are issued for nil cash consideration but rather as consideration for GTT's facilitation services in respect of the Acquisition;

- (g) the issue of the Facilitation Securities is not intended to remunerate or incentivise Mr Glovac in his capacity as Managing Director of the Company;
- (h) a summary of the material terms of the Term Sheet under which the issue of the Facilitation Securities is made, is set out in Section 3; and
- (i) a voting exclusion statement is set out in the Notice.

6.4 Dilution

The dilutionary effect of Resolutions 3(a) to 3(c) is set out in Schedule 2.

6.5 Board Recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolutions 3(a) to 3(c). The Chair intends to vote undirected proxies in favour of Resolutions 3(a) to 3(c).

7. Resolution 4 – Election of Director – Mr Anastasios (Taso) Arima

7.1 General

Mr Arima is a director of Hyperion. Pursuant to the Term Sheet, upon Completion but subject to the approval of all Key Resolutions, Mr Arima shall be appointed as a Director of the Company.

7.2 Clause 11.7 of the Constitution

Clause 11.7 of the Company's Constitution provides the following:

"No person other than a Director seeking re-election shall be eligible for election to the office of Director at any general meeting unless he or some Shareholder intending to propose him has not later than 5 Business Days after the date shown on the notice to the Home Exchange referred to in Clause 9.10(a), left at the Registered Office a notice in writing duly signed by the nominee giving his consent to the nomination and signifying his candidature for the office or the intention of such Shareholder to propose him. Notice of each and every candidature for election as a Director shall be given to each Shareholder with or as part of the notice of the Meeting at which the election is to take place. The Company shall observe the requirements of Section 201E of the Corporations Act with respect to the election of the Directors."

7.3 Information about Mr Arima

Mr. Arima is a director and founder of Hyperion. Mr. Arima is a resource company executive with a strong history of identifying company-making resource projects. He has extensive experience in the formation, development and financing of resource projects in North America. Mr Arima is currently a director of Piedmont Lithium Ltd (ASX: PLL) and was the founder of Piedmont's lithium project in North Carolina.

7.4 Board Recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolution 4. The Chair intends to vote undirected proxies in favour of Resolution 4.

8. Resolution 5 – Grant of Options to Incoming Management and Consultants – Unrelated Parties

8.1 Background

Resolution 5 seeks Shareholder approval for the issue of up to 2,500,000 Management Options (unlisted options with an exercise price of \$0.25 expiring 31 December 2023) to proposed incoming consultants and management in respect of the Titan Project as part remuneration for their incoming services. The Management Options will be issued on the following basis:

Name	Role/Services*	No. of Management Options to be issued
Mr. Dominic Paul Allen	Business Development	625,000
Mr. Lamont Leatherman	Chief Geologist	625,000
Mr. Patrick H. Brindle	Project Manager	625,000
Mr. Gregory David Swan	Corporate/Finance	625,000
TOTAL		2,500,000

^{*}Noting that these parties are engaged by Hyperion, not engaged by the Company. These parties may receive additional remuneration from Hyperion as agreed from time to time based on ad hoc services provided to Hyperion.

It is noted that the above recipients of Management Options will (or their associated entities will) also receive Consideration Securities in their capacity as Vendors of the Acquisition (refer to Schedule 3).

8.2 ASX Listing Rules 7.1 and 7.1A

A summary of ASX Listing Rule 7.1 is set out in Section 5.2 above.

The effect of Resolution 5 will be to allow the Company to issue the Management Options during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

If Resolution 5 is passed, (along with the other Key Resolutions) the Company will be able to proceed with the Acquisition and acquire Hyperion and the Titan Project, issue the securities the subject of Resolutions 1-11, and seek to commence exploration of the Titan Project.

If Resolution 5 are not passed, (and the other Key Resolutions) the Company will not be able to proceed with the Acquisition, it will not acquire Hyperion or the Titan Project and it will not issue the securities the subject of Resolutions 1-11.

8.3 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Management Options:

- (a) the Management Options will be issued to the recipients listed above (and/or their nominees), who are not related parties of the Company;
- (b) the maximum number of Management Options to be issued is 2,500,000;
- (c) the Lead Management Options will be issued on the terms and conditions set out in Schedule 6;

- (d) the Management Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules):
- (e) the issue price of the Management Options will be nil as they will be issued to proposed incoming consultants and management in respect of the Titan Project as part remuneration for their incoming services;
- (f) the Management Options are not being issued under, or to fund, a reverse takeover;
- (g) a voting exclusion statement is included in Resolution 5 of the Notice.

The Board unanimously recommends that Shareholders vote in favour of Resolution 4. The Chair intends to vote undirected proxies in favour of Resolution 4.

9. Resolution 6 – Grant of Options to Incoming Director – Mr Anastasios Arima

Refer to Section 20 below for explanatory information regarding Resolution 6.

10. Resolution 7 – Issue of Placement Shares – Unrelated Parties

10.1 Background

The background to the Placement is described in sections 3.2 and 3.3 above.

10.2 ASX Listing Rules 7.1

A summary of ASX Listing Rule 7.1 is set out in Section 5.2 above.

The effect of Resolution 7 will be to allow the Company to issue 24,000,000 Placement Shares under Resolution 7 (**Placement Shares**) during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

If Resolution 7 is passed, the Placement Shares will be excluded in calculating the Company's 15% limit in Listing Rule 7.1, effectively increasing the number of equity securities it can issue without Shareholder approval over the 12 month period following the issue date.

If Resolution 7 is not passed, the Placement Shares will be included in calculating the Company's 15% limit in Listing Rule 7.1, effectively decreasing the number of equity securities it can issue without Shareholder approval over the 12 month period following the issue date.

10.3 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Placement Shares:

- (a) the Placement Shares will be issued to clients of Taylor Collison (the lead manager to the Placement) who are Exempt Investors under section 708 of the Corporations Act and to clients of other AFSL holders within Taylor Collison's network who are Exempt Investors. There was no specific allocation policy in respect of the Placement Shares. None of these subscribers are Related Parties of the Company (Please note that Taylor Collison will receive fees for their services in respect of the Placement as specified in Section 3.3);
- (b) the maximum number of Placement Shares to be issued is 24,000,000;
- (c) the Placement Shares will be fully paid ordinary shares;

- (d) the Placement Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules):
- (e) the issue price of the Placement Shares will be \$0.08 per share and the Company will raise funds of up to \$1,920,000 as a result of the issue of the Placement Shares, these funds are intended to be used to fund the Acquisition, fund exploration activities on the Titan Project, to cover Acquisition costs and for general working capital;
- (f) the Placement Shares are not being issued under an agreement;
- (g) the Placement Shares are not being issued under, or to fund, a reverse takeover; and
- (h) a voting exclusion statement is included in Resolution 7 of the Notice.

The Board unanimously recommends that Shareholders vote in favour of Resolution 7. The Chair intends to vote undirected proxies in favour of Resolution 7.

Resolution 8 – Related Party Participation in Placement – Mr Patrick Glovac

11.1 General

The background to the Placement is described in sections 3.2 and 3.3 above.

11.2 Chapter 2E of the Corporations Act

A description of Chapter 2E of the Corporations Act is set out in Section 5.3 above.

Mr Patrick Glovac, a director of the Company intends to participate in the Placement (being participation of up to \$80,000 (1,000,000 shares at \$0.08 (**Related Party Placement Shares**)) of the total \$2,000,000 (24,000,000 shares) proposed to be raised under the Placement.

Mr Glovac's participation in the Placement will result in the giving of a financial benefit and Mr Glovac is a related party of the Company by virtue of his role as a director of the Company.

The Directors consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of the Related Party Placement Shares because the Shares will be issued to Mr Glovac (and/or his nominees) on the same terms as the Placement Shares to be issued to non-Related Party participants in the Placement, and as such the giving of the financial benefit is on arm's length terms.

11.3 ASX Listing Rule 10.11

A summary of Listing Rule 10.11 is set out in Section 5.3 above.

As the proposed issue of the Related Party Placement Shares involves the issue of Shares to an existing Related Party of the Company, Shareholder approval pursuant to ASX Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

11.4 Technical Information required by ASX Listing Rule 10.11

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to the proposed issue of the Related Party Placement Shares:

(a) the Related Party Placement Shares will be issued to Mr Glovac (and/or his nominees);

- (b) the issue of Related Party Placement Shares to Mr Glovac falls within the scope of Listing Rule 10.11.1, because Mr Glovac is a director of the Company;
- under this Resolution, the maximum number of Related Party Placement Shares to be issued to Mr Glovac (and/or his nominees) is 1,000,000 fully paid ordinary shares;
- (d) the Related Party Placement Shares will be issued no later than 1 month after the date of the Meeting and it is intended that the issue will occur on the same date;
- (e) the issue price will be \$0.08 per Share, being the same issue price as all other Shares issued under the Placement;
- (f) the purpose of the issue and the use of the funds raised will be used for the same purposes and use as all other funds raised under the Placement as set out above; and
- (g) the issue of the Related Party Placement Shares is not intended to remunerate or incentivise Mr Glovac;
- (h) the issue of the Related Party Placement Shares is not in accordance with any agreement; and
- (i) a voting exclusion statement is included in this Notice.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Related Party Placement Shares as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of the Related Party Placement Shares under this Resolution will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

The Board (excluding Mr Glovac) recommends that Shareholders vote in favour of Resolution 8. The Chair intends to vote undirected proxies in favour of Resolution 8.

12. Resolution 9 - Grant of Placement Options to Broker

12.1 General

Pursuant to the terms of the Placement described in Section 3.3, Resolution 9 seeks Shareholder approval for the issue of up to 2,000,000 unlisted options to Taylor Collison (and/or its nominees) (**Placement Options**).

12.2 ASX Listing Rule 7.1

A summary of ASX Listing Rule 7.1 is set out in Section 5.2 above.

The effect of Resolution 9 will be to allow the Company to issue the Placement Options pursuant to the Taylor Collison Lead Manager Mandate during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

If Resolution 9 is passed, the Placement Options will be excluded in calculating the Company's 15% limit in Listing Rule 7.1, effectively increasing the number of equity securities it can issue without Shareholder approval over the 12 month period following the issue date.

If Resolution 9 is not passed, the Placement Options will be included in calculating the Company's 15% limit in Listing Rule 7.1, effectively decreasing the number of equity securities it can issue without Shareholder approval over the 12 month period following the issue date.

12.3 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Placement Shares:

- (a) the Placement Options will be issued to Taylor Collison (and/or its nominees), Taylor Collison is not a related party of the Company;
- (b) the maximum number of Placement Options to be issued is 2,000,000;
- (c) the Placement Options will be unlisted options exercisable at \$0.20 and expiring on 31 December 2023 and otherwise on terms and conditions as set out in Schedule 8;
- (d) the Placement Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of all of the Placement Options will be issued on the same date:
- (e) the issue price of the Placement Options is nil as the Placement Options are issued as part consideration for Taylor Collison's lead manager services in respect of the Placement;
- (f) the purpose of the issue of the Placement Options is as part consideration for Taylor Collison's lead manager services in respect of the Placement. No funds will be raised from the issue of the Placement Options;
- (g) a summary of the material terms of the Placement and the lead manager mandate under which the issue of the Placement Options is made, is set out in Section 3.3; and
- (h) a voting exclusion statement is set out in the Notice.

12.4 Dilution

The dilutionary effect of Resolution 9 is set out in Schedule 2.

12.5 Board Recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolution 9. The Chair intends to vote undirected proxies in favour of Resolution 9.

13. Resolution 10 – Grant of Placement Options to Unrelated Parties

13.1 General

The background to the Placement is described in Sections 3.2 and 3.3 above, Resolution 10 seeks Shareholder approval for the issue of up to 3,000,000 unlisted options to AFSL holders within Taylor Collison's network who are Exempt Investors and who assisted with completion of the Placement, who are not related parties of the Company (**Placement Options**).

13.2 ASX Listing Rule 7.1

A summary of ASX Listing Rule 7.1 is set out in section 5.2 above.

The effect of Resolution 10 will be to allow the Company to issue the Placement Options during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

If Resolution 10 is passed, the Placement Options will be excluded in calculating the Company's 15% limit in Listing Rule 7.1, effectively increasing the number of equity securities it can issue without Shareholder approval over the 12 month period following the issue date.

If Resolution 10 is not passed, the Placement Options will be included in calculating the Company's 15% limit in Listing Rule 7.1, effectively decreasing the number of equity securities it can issue without Shareholder approval over the 12 month period following the issue date.

13.3 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Placement Shares:

- (a) the Placement Options will be issued to AFSL holders within Taylor Collison's network who are Exempt Investors and who assisted with completion of the Placement who are not related parties of the Company. There was no specific allocation policy in respect of the Placement Options;
- (b) the maximum number of Placement Options to be issued is 3,000,000;
- (c) the Placement Options will be unlisted options exercisable at \$0.20 and expiring on 31 December 2023 and otherwise on terms and conditions as set out in Schedule 8;
- (d) the Placement Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of all of the Placement Options will be issued on the same date:
- (e) the issue price of the Placement Options is nil as the Placement Options are issued for nil consideration, as a result, no funds will be raised from the issue of the Placement Options; and
- (f) a voting exclusion statement is set out in the Notice.

13.4 Dilution

The dilutionary effect of Resolution 10 is set out in Schedule 2.

13.5 Board Recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolution 10. The Chair intends to vote undirected proxies in favour of Resolution 10.

14. Resolution 11 – Creation of a New Class of Securities: Performance Shares

14.1 General

Resolution 11 seeks approval for the Company to be authorised to issue the Performance Shares as a new class of shares. The Performance Shares form part of the Consideration Shares.

Section 246C(5) of the Corporations Act provides that if a company has one class of share and seeks to issue a new class of share, such issue is taken to vary the rights attached to shares already issued.

Section 246B of the Corporations Act and clause 3.6 of the Constitution provide that the rights attaching to a class of shares cannot be varied without:

- (a) a special resolution passed at a meeting of the Shareholders holding Shares in that class; or
- (b) the written consent of the Shareholders who are entitled to at least 75% of the votes that may be cast in respect of Shares in that class.

Accordingly, the Company seeks approval from Shareholders for the issue of the Performance Shares as a new class of shares on the terms set out in Schedule 4 of this Explanatory Memorandum.

Resolution 11 is a special resolution.

Resolution 11 is subject to the approval of the other Key Resolutions.

14.2 Board Recommendation

The Directors unanimously recommend that Shareholders vote in favour of Resolution 11. The Chair intends to exercise all available proxies in favour of Resolution 11.

15. Annual Report

There is no requirement for Shareholders to approve the Annual Report.

Shareholders will be offered the following opportunities:

- (a) discuss the Annual Report which is available online at http://taocommodities.com.au/;
- (b) ask questions or make comment on the management of the Company;
- (c) ask the auditor questions about the conduct of the audit and the preparation and content of the Auditor's Report.

In addition to taking questions at the Meeting, written questions to the Chair about the management of the Company's auditor about:

- (a) the preparation and the content of the Auditor's Report; and
- (b) the conduct of the audit;
- (c) accounting policies by the Company in relation to the preparation of the financial statements; and
- (d) the independence of the auditor in relation to the conduct of the audit,

may be submitted no later than 5 Business Days before the Meeting to the Company Secretary at the Company's registered office.

16. Resolution 12 – Adoption of Remuneration Report

Section 250R(2) of the Corporations Act provides that the Company is required to put the Remuneration Report to the vote of Shareholders. The Directors' Report contains the Remuneration Report which sets out the remuneration policy for the Company and reports the remuneration arrangements in place for the executive Directors, specified executives and non-executive Directors.

Section 250R(3) of Corporations Act provides that Resolution 12 is advisory only and does not bind the Directors of the Company of itself, a failure of Shareholders to pass Resolution 1 will not require the Directors to alter any of the arrangements in the Remuneration Report.

However, the Corporations Act also gives Shareholders the opportunity to remove the Board if the Remuneration Report receives a 'no' vote of 25% or more at two consecutive annual general meetings (**Two Strikes Rule**).

Under the Two Strikes Rule, where a resolution on the Remuneration Report receives a 'no' vote of 25% or more at two consecutive annual general meetings, the Company will be required to put to Shareholders at the second annual general meeting a resolution on whether another meeting should be held (within 90 days) at which all Directors (other than the managing director) who were in office at the date of approval of the applicable Directors' Report will cease to hold office immediately before that further meeting but may stand for re-election.

At the Company's previous annual general meeting the votes cast against the Remuneration Report considered at that annual general meeting were less than 25%. Accordingly, a further resolution relating to the Two Strikes Rule is not relevant for this Annual General Meeting.

The Chair will allow a reasonable opportunity for Shareholders as a whole to ask about, or make comments on the Remuneration Report.

The Chair intends to exercise all undirected proxies in favour of Resolution 12. If the Chair of the Meeting is appointed as your proxy and you have not specified the way the Chair is to vote on Resolution 12, by signing and returning the Proxy Form, the Shareholder is considered to have provided the Chair with an express authorisation for the Chair to vote the proxy in accordance with the Chair's intention.

17. Resolution 13 - Re-election of Director - Mark Connelly

Clause 11.4 of the Constitution requires that at the Company's annual general meeting in every year, one-third of the Directors for the time being, or, if their number is not a multiple of 3, then the number nearest one-third (rounded down to the nearest whole number), shall retire from office, provided always that no Director (except a managing director) shall hold office for a period in excess of 3 years, or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re-election.

The Directors to retire at an annual general meeting are those who have been longest in the office since their last election, but, as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by drawing lots.

A Director who retires by rotation under clause 11.4 of the Constitution is eligible for re-election.

The Company currently has three non-executive Directors and accordingly one must retire.

Mark Connelly will retire in accordance with clause 11.4 of the Constitution and being eligible, seeks re-election.

Details of Mr Connelly's background and experience are set out in the Annual Report.

The Board (excluding Mr Connelly) recommends that Shareholders vote in favour of Resolution 13. The Chair of the meeting intends to vote undirected proxies in favour of Resolution 13.

18. Resolution 14 – Re-election of Director – Frank Knezovic

Clause 11.12 of the Constitution allows the Directors to appoint at any time a person to be a Director as an addition to the existing Directors, but only where the total number of Directors does not at any time exceed the maximum number specified by the Constitution.

Any Director so appointed holds office only until the next following annual general meeting and is then eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation (if any) at that meeting.

Frank Knezovic, having been appointed to fill a casual vacancy on 23 January 2020, will retire in accordance with clause 11.12 of the Constitution and being eligible seeks re-election.

Details of Mr Knezovic's background and experience are set out in the Annual Report.

The Board (excluding Mr Knezovic) recommends that Shareholders vote in favour of Resolution 14. The Chair of the meeting intends to vote undirected proxies in favour of Resolution 14.

19. Resolution 15 – Approval of 10% Placement Facility

19.1 General

Listing Rule 7.1A enables eligible entities to issue Equity Securities up to 10% of its issued share capital through placements commencing from the date of the Meeting where the Company obtains the approval until the earlier of the following:

- (a) the date that is 12 months after the date of the Meeting at which the approval is obtained;
- (b) the time and date of the Company's next annual general meeting; or
- (c) the time and date of the approval of Shareholders of a transaction under Listing Rule 11.1.2 or 11.2 in respect of the Company,

(10% Placement Facility). The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company currently has a market capitalisation of \$11.14 million, and is an eligible entity.

The Company is now seeking Shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Facility.

The exact number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer Section 19.2(c) below).

19.2 Description of Listing Rule 7.1A

(a) Shareholder approval

The ability to issue Equity Securities under the 10% Placement Facility is subject to shareholder approval by way of a special resolution at an annual general meeting. Accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of Resolution 15 for it to be passed.

(b) Equity Securities

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company.

The Company, as at the date of the Notice, has on issue two classes of quoted Equity Securities, being Shares (ASX: TAO) and Listed Options (ASX: TAOOA).

(c) Formula for calculating 10% Placement Facility

Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an annual general meeting any issue or agree to issue, during the 12 month period after the annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

$$(A \times D) - E$$

Where:

A is number of shares on issue at the commencement of the relevant period:

- (A) plus the number of fully paid shares issued in relevant period under an exception in Listing Rule 7.2;
- (B) plus the number of fully paid shares issued in relevant period on conversion of convertible securities within Listing Rule 7.2 Exception 9 where:
 - (1) the convertible securities were issued or agreed to be issued before the commencement of the relevant period; or
 - the issue of, or agreement to issue, the convertible securities approved, or taken to have been approved, under Listing Rule 7.1 or 7.4:
- (C) plus the number of fully paid shares issued in relevant period under an agreement to issue securities within Listing Rule 7.2 Exception 16 where:
 - (1) the convertible securities were issued or agreed to be issued before the commencement of the relevant period; or
 - the issue of, or agreement to issue, the convertible securities approved, or taken to have been approved, under Listing Rule 7.1 or 7.4;
- (D) plus the number of partly paid shares that became fully paid in the 12 months;
- (E) plus the number of fully paid shares issued in the 12 months with approval of holders of shares under Listing Rule 7.1 and 7.4. This does not include an issue of fully paid shares under the entity's 15% placement capacity without shareholder approval;
- (F) less the number of fully paid shares cancelled in the relevant period.

Note that A has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.

- **D** is 10%.
- is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of shareholders under Listing Rule 7.1 or 7.4.

(d) Listing Rule 7.1A and Listing Rule 7.3A

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

At the date of this Notice, the Company has on issue 31,386,667 Shares and therefore has a capacity to issue:

- (i) Subject to Shareholder approval being sought under this Resolution 15, 4,708,000 Equity Securities under Listing Rule 7.1; and
- (ii) subject to Shareholder approval being sought under this Resolution 15, 3,138,666 Equity Securities under Listing Rule 7.1A.

The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to Section 19.2(c) above).

(e) Minimum Issue Price

The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 Trading Days on which trades in that class were recorded immediately before:

- the date on which the price at which the Equity Securities are to be issued is agreed;
 or
- (ii) if the Equity Securities are not issued within 10 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

(f) 10% Placement Period

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires on the earlier to occur of:

- (i) the date that is 12 months after the date of the annual general meeting at which the approval is obtained; or
- (ii) the time and date of the Company's next annual general meeting; or
- the time and date of the approval by shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

or such longer period if allowed by ASX (10% Placement Period).

19.3 Listing Rule 7.1A

The effect of Resolution 15 will be to allow the Directors to issue the Equity Securities under Listing Rule 7.1A during the 10% Placement Period without using the Company's 15% placement capacity under Listing Rule 7.1.

Resolution 15 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative) on the Resolution.

19.4 Specific information required by Listing Rule 7.3A

Pursuant to and in accordance with Listing Rule 7.3A, information is provided in relation to the approval of the 10% Placement Facility as follows:

- (a) The Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities over the 15 Trading Days on which trades in that class were recorded immediately before:
 - the date on which the price at which the Equity Securities are to be issued is agreed;
 or
 - (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.
- (b) If Resolution 15 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the below table (in the case of Listed Options, only if the Listed Options are exercised). There is a risk that:

- (i) the market price for the Company's Equity Securities in that class may be significantly lower on the date of the issue of the Equity Securities than of the date of the Meeting; and
- (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

The below table shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in Listing Rule 7.1A(2) as at the date of this Notice.

The table shows:

- (i) two examples where variable "A" has increased, by 50% and 100%. Variable "A" is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
- (ii) two examples of where the issue price or ordinary securities has decreased by 50% and increased by 100% as against the current market price.

			Dilution			
Variable "A" in Listing Rule 7.1A.2	Shares Issued - 10% Voting Dilution	\$0.17 50% decrease in Issue Price	\$0.34 Issue Price	\$0.68 100% increase in Issue Price		
			Funds Raised			
Current Variable "A" 31,386,667 Shares	3,138,667 Shares	\$533,573	\$1,067,147	\$2,134,294		
50% increase in current Variable "A" 47,080,001 Shares	4,708,000 Shares	\$800,360	\$1,600,720	\$3,201,440		
100% increase in current Variable "A" 62,773,334 Shares	6,277,333 Shares	\$1,067,147	\$2,134,293	\$4,268,586		

Note

The table has been prepared on the following assumptions:

- The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
- No Options (including any Options issued under the 10% Placement Facility) are exercised into Shares before the date of the issue of the Equity Securities;
- 3. The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example at 10%.
- 4. The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on the Shareholder's holding at the date of the Meeting.
- The table shows only the effect of issue of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
- 6. The issue of Equity Securities under the 10% Placement Facility consists only of Shares. If the issue of Equity Securities includes Listed Options, it is assumed that those Listed Options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.

- 7. The issue price is \$0.34, being the closing price of the Shares on ASX 20 October 2020.
- (c) The Company will only issue and allot the Equity Securities during the 10% Placement Period. The approval under Resolution 15 for the issue of the Equity Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking).
- (d) The Company may seek to issue the Equity Securities for cash consideration. In such circumstances, the Company intends to use the funds raised towards an acquisition of new assets or investments (including expenses associated with such acquisition), continued exploration and general working capital.
- (e) The Company will comply with the disclosure obligations under the Listing Rules 7.1A(4) upon issue of any Equity Securities.
- (f) The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of the Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:
 - (i) the methods of raising funds that are available to the Company, including but not limited to, rights issue or other issue in which existing security holders can participate;
 - (ii) the effect of the issue of the Equity Securities on the control of the Company;
 - (iii) the financial situation and solvency of the Company; and
 - (iv) advice from corporate, financial and broking advisers (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of this Notice but may include existing substantial Shareholders and/or new Shareholders who are not Related Parties or associates of a Related Party of the Company.

- (g) The Company previously obtained Shareholder approval under Listing Rule 7.1A at its annual general meeting held on 25 November 2019. In the 12 months preceding the date of the 2020 Annual General Meeting, the Company has not issued any Equity Securities pursuant to the previous approval.
- (h) For the purpose of ASX Listing Rule 14.1A (and in addition to the disclosure in clause 19.4(b) above):
 - (i) if Resolution 15 is passed, the Directors will be able issue the Equity Securities under Listing Rule 7.1A during the 10% Placement Period without using the Company's 15% placement capacity under Listing Rule 7.1; and
 - (ii) if Resolution 15 is not passed, the Directors will not be able issue the Equity Securities under Listing Rule 7.1A, and will have to either rely on its existing 15% placement capacity under Listing Rule 7.1 (from time to time), or (in the event that the Company's 15% placement capacity is exhausted) the Company will be required to obtain prior shareholder approval under Listing Rules 7.1 before being able to issue such Equity Securities (which may result in the Company incurring further time and expense).

A voting exclusion statement is included in the Notice. At the date of the Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

The Board unanimously recommends that Shareholders vote in favour of Resolution 15. The Chair of the meeting intends to vote undirected proxies in favour of Resolution 15.

20. Resolutions 6 and 16 – Grant of Management Options to Incoming Director and Existing Directors

20.1 General

Subject to obtaining Shareholder approval under Resolutions 6 and 16, the Company is proposing to issue a total of 4,500,000 unlisted options with an exercise price of \$0.25 expiring 31 December 2023 on the terms and conditions set out in Schedule 6 (**Management Options**) to existing directors Patrick Glovac, Mark Connelly and Frank Knezovic and incoming director Anastasios Arima (and/or their respective nominees) (**Directors**):

Resolution 6: 1,000,000 Management Options to Anastasios Arima (and/or his nominee);
Resolution 16(a) 2,000,000 Management Options to Patrick Glovac (and/or his nominee);
Resolution 16(b) 1,000,000 Management Options to Mark Connelly (and/or his nominee); and
Resolution 16(c) 500,000 Management Options to Frank Knezovic (and/or his nominee).

The issue of the Management Options is viewed as a cost effective and efficient way to incentivise and reward the directors particularly in relation to additional work performed beyond the normal duties expected for a typical non-executive director.

20.2 Chapter 2E of the Corporations Act

A description of Chapter 2E of the Corporations Act is set out in Section 5.3 above.

The issue of the Management Options constitutes giving a financial benefit and the Directors are related parties of the Company by virtue of being Directors (and in respect of Anastasios Arima, pursuant to the terms of section 228(6) of the Corporations Act by virtue of his proposed appointment as a director).

As it is proposed that Management Options be granted to all of the Directors, the Directors have been unable to form a quorum to consider whether one of the exceptions set out in sections 210 to 216 of the Corporations Act applies to these issues. Accordingly, Shareholder approval is sought for the grant of the Management Options.

20.3 Section 195 of the Corporations Act

Section 195 of the Corporations Act provides that a director of a public company must not vote or be present during meetings of directors when matters in which that director holds a 'material personal interest' are being considered.

The Directors have a material personal interest in the outcome of Resolutions 16(a)-16(c) (as applicable). The Directors have accordingly exercised their right under section 195(4) of the Corporations Act to put the issue of the Management Options to Shareholders to resolve upon.

20.4 Listing Rule 10.11

A summary of Listing Rule 10.11 is set out in Section 5.3 above.

The proposed issue of Management Options requires approval by Shareholders under Listing Rule 10.11 as the recipients of the Management Options are Directors of the Company and no Listing Rule 10.12 exceptions apply.

Pursuant to Listing Rule 7.2 exception 14, as Shareholder approval is sought under Listing Rule 10.11, approval under Listing Rule 7.1 is not required.

If Resolutions 6 and 16 are passed, the Company will be able to proceed with the issue of the Management Options.

If any of Resolutions 6 and 16 are not passed, the Company will not be able to issue any of the Management Options and may consider alternative forms of remuneration in lieu of such issue.

20.5 Shareholder Approval (Chapter 2E of the Corporations Act and ASX Listing Rule 10.11)

Pursuant to and in accordance with the requirements of section 219 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided in relation to the proposed issue of the Management Options:

- (i) the related parties which will receive the Management Options existing directors Patrick Glovac, Mark Connelly, Frank Knezovic and incoming director Anastasios Arima (and/or their respective nominees), and they are related parties by virtue of being Directors or proposed directors (Listing Rule 10.11.1);
- (ii) the maximum number of Management Options (being the nature of the financial benefit being provided) to be granted is a total of 4,500,000 as set out in Section 20.1 above;
- (iii) the Directors current remuneration package is set out in paragraph (xi) below;
- (iv) the terms and conditions of the Management Options to be issued are set out in Schedule 6;
- (v) the primary purpose of the grant of the Management Options to the Directors is to incentivise and reward the Directors particularly in relation to additional work performed beyond the normal duties expected for a typical director;
- (vi) the Management Options have been valued by independently by BDO Corporate Finance (WA) Pty Ltd using the Black Scholes option pricing model as set out in Schedule 7, which attributes a value of \$0.246 per Management Option, being a total value of \$1,107,000 for the 4,500,000 Management Options to be issued under Resolutions 6 and 16;
- (vii) the Management Options will be granted to the Directors (or their respective nominees) no later than 1 month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Management Options will be issued on one date;
- (viii) the Management Options will be issued for nil cash consideration, accordingly no funds will be raised from their issue;
- (ix) there is no loan being offered to the Directors in respect of the issue of the Management Options;
- (x) a voting exclusion statement is included in Resolutions 6 and 16 of the Notice;
- (xi) the Company notes that the remuneration and emoluments from the Company to the Directors for the previous financial year and the current remuneration and emoluments for the current financial year (inclusive of superannuation) are as set out below:

Interests prior to Acquisition	FY 2020 (inclusive of superannuation)*	FY 2021 (inclusive of superannuation)*
Patrick Glovac	\$109,669	\$91,980
Mark Connelly	\$65,700	\$65,700
Frank Knezovic	\$16,425	\$39,420
Anastasios Arima	Nil	USD \$49,000

^{*} Security-based payments are described in section (xiii) below.

(xii) the Management Options are not being issued under an agreement;

(xiii) the relevant interests of the Directors in securities of the Company are set out below (assuming all Resolutions are passed):

Name	Shares	Options	Other Securities
Patrick Glovac	2,359,445	2,679,723	1,500,000 Performance Rights
Mark Connelly	-	1,000,000	1,500,000 Performance Rights
Frank Knezovic	-	500,000	-
Anastasios Arima*	3,312,500**	1,625,000**	5,500,000**

^{*} Nil Securities currently held

- (xiv) if the Management Options are exercised and converted into Shares, a total of 3,500,000 Shares would be issued. This will increase the number of Shares on issue from 31,386,667 (being the number of Shares on issue at the date of this Notice) to 35,886,667 (assuming that no other Shares are issued) with the effect that the shareholding of existing Shareholders would be diluted by an aggregate of 12.54%.
- (xv) The market price for Shares during the term of the Management Options would normally determine whether or not the Management Options are exercised. If, at any time any of the Management Options are exercised and the Shares are trading on ASX at a price that is higher than the exercise price of the Management Options, there may be a perceived cost to the Company.
- (xvi) the highest and lowest closing prices of Shares on ASX during the 12 months preceding the date of this Notice, and the closing price on the trading day before the date of this Notice, are set out below:

	Price	Date
Highest	\$0.385	8 October 2020
Lowest	\$0.04	28 April 2020
Last	\$0.34	20 October 2020

- (xvii) the Board acknowledges the grant of the Management Options to the Directors is contrary to Recommendation 8.3 of The Corporate Governance Principles and Recommendations (4th Edition) as published by The ASX Corporate Governance Council. However, the Board considers the issue of the Management Options is reasonable in the circumstances for the reason set out in Section (xviii) below;
- (xviii) Mr Glovac declines to make a recommendation to Shareholders in relation to Resolution 16(a) due to his material personal interest in the outcome of the Resolution on the basis that he (and/or his nominees) is to be issued the Management Options should Resolution 16(a) be passed. However, in respect of Resolutions 6 and 16(b) and (c), Mr Glovac recommends that Shareholders vote in favour of those Resolutions for the following reasons:
 - (i) the grant of the Management Options will align the interests of the Directors with those of Shareholders;
 - (ii) the grant of the Management Options is a reasonable and appropriate method to provide cost effective remuneration as the non-cash form of this benefit will allow the Company to spend a greater proportion of its cash reserves on its operations than it would if alternative cash forms of remuneration were given; and

^{**} Comprised of 1,000,000 Management Options proposed to be issued under Resolution 6, and Vendor Consideration Securities proposed to be issued under Resolution 2 in respect of Acquisition (refer to Schedule 3 for further details)

- (iii) it is not considered that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Management Options upon the terms proposed;
- (xix) Mr Connelly declines to make a recommendation to Shareholders in relation to Resolution 16(b) due to his material personal interest in the outcome of the Resolution on the basis that he (and/or his nominees) is to be issued Management Options in the Company should Resolution 16(b) be passed. However, in respect of Resolutions 6 and 16(a) and (c), Mr Connelly recommends that Shareholders vote in favour of those Resolutions for the reasons set out in Section (xviii) above;
- (xx) Mr Knezovic declines to make a recommendation to Shareholders in relation to Resolution 16(c) due to his material personal interest in the outcome of the Resolution on the basis that he (and/or his nominees) is to be issued Management Options in the Company should Resolution 16(c) be passed. However, in respect of Resolutions 6 and 16(a) and (b), Mr Knezovic recommends that Shareholders vote in favour of those Resolutions for the reasons set out in Section (xviii) above;
- in forming their recommendations, each Director considered the experience of each other Director, the current market price of Shares, the current market practices when determining the number of Management Options to be granted as well as the valuation; and
- (xxii) the Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolutions 6 and 16.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Management Options to the Directors (and/or their nominees) as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of the Management Options will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

Schedule 1 - Definitions

In this Notice and the Explanatory Memorandum:

\$ means Australian Dollars.

Acquisition or **Hyperion Acquisition** has the meaning given in section 3.2.

Annual Report means the Directors' Report, the Financial Report and the Auditor's Report in respect to the financial year ending 30 June 2020

Associate has the meaning given in sections 12 and 16 of the Corporations Act. Section 12 is to be applied as if paragraph 12(1)(a) included a reference to the Listing Rules and on the basis that the Company is the "designated body" for the purposes of that section. A related party of a director or officer of the Company or of a Child Entity of the Company is to be taken to be an associate of the director or officer unless the contrary is established.

ASX means ASX Limited (ACN 008 624 691) and, where the context permits, the Australian Securities Exchange operated by ASX.

Auditor's Report means the auditor's report on the Financial Report.

AWST means Australian Western Standard Time, being the time in Perth, Western Australia.

Board means the board of Directors.

Business Day means:

- (a) for determining when a notice, consent or other communication is given, a day that is not a Saturday, Sunday or public holiday in the place to which the notice, consent or other communication is sent; and
- (b) for any other purpose, a day (other than a Saturday, Sunday or public holiday) on which banks are open for general banking business in Perth.

Chair means the person appointed to chair the Meeting convened by this Notice.

Class A Milestone has the meaning set out in Schedule 4.

Class A Performance Shares means the performance securities described as such in Schedule 4.

Class A Performance Options means the performance securities described as such in Schedule 5.

Class B Milestone has the meaning set out in Schedule 4.

Class B Performance Shares means the performance securities described as such in Schedule 4.

Class B Performance Options means the performance securities described as such in Schedule 5.

Closely Related Party means:

- (a) a spouse or child of the member; or
- (b) has the meaning given in section 9 of the Corporations Act.

Company means TAO Commodities Ltd (ACN 618 935 372).

Completion means completion of the Company's acquisition of 100% of the issued share capital of Hyperion Metals in accordance with the Term Sheet.

Consideration Securities has the meaning set out in section 3.2(d).

Consideration Shares has the meaning set out in 3.2(d).

Constitution means the constitution of the Company as at the commencement of the Meeting.

Corporations Act means the Corporations Act 2001 (Cth).

Director means a director of the Company.

Directors' Report means the annual directors' report prepared under chapter 2M of the Corporations Act for the Company and its controlled entities contained in the Annual Report.

Equity Securities has the same meaning as in the Listing Rules.

Exempt Investors means exempt investors pursuant to section 708 or the Corporations Act.

Explanatory Memorandum means the explanatory memorandum attached to the Notice.

Facilitation Securities has the meaning set out in section 3.2(e).

Financial Report means the annual financial report prepared under Chapter 2M of the Corporations Act of the Company and its controlled entities.

GTT means GTT Ventures Pty Ltd (ACN 601 029 636).

Hyperion or Hyperion Metals means Hyperion Metals Pty Ltd (ACN 642 234 820).

Key Management Personnel means persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

Key Resolutions means Resolutions 1 to 11 (inclusive).

Listing Rules means the listing rules of ASX.

Management Options means the Options on the terms and conditions set out in Schedule 6.

Meeting has the meaning in the introductory paragraph of the Notice.

Notice means this notice of meeting.

Performance Shares means the Class A Performance Shares and the Class B Performance Shares.

Performance Options means the Class A Performance Options and the Class B Performance Options.

Performance Securities means the Performance Shares and Performance Options.

Placement means the placement of 25,000,000 Shares as described in section 3.2.

Placement Options means the Options on the terms and conditions set out in Schedule 8.

Properties means the properties in Schedule 3.

Proxy Form means the proxy form attached to the Notice.

Related Party has the meaning set out in the ASX Listing Rule 10.11.

Remuneration Report means the remuneration report of the Company contained in the Directors' Report.

Resolution means resolution contained in the Notice.

Schedule means a schedule to this Notice.

Section means a section contained in this Explanatory Memorandum.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a shareholder of the Company.

Taylor Collison means Taylor Collison Limited.

Term Sheet has the meaning set out in section 3.2.

Titan Project Area means the Benton, Henry & Carroll counties in Tennessee, USA.

Trading Day means a day determined by ASX to be a trading day in accordance with the Listing Rules.

Vendors means the shareholders of Hyperion Metals, being the vendor parties named in Schedule 3.

VWAP means volume weighted average price.

In this Notice and the Explanatory Memorandum words importing the singular include the plural and vice versa.

Schedule 2 - Effect of Acquisition

Indicative Capital Structure

Capital Structure Shares on currently on issue Consideration Shares Placement Shares Facilitation Shares Total	31,386,667 26,500,000 25,000,000 2,650,000 85,536,667
Existing performance rights	3,000,000
Existing options	15,693,334
Acquisition Performance shares to be issued	36,000,000
Facilitation Performance shares to be issued	3,600,000
Acquisition Options	5,000,000
Acquisition Performance options	8,000,000
Management Options	7,000,000
Placement options	5,000,000
Total performance shares and options	83,293,334

Financial Effect

Particulars	Prior to Acquisition (\$ based on audited figures 31 Dec 2019)	Complete Effect of Acquisition (total)	Option Fee	Vendor Consideration Shares	Placement	Facilitation Fee (Ordinary Shares)	Vendor Consideration Performance Securities (Class A Performance Shares and Performance Options)	Facilitation Performance Securities (Class A Performance Shares and Performance Options)	Vendor Consideration Performance Securities (Class B Performance Shares and Performance Options)	Facilitation Performance Securities (Class A Performance Shares and Performance Options)	Post Acquisition Analysis - Pro forma
	\$	\$	\$	\$	\$						
Total Consolidated Assets	3,236,969	6,855,000	-25,000	2,120,000	1,880,000	0	1,440,000		1,440,000		10,091,969
Total Equity	3,140,687	7,380,000		2,120,000	1,880,000	212,000	1,440,000	144,000	1,440,000	144,000	10,520,687
Annual Revenue	0	0									0
Annual Profit (before tax and extraordinary items)	NA	0		0							
Budgeted exploration expenditure	200,000	1,550,000									1,750,000

Schedule 3 - Hyperion Vendors

Name of Vendor	No. Shares in Hyperion	% Holding in Hyperion	Allocation of Consideration Shares	Allocation of Consideration Options	Allocation of Performance Shares	Allocation of Performance Options
Majority vendors:						
Moshos Family Investments Pty Ltd <moshos a="" c="" family=""></moshos>	12,500	12.5%	3,312,500	625,000	4,500,000	1,000,000
Arredo Pty Ltd	12,500	12.5%	3,312,500	625,000	4,500,000	1,000,000
Mr. Dominic Paul Allen <the a="" c="" services="" westoz=""></the>	8,500	8.5%	2,252,500	425,000	3,060,000	680,000
Mr. Lamont Leatherman	8,500	8.5%	2,252,500	425,000	3,060,000	680,000
Mr. Patrick H. Brindle	8,500	8.5%	2,252,500	425,000	3,060,000	680,000
Mr. Alastair Warren Smith	7,000	7.0%	1,855,000	350,000	2,520,000	560,000
Mr. Carl Coward	7,000	7.0%	1,855,000	350,000	2,520,000	560,000
Verve Investments Pty Ltd	5,000	5.0%	1,325,000	250,000	1,800,000	400,000
Minority vendors:						
DITM Holdings Pty Ltd	7,000	7.0%	1,855,000	350,000	2,520,000	560,000
Fremont Sage LLC	4,500	4.5%	1,192,500	225,000	1,620,000	360,000
Mr. Scott Sparks	4,000	4.0%	1,060,000	200,000	1,440,000	320,000
16 others (each holding less than 3%)	15,000	15.0%	3,975,000	750,000	5,400,000	1,200,000
TOTAL	100,000	100%	26,500,000	5,000,000	36,000,000	8,000,000

Schedule 4 - Terms and Conditions of Performance Shares

- (a) General
 - (i) (Share capital) Each Performance Share is a share in the capital of the Company.
 - (ii) (**General meetings**) Each Performance Share confers on the holder (**Holder**) the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to the Company's shareholders. A Holder has the right to attend general meetings of the Company.
 - (iii) (**No voting rights**) A Performance Share does not entitle the Holder to vote on any resolutions proposed at a general meeting of the Company, subject to any voting rights provided under the Corporations Act or the Listing Rules where such rights cannot be excluded by these terms.
 - (iv) (**No dividend rights**) A Performance Share does not entitle the Holder to any dividends.
 - (v) (**No rights on winding up**) A Performance Share has no right to participate in the surplus profits or assets of the Company upon a winding up of the Company.
 - (vi) (Transfer of Performance Shares) The Performance Shares are not transferable.
 - (vii) (Reorganisation of Capital) In the event that the issued capital of the Company is reconstructed, all rights of a Holder will be changed to the extent necessary to comply with the Listing Rules at the time of reorganisation provided that, subject to compliance with the Listing Rules, following such reorganisation the economic and other rights of the Holder are not diminished or terminated.
 - (viii) (Quotation) The Performance Shares will not be quoted on ASX.
 - (ix) (No participation in entitlements and bonus issues) Subject always to the rights under Section (a)(vii) (Reorganisation of Capital), Holders will not be entitled to participate in new issues of capital offered to holders of fully paid ordinary shares in the Company (Shareholders) such as bonus issues and entitlement issues.
 - (x) (Amendments required by ASX) The terms of the Performance Shares may be amended as considered necessary by the board of directors of the Company in order to comply with the Listing Rules or any directions of ASX regarding the terms provided that, subject to compliance with the Listing Rules, following such amendment, the economic and other rights of the Holder are not diminished or terminated.
 - (xi) (**No other rights**) A Performance Share does not give a Holder any rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.
- (b) Milestones and expiry date

Each Performance Share will convert into a fully paid ordinary share in the Company if they vest upon the delineation and announcement by the Company to ASX (if the Company is listed), of the relevant Milestone before the applicable Expiry Date:

Performance Share Class	Expiry Date	Milestone
Class A Performance Shares	4 years from the date of issue	Completion of a positive pre-feasibility study (prepared in accordance with the JORC Code and independently verified by a Competent Person) for heavy mineral sands (HMS) mining and processing on any of the Titan Project Area which demonstrates a net present value of at least A\$200,000,000, within 4 years of the execution of the Term Sheet
Class B Performance Shares	5 years from the date of issue	The commencement of commercial production from the Titan Project Area, within 5 years of the execution of the Term Sheet

(c) Change in Control Events

- (i) Subject to (c)(ii) all Performance Shares on issue shall automatically convert into Shares upon the occurrence of any of the following events:
 - (A) the Company announces that its Shareholders have at a Court convened meeting of Shareholders voted in favour, by the necessary majority, of a proposed scheme of arrangement (excluding a merger by way of scheme of arrangement for the purposes of a corporate restructure (such as a change of domicile, consolidation, sub-division, reduction or return) of the issued capital of the Company) and the Court, by order, approves the scheme of arrangement;
 - (B) a Takeover Bid:
 - (1) is announced;
 - (2) has become unconditional; and
 - (3) the person making the Takeover Bid has a relevant interest in 50% or more of the Shares; or
 - (C) any person acquires a relevant interest in 50.1% or more of the Shares by any other means.

(each, a Change of Control Event)

(ii) The automatic conversion in (c)(i) shall only occur if the relevant Change of Control Event is triggered by a person who does not control the entity at the time the Performance Shares were issued.

(d) Expiry Date

To the extent that any Performance Shares have not converted into Shares by the applicable Expiry Date, such Performance Shares for each Holder will automatically lapse and consolidate into one Performance Share and will then convert into one Share.

(e) Conversion of Performance Shares

Any conversion of Performance Shares into Shares is on a one for one basis (subject to Section (a)(vii), if applicable). A Performance Share which converts immediately ceases to exist.

(f) Takeover Provisions

- (i) If the conversion of Performance Shares (or part thereof) under Section (b) or Section (c) would result in any person being in contravention of section 606(1) of the Corporations Act, then the conversion of each Performance Share that would cause the contravention shall be deferred until such time or times thereafter that the conversion would not result in a contravention of section 606(1).
- (ii) Where Section (f)(i) applies, if requested to do so by the affected Holder, the Company must seek to obtain the approval of its shareholders under section 611, item 7 of the Corporations Act for the conversion of the affected Performance Shares at the Company's next annual general meeting.
- (iii) A Holder must promptly notify the Company in writing if they consider that the conversion of Performance Shares (or part thereof) under Section (b) or Section (c) may result in the contravention of section 606(1), failing which the Company is entitled to assume that such conversion will not result in any person being in contravention of section 606(1) (unless it is on notice to the contrary through a substantial holder notice which has been lodged in relation to the Company).
- (iv) The Company may (but is not obliged to) by written notice request that a Holder confirm to the Company in writing within 7 days if they consider that the conversion of Performance Shares under Section (b) or Section (c) may result in the contravention of section 606(1). If the Holder does not confirm to the Company within 7 days that they consider such conversion may result in the contravention of section 606(1), then the Company is entitled to assume that such conversion will not result in any person being in contravention of section 606(1) (unless it is on notice to the contrary through a substantial holder notice which has been lodged in relation to the Company).

(g) Quotation

If the Company is listed on the ASX at the time, upon conversion of the Performance Shares into Shares in accordance with these terms, the Company must within 7 days after the conversion, apply for and use its best endeavours to obtain the official quotation on ASX of the Shares arising from the conversion.

(h) Conversion procedure

The Company will procure that the Holder is issued with a new holding statement for the Shares as soon as practicable following the conversion of the Performance Shares into Shares.

(i) Ranking of Shares

The Shares into which the Performance Shares will convert will rank pari passu in all respects with the Shares on issue at the date of conversion.

Schedule 5 - Terms and conditions of Consideration Options and Performance Options

(a) Entitlement

Each Option entitles the holder of the Option (Holder) to subscribe for one (1) Share upon exercise.

(b) Exercise Price and Expiry Date and Vesting

Option Class	Exercise Price per Option	Expiry Date	Vesting Condition
Consideration Options	A\$0.20	5 years from the date of issue	nil
Class A Performance Options	A\$0.20	5 years from the date of issue	The completion of a positive pre-feasibility study for HMS mining and processing on any of the Camden Project Area which demonstrates a net present value of at least A\$200,000,000, within 4 years of the execution of the Term Sheet (to be determined by independent verification by a Competent Person).
Class B Performance Options	A\$0.20	5 years from the date of issue	The commencement of commercial production from the Camden Project Area, within 5 years of the execution of the Term Sheet

(c) Exercise Period

Each Option is exercisable at any time prior to the Expiry Date, subject to satisfaction or waiver of the relevant vesting condition (if applicable). After this time, any unexercised Options will automatically lapse.

(d) Notice of exercise

The Options may be exercised by notice in writing to TAO and payment of the applicable Exercise Price for each Option being exercised. Any Option Exercise Form for an Option received by TAO will be deemed to be a notice of the exercise of that Option as at the date of receipt.

(e) Minimum Exercise

Options must be exercised in multiples of one thousand (1,000) unless fewer than one thousand (1,000) Options are held by a Holder.

(f) Shares issued on exercise

Shares issued on exercise of the Options rank equally with the then Shares of TAO and are free of all encumbrances, liens and third party interests.

(g) Quotation of Shares

If admitted to the official list of ASX at the time, TAO will apply to ASX for official quotation of the Shares issued upon the exercise of the Options.

- (h) Timing of issue of Shares and quotation of Shares on exercise
 - (i) Within 10 Business Days after the later of the following:
 - receipt of an Option Exercise Form given in accordance with these terms and conditions and payment of the applicable Exercise Price for each Option being exercised; and
 - (B) when excluded information in respect to TAO (as defined in section 708A(7) of the Corporations Act) (if any) ceases to be excluded information. If there is no such information the relevant date will be the date of receipt of an Option Exercise Form as set out above,

TAO will:

- (C) allot and issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Option Exercise Form and for which cleared funds have been received by TAO;
- (D) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if TAO is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (E) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.
- (ii) If, for any reason, a notice delivered under paragraph 1.1(h)(i)(D) is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, TAO must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.
- (i) Participation in new issues

A Holder who holds Options is not entitled to:

- (i) notice of, or to vote or attend at, a meeting of the shareholders;
- (ii) receive any dividends declared by TAO; or
- (iii) participate in any new issues of securities offered to shareholders during the term of the Options,

unless and until the Options are exercised and the Holder holds Shares.

(j) Adjustment for bonus issues of Shares

If TAO makes a bonus issue of Shares or other securities to existing shareholders (other than an issue in lieu or in satisfaction, of dividends or by way of dividend reinvestment):

- (i) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Holder would have received if the Holder of an Option had exercised the Option before the record date for the bonus issue; and
- (ii) no change will be made to the Exercise Price.

(k) Adjustment for rights issue

If TAO makes an issue of Shares pro rata to existing shareholders (other than an issue in lieu of or in satisfaction of dividends or by way of dividend reinvestment) there will be no adjustment to the Exercise Price of an Option.

(I) Adjustment for reorganisation

If there is any reconstruction of the issued share capital of TAO, the rights of the Holder will be varied to comply with the Listing Rules that apply to the reconstruction at the time of the reconstruction.

(m) Quotation of Options

TAO will not seek official quotation of any Options.

(n) Options transferable

The Options are non-transferrable, other than any transfer which complies with section 707(3) of the Corporations Act and any escrow restrictions imposed by the Listing Rules.

(o) Lodgement requirements

Cheques shall be in Australian currency made payable to TAO and crossed 'Not Negotiable' for the application for Shares on the exercise of the Options.

(p) Change of Control

All Performance Options on issue shall automatically vest upon the occurrence of any of the following events:

- (i) the Company announces that its Shareholders have at a Court convened meeting of Shareholders voted in favour, by the necessary majority, of a proposed scheme of arrangement (excluding a merger by way of scheme of arrangement for the purposes of a corporate restructure (such as a change of domicile, consolidation, sub-division, reduction or return) of the issued capital of the Company) and the Court, by order, approves the scheme of arrangement;
 - (A) a Takeover Bid:
 - (B) is announced;
 - (C) has become unconditional; and
 - (D) the person making the Takeover Bid has a relevant interest in 50% or more of the Shares; or
- (ii) any person acquires a relevant interest in 50.1% or more of the Shares by any other means.

Schedule 6 - Terms and Conditions of Management Options

The terms and conditions of the Options are as follows:

- (a) The exercise price of each Option is \$0.25 (Exercise Price).
- (b) The expiry date of each Option is 5:00pm (WST) on 31 December 2023 (**Expiry Date**).
- (c) Each Option gives the Option holder the right to subscribe for one Share.
- (d) Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (e) The amount payable upon exercise of each Option is the Exercise Price.
- (f) The Options held by each Option holder may be exercised in whole or in part, and if exercised in part, multiples of 10,000 must be exercised on each occasion.
- (g) An Option holder may exercise their Options by lodging with the Company, before the Expiry Date:
 - a written notice of exercise of Options specifying the number and class of options being exercised; and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised,

(Exercise Notice).

- (h) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (i) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price (and subject to the Company obtaining any necessary prior approvals from Shareholders or regulatory bodies for the issue of the Shares), the Company will issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
- (j) All Shares issued upon the exercise of Options will upon issue rank pari passu in all respects with other Shares.
- (k) The Options are non-transferable and the Company will not apply for quotation of the Options.
- (I) The Company will apply for quotation of all Shares issued pursuant to the exercise of Options on ASX within 10 Business Days after the date of issue of those Shares.
- (m) If at any time the issued capital of the Company is reconstructed, all rights of an Option holder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (n) There are no participating rights or entitlements inherent in the Options and Option holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 4 Business Days after the issue is announced. This will give Option holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
- (o) An Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Option can be exercised.

Schedule 7 - Valuation of Management Options

The Management Options to be issued pursuant to Resolution 16 have been valued independently by BDO Corporate Finance (WA) Pty Ltd. Using the Black Scholes option pricing model and based on the assumptions set out below, the Management Options to be issued under Resolution 6 and 16 have been ascribed the following value range:

Valuation of the financial benefits

Item	New Options
Valuation date	19 Oct 2020
Spot price	\$0.355
Exercise price	\$0.25
Expiry date	31 Dec 2023
Expected future volatility	100%
Risk free rate	0.14%
Dividend yield	Nil
Valuation per Option	\$0.246

Accordingly, the indicative value of the financial benefits to be given to the Directors under Resolutions 6 and 16 are set out below:

Director	Number of Options	Value
A. Arima	1,000,000	\$246,000
P. Glovac	2,000,000	\$492,000
M. Connelly	1,000,000	\$246,000
F. Knezovic	500,000	\$123,000
Total	4,500,000	\$1,107,000

Schedule 8 - Terms and Conditions of Placement Options

The terms and conditions of the Options are as follows:

- (a) The exercise price of each Option is \$0.20 (Exercise Price).
- (b) The expiry date of each Option is 5:00pm (WST) on 31 December 2023 (Expiry Date).
- (c) Each Option gives the Option holder the right to subscribe for one Share.
- (d) Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (e) The amount payable upon exercise of each Option is the Exercise Price.
- (f) The Options held by each Option holder may be exercised in whole or in part, and if exercised in part, multiples of 10,000 must be exercised on each occasion.
- (g) An Option holder may exercise their Options by lodging with the Company, before the Expiry Date:
 - a written notice of exercise of Options specifying the number and class of options being exercised; and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised,

(Exercise Notice).

- (h) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (i) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price (and subject to the Company obtaining any necessary prior approvals from Shareholders or regulatory bodies for the issue of the Shares), the Company will issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
- (j) All Shares issued upon the exercise of Options will upon issue rank pari passu in all respects with other Shares.
- (k) The Options are non-transferable and the Company will not apply for quotation of the Options.
- (I) The Company will apply for quotation of all Shares issued pursuant to the exercise of Options on ASX within 10 Business Days after the date of issue of those Shares.
- (m) If at any time the issued capital of the Company is reconstructed, all rights of an Option holder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (n) There are no participating rights or entitlements inherent in the Options and Option holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 4 Business Days after the issue is announced. This will give Option holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
- (o) An Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Option can be exercised.

ANNEXURE A – Independent Expert's Report







Financial Services Guide

21 October 2020

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 ('we' or 'us' or 'ours' as appropriate) has been engaged by Tao Commodities Limited ('Tao') to provide an independent expert's report in relation to the issue of performance securities as part of the consideration payable for the proposed acquisition of Hyperion Metals Pty Ltd ('Hyperion'). You are being provided with a copy of our report because you are a shareholder of TAO and this Financial Services Guide ('FSG') is included in the event you are also classified under the Corporations Act 2001 ('the Act') as a retail client.

Our report and this FSG accompanies the Notice of Meeting required to be provided to you by TAO to assist you in deciding on whether or not to approve the proposal.

Financial Services Guide

This FSG is designed to help retail clients make a decision as to their use of our general financial product advice and to ensure that we comply with our obligations as a financial services licensee.

This FSG includes information about:

- Who we are and how we can be contacted;
- The services we are authorised to provide under our Australian Financial Services Licence No. 316158:
- Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- Any relevant associations or relationships we have; and
- Our internal and external complaints handling procedures and how you may access them.

Information about us

We are a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide professional services primarily in the areas of audit, tax, consulting, mergers and acquisition, and financial advisory services.

We and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business and the directors of BDO Corporate Finance (WA) Pty Ltd may receive a share in the profits of related entities that provide these services.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients, and deal in securities for wholesale clients. The authorisation relevant to this report is general financial product advice.

When we provide this financial service we are engaged to provide an expert report in connection with the financial product of another person. Our reports explain who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. If you have any questions, or don't fully understand our report you should seek professional financial advice.

BDO

Financial Services Guide

Page 2

Fees, commissions and other benefits that we may receive

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd ('BDO') for this engagement is approximately \$24,000.

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report and our directors do not hold any shares in TAO.

BDO Audit (WA) Pty Ltd is the appointed auditor of Tao. We do not consider that this impacts on our independence in accordance with the requirements of Regulatory Guide 112 'Independence of Experts'. We have completed a conflict search of BDO affiliated organisations within Australia. This conflict search incorporates all Partners, Directors and Managers of BDO affiliated organisations. We are not aware of any circumstances that, in our view, would constitute a conflict of interest or would impair our ability to provide objective assistance in this matter.

Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from Tao for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Complaints resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 West Perth WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Australian Financial Complaints Authority ('AFCA').

AFCA is an external dispute resolution scheme that deals with complaints from consumers in the financial system. It is a not-for-profit company limited by guarantee and authorised by the responsible federal minister. AFCA was established on 1 November 2018 to allow for the amalgamation of all Financial Ombudsman Service ('FOS') schemes into one. AFCA will deal with complaints from consumers in the financial system by providing free, fair and independent financial services complaint resolution. If an issue has not been resolved to your satisfaction you can lodge a complaint with AFCA at any time.

Our AFCA Membership Number is 12561. Further details about AFCA are available on its website www.afca.org.au or by contacting it directly via the details set out below.

Australian Financial Complaints Authority GPO Box 3 Melbourne VIC 3001

AFCA Free call: 1800 931 678
Website: www.afca.org.au
Email: info@afca.org.au

You may contact us using the details set out on page 1 of the accompanying report.



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Appendix 1 - Glossary and copyright notice

Appendix 2 - Valuation Methodologies

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21 October 2020

The Directors
Tao Commodities Limited
22 Townshend Road
Subiaco, WA 6000

Dear Directors

INDEPENDENT EXPERT'S REPORT

1. Introduction

On 24 September 2020, Tao Commodities Limited ('Tao' or 'the Company') announced that it had entered into a binding term sheet ('Term Sheet') with the vendors of Hyperion Metals Pty Ltd ('Hyperion') to grant the Company the exclusive option ('Option') to acquire the entire issued capital of Hyperion ('Acquisition') and in turn, Tao is to acquire an interest in the Titan Project. The Titan Project comprises approximately 2,100 acres of options to lease or purchase private surface and mineral rights ('Option Agreements') for titanium and zircon mineral sands proximal to the town of Camden in Benton, Henry and Carroll countries in Tennessee, United States of America ('USA') ('Camden Project Area').

On 6 October 2020, the Company announced that it had completed its due diligence in relation to the Acquisition and has exercised the Option.

Upon exercise of the Option by Tao, the consideration payable for the acquisition of Hyperion is as follows:

- 26,500,000 fully paid ordinary shares in Tao at a deemed issue price of \$0.08 per share ('Consideration Shares');
- 5,000,000 unlisted options with an exercise price of \$0.20 per share and an expiry of five years from their date of issue ('Consideration Options');
- 18,000,000 unlisted performance shares ('Class A Performance Shares') that convert into an equal number of ordinary shares upon completion of a pre-feasibility study (prepared in accordance with the JORC Code and independently verified by a Competent Person) for heavy mineral sands ('HMS') mining and processing of any of the Camden Project Area, which demonstrates a net present value ('NPV') of at least \$200 million, within 4 years of the execution of the Term Sheet ('Class A Milestone');
- 18,000,000 unlisted performance shares ('Class B Performance Shares') that convert into an equal number of ordinary shares upon commencement of commercial production from the Camden Project Area, within 5 years of the execution of the Term Sheet ('Class B Milestone');



- 4,000,000 unlisted performance options ('Class A Performance Options') with an exercise price of \$0.20 and expiry of five years from their date of issue, which vest upon satisfaction of the Class A Milestone;
- 4,000,000 unlisted performance options ('Class B Performance Options') with an exercise price of \$0.20 and expiry of five years from their date of issue, which vest upon satisfaction of the Class B Milestone;

(collectively, the 'Consideration Securities').

We note that the Company will also issue 2,650,000 shares ('Facilitation Shares') and 1,800,000 performance shares on the same terms as the Class A Performance Shares and 1,800,000 performance shares on the same terms as the Class B Performance Shares to GTT Ventures Pty Ltd ('GTT') ('Facilitation Performance Shares') (collectively 'Facilitation Securities').

The Class A Performance Shares, Class B Performance Shares and Facilitation Performance Shares are collectively referred to as the 'Performance Shares'. The Class A Performance Options and Class B Performance Options are collectively referred to as the 'Performance Options'. The Performance Shares and Performance Options are classified as performance securities under Australian Securities Exchange ('ASX') Guidance Note 19 'Performance Securities' ('GN 19') and are collectively referred to as 'Performance Securities'. Shareholder approval is being sought for the proposed issue of the Performance Securities ('Proposed Issue').

Tao has also secured commitment letters for a placement of \$2.0 million via the issue of 25 million shares at \$0.08 per share, which is subject to shareholder approval ('Placement'). The completion of the Placement is a condition precedent to the Acquisition.

We note that the Acquisition (Resolution 1) is contingent on shareholders approving the issue of the Consideration Securities (Resolution 2) and the issue of the Facilitation Securities (Resolution 3). Should shareholders not approve either of the above, the Company will not be able to proceed with the Acquisition and it will not issue any of the securities covered in Resolutions 1-11. Resolutions 1, 2 and 3 of the Company's Notice of Meeting are collectively referred to as the 'Transaction'.

All currencies are quoted in Australian Dollars unless stated otherwise.

2. Summary and Opinion

2.1 Requirement for the report

The directors of Tao have requested that BDO Corporate Finance (WA) Pty Ltd ('BDO') prepare an independent expert's report ('our Report') to express an opinion as to whether or not the Transaction is fair and reasonable to the non-participating shareholders of Tao ('Shareholders').

Our Report is prepared pursuant to GN 19 as the entity is listed on the ASX and is proposing to issue performance securities, which if the relevant milestones are achieved, would result in the issue of a number of ordinary shares that is greater than 10% of the number of ordinary shares on issue at the date the performance securities are proposed to be issued. As such, an independent expert report is required and is to be included in the Notice of Meeting for Tao in order to assist Shareholders in their decision whether to approve the Transaction.



2.2 Approach

Our Report has been prepared having regard to GN 19, Australian Securities and Investments Commission ('ASIC') Regulatory Guide 111 'Content of Expert's Reports' ('RG 111'), Regulatory Guide 112 'Independence of Experts' ('RG 112'), Regulatory Guide 170 'Prospective Financial Information' ('RG 170') and Information Sheet 214: Mining and Resources: Forward-looking Statements ('IS 214').

We note that the Class A Milestone does not state whether the NPV of \$200 million is measured on a funded or unfunded basis. An NPV measured on an unfunded basis will not consider the impact of the required funding of the project and assumes the project is funded using the company's existing cash. For example, should the project be funded via debt, an unfunded NPV will not incorporate the cost of servicing the debt. Similarly, should the project be funded via equity, the NPV will not contemplate the dilution of existing shareholders' interests that is likely to arise from an equity raising. This therefore assumes that the NPV of the project will only flow to existing shareholders.

Contrastingly, a funded NPV considers the impact of the required funding of the project, such as debt servicing in the case that the project is funded via debt, the dilution of existing shareholders' interests if it is funded via equity or the cost of any alternative financing means such as offtake or prepayment facilities. Therefore, assuming that a company is required to raise capital in order to fund the project an unfunded NPV of a project on a per share basis will exceed the funded NPV of a project on a per share basis and therefore does not represent the value that is flowing to existing shareholders.

In the case that the Class A Milestone is measured on an unfunded basis and the project requires funding, this would require an assessment of the quantum of the funding required, the structure of the funding (being the proportion of debt, equity or alternate means such as an offtake arrangement), the terms of the funding and therefore the effect on the value of the project, in order to assess the likely value of a Tao share following the achievement of the Class A Milestone. Based on the guidance of RG 170 and IS 214, we do not consider there to be sufficient reasonable grounds on which to assess the future value of a Tao share.

Given that the terms of the Performance Securities do not explicitly state whether the Class A Milestone is to be assessed on a funded or unfunded basis, we contemplated the Proposed Issue under both bases.

In arriving at our opinion, we have assessed the terms of the Transaction as outlined in the body of this report. We have considered:

- How the value of a share in Tao prior to the Transaction compares to the value of a share in Tao
 following the vesting of the Performance Securities on both a diluted and undiluted basis. This
 assessment is predicated on the assumption that the Class A Milestone, being a project NPV of at least
 \$200 million represents a funded value;
- Under the assumption that the Class A Milestone is assessed with reference to an unfunded NPV, whether there is sufficient reasonable grounds on which to assess the value of a Tao share following the vesting of the Performance Securities;
- Other factors which we consider to be relevant to the Shareholders in their assessment of the Transaction; and
- The position of Shareholders should the Transaction not proceed.



2.3 Opinion

We have considered the terms of the Transaction as outlined in the body of this report and have concluded that the Transaction is **not fair but reasonable** to Shareholders.

In our opinion, the Transaction is **not fair** because we are unable to opine on the value of a Tao share should the Class A Milestone be assessed on an unfunded basis, and therefore by default we consider the Transaction to be **not fair** for Shareholders.

However, we consider the Transaction to be reasonable because the advantages of the Transaction to Shareholders are greater than the disadvantages. In particular, if the achievement of the Class A Milestone was assessed on a funded basis, the value of a Tao share following the vesting of the Performance Securities would be significantly higher than the value of Tao prior to the Transaction. Further, although the vesting of the Performance Securities will dilute existing Shareholders' interests, there is likely to be significant value accretion in proceeding to a feasibility study stage with a project NPV of \$200 million. There may also be value accretion between the feasibility stage and the first commercial production (Class B Milestone). However, we do not have sufficient reasonable grounds to be able to quantify this value accretion and as such for the purposes of our Report, we have not differentiated between the achievement of the Class A and Class B Milestones. For completeness, we note that there is also a possibility that the value of Shareholders' interests could decline between the achievement of the Class A Milestone, should they be achieved.

2.4 Fairness

In Section 12, we determined that the value of a share in Tao following the vesting of the Performance Securities is greater than the value of a share in Tao prior to the Transaction on both a diluted and undiluted basis as set out below. This assessment is under the assumption that the Class A Milestone is to be measured on a funded basis.

	Ref	Low \$	Midpoint \$	High \$
Value of a share in Tao prior to the Transaction (control)	10.3	0.092	0.134	0.176
Value of a share in Tao following the Transaction and vesting of the Performance Securities (control) (diluted)	11.1	1.26	1.26	1.26
Value of a share in Tao following the Transaction and vesting of the Performance Securities (control) (undiluted)	11.1	1.64	1.64	1.64

Source: BDO analysis



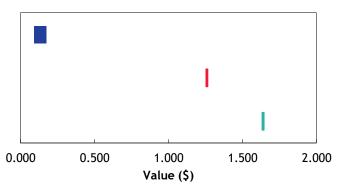
The above valuation ranges are graphically presented below:

Valuation Summary

Value of a share in Tao prior to the Transaction

Value of a share in Tao following the vesting of the Performance Securities (diluted)

Value of a share in Tao following the vesting of the Performance Securities (undiluted)



However, the above valuation ranges are predicated on the assumption that the Class A Milestone is assessed on a funded basis. As detailed in Section 11.2, in the event that the Class A Milestone is assessed on an unfunded basis, we do not have sufficient reasonable grounds on which to assess the future value of a share. As a result, we are unable to assess the value of a Tao share following the vesting of the Performance Securities in accordance with the guidance provided by RG 111, RG 170 and IS 214.

Based on the above, given that we are unable to opine on the value of a Tao share should the Class A Milestone be assessed on an unfunded basis, by default we consider the Transaction to be **not fair** for Shareholders.

2.5 Reasonableness

We have considered the analysis in Section 13 of this report, in terms of both

- advantages and disadvantages of the Transaction; and
- other considerations, including the position of Shareholders if the Transaction does not proceed and the consequences of not approving the Transaction.

In our opinion, the position of Shareholders if the Transaction is approved is more advantageous than the position if the Transaction is not approved. Accordingly, in the absence of any other relevant information and/or an alternate proposal we believe that the Transaction is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES				
Section	Advantages	Section	Disadvantages	
13.2	The achievement of the Performance Milestones are value accretive	13.3	Potential dilution of existing Shareholders' interests	
13.2	The Transaction consideration is structured in such a way to align the interests of Shareholders, the vendors of Hyperion and management			
13.2	Exposure to a potentially large-scale project in a growth industry			



ADVANTA	AGES AND DISADVANTAGES		
Section	Advantages	Section	Disadvantages
13.2	Access to funding from Placement		

Other key matters we have considered include:

Section	Description
13.1	Alternative proposal
13.4	Consequences of not approving the Transaction
13.5	Other considerations

3. Scope of the Report

3.1 Purpose of the Report

ASX Listing Rule 6.1 requires that the terms that apply to each class of equity securities must, in ASX's opinion, be appropriate and equitable. In accordance with this listing rule, on 28 August 2020, ASX updated GN 19 to require an expert to be commissioned to prepare an independent expert report that complies with RG 111, expressing an opinion as to whether the issue of shares to the holder of the performance securities is fair and reasonable. The requirement for an independent expert report arises in the following situations:

- if the entity is already listed and is proposing to issue performance securities, in which the number of ordinary shares into which those performance securities will convert in aggregate if the applicable milestone is achieved, is greater than 10% of the number of ordinary shares the entity proposes to have on issue at the date the performance securities are proposed to be issued (taking into account any ordinary shares that the entity may be issuing in connection with the same transaction, assuming that the performance securities are converted to ordinary shares); or
- if the entity is applying to be listed and it has, or proposes to have performance securities on issue at the date of its admission to quotation and the number of ordinary shares into which those performance securities will convert in aggregate if the applicable milestone is achieved, is greater than 10% of the number of ordinary shares the entity proposes to have on issue at the date of its admission to quotation (taking into account any ordinary shares that the entity may be issuing in connection with its listing assuming that the performance securities are converted to ordinary shares).

As detailed in Section 4, the issue of the Performance Securities represents in excess of 10% of the issued capital of Tao at the proposed issue date. The Directors of Tao have engaged BDO as an independent expert to satisfy this requirement.

3.2 Regulatory guidance

Neither the Listing Rules nor the Corporations Act defines the meaning of 'fair and reasonable'. In determining whether the Transaction is fair and reasonable, we have had regard to the views expressed by



ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

We do not consider the Transaction to be a control transaction. As such, we have used RG 111 as a guide for our analysis but have considered the Transaction as if it were not a control transaction.

3.3 Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the offer price or consideration is equal to or greater than the value of the securities subject of the offer. In the case of the Transaction we have conducted this assessment by comparing the value of a Tao share prior to the Transaction with the value of a Tao share following the vesting of the Performance Securities. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. RG 111 states that when considering the value of the securities subject of the offer in a control transaction the expert should consider this value inclusive of a control premium. However, as stated in Section 3.2 we do not consider that the Transaction is a control transaction.

RG 111 states that a comparison should be made between the value of the securities being offered (allowing for a minority discount) and the value of the target entity's securities, assuming 100% of the securities are available for sale.

Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any alternate options.

Having regard to the above, BDO has completed this comparison in two parts:

- A comparison between the value of a Tao share prior to the Transaction and the value of a Tao share following the vesting of the Performance Securities; (fairness - see Section 12 'Is the Transaction Fair?'); and
- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the resolution, after reference to the value derived above (reasonableness - see Section 13 'Is the Transaction Reasonable?').

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' ('APES 225').

A Valuation Engagement is defined by APES 225 as follows:

'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.'

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.



4. Outline of the Transaction

On 24 September 2020, Tao announced that it had entered into an Option with the vendors of Hyperion to acquire the entire issued capital of Hyperion. On 6 October 2020, the Company announced that it had exercised the Option.

Upon exercise of the Option by Tao, the consideration payable for the acquisition of Hyperion is as follows:

- 26,500,000 Consideration Shares;
- 5,000,000 Consideration Options;
- 36,000,000 Performance Shares, comprising 18,000,000 Class A Performance Shares and 18,000,000 Class B Performance Shares; and
- 8,000,000 Performance Options, comprising 4,000,000 Class A Performance Options and 4,000,000 Class B Performance Options.

Tao also announced that it had secured commitment letters for a Placement of \$2.0 million, the completion of which, is a condition precedent to the Transaction.

In addition, the Term Sheet sets out additional commercial terms ('Other Commercial Terms') which are set out below:

- Upon exercise of the Option by Tao, the Company will advance a loan of US\$125,000 (interest free) to Hyperion to be applied towards exploration work on the Camden Project Area ('Loan');
- The Company will issue 2,650,000 Facilitation Shares to GTT, representing 10% of the number of Consideration Shares issued;
- The Company will also issue a total of 3,600,000 Facilitation Performance Shares to GTT, comprising 1,800,000 on the same terms as the Class A Performance Shares and 1,800,000 on the same terms as the Class B Performance Shares;
- The lead manager of the Placement ('Lead Manager') will receive 2,000,000 unlisted options with an exercise price of \$0.20, expiring 31 December 2023. In addition, 3,000,000 unlisted options will be issued to unrelated parties (together, the 'Placement Options'); and
- Subject to shareholder approval, it is proposed that Tao will issue a total of 7,000,000 options to
 its current directors and the management of Hyperion to reward them for their efforts and as
 ongoing incentivisation for their roles (exercisable at \$0.25, expiring 31 December 2023)
 ('Management Options').

The Proposed Acquisition is subject to certain conditions precedent, the most significant of which are set out below ('Conditions Precedent'):

- Tao completing a Placement of \$2.0 million at an issue price of \$0.08;
- Tao maintaining a cash balance of at least \$1.1 million;
- Tao obtaining the necessary shareholder and regulatory approvals and waivers;
- 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 Hyperion obtaining all necessary third party consents and governmental and ministerial approvals.

The binding term sheet for the Option was executed on 17 September 2020, in which Tao paid a non-refundable option fee of US\$25,000 to Hyperion ('Option Fee').

Hyperion, through its wholly owned subsidiary, TN Exploration LLC ('TNE'), a limited liability company incorporated in North Carolina, USA holds the Option Agreements, which upon exercise, allows TNE to lease or purchase private surface property and mineral rights that are prospective for mineral sands. TNE also owns the mining information relating to the Camden Project Area, including all surveys, maps, plans, drilling locations, logs from drilling conducted and all reports, samples, geological, geochemical and petrographic samples.

The Option Agreements provide Hyperion the exclusive right to access, enter, occupy and use the surface property for all purposes related to exploring for and evaluating all minerals in return for Hyperion making annual cash option payments to the landowners, generally between US\$25 - US\$75 per acre per year.

Upon exercise of the Option, 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). In addition, 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 and US\$1,950 per acre).

As detailed in Section 3.1, ASX GN 19 requires an expert to be commissioned to prepare an independent expert report that complies with RG 111, expressing an opinion as to whether the issue of shares to the holder of the performance securities is fair and reasonable. This requirement arises if the entity is already listed and is proposing to issue performance securities, which if converted will represent in excess of 10% of the number of ordinary shares the entity has on issue at the date the performance securities are proposed to be issued (taking into account any ordinary shares that the entity may be issuing in connection with the same transaction assuming that the performance securities are converted to ordinary shares).

The number of performance shares and options classified as Performance Securities under ASX GN 19 amounts to 47,600,000, comprising the following:

- 36,000,000 Performance Shares payable to Hyperion;
- 8,000,000 Performance Options payable to Hyperion; and
- 3,600,000 Performance Shares payable to GTT.

As at the date the Performance Securities are proposed to be issued (assuming that the Performance Securities are converted to ordinary shares), Tao will have 133,136,667 shares on issue, comprising 85,536,667 shares prior to the vesting of the Performance Securities and 47,600,000 ordinary shares on vesting of the Performance Securities (including the exercise of the Performance Options).

In the event that the applicable milestones attached to the Performance Securities are met, the number of ordinary shares into which the Performance Securities will convert equates to approximately 36% of the number of shares that is proposed to be on issue as at the date the Performance Securities are issued, as summarised in the table below.



Description	Number of Shares
Issued shares at date of our Report	31,386,667
Consideration Shares to be issued	26,500,000
Placement Shares to be issued	25,000,000
Facilitation Shares to be issued	2,650,000
Number of shares on issue prior to the vesting of the Performance Securities (a)	85,536,667
Class A Performance Shares	18,000,000
Class B Performance Shares	18,000,000
Class A Performance Options	4,000,000
Class B Performance Options	4,000,000
Facilitation Performance Shares	3,600,000
Number of ordinary shares into which the Performance Securities will convert (b)	47,600,000
Number of ordinary shares into which the Performance Securities will convert as a % of the number of shares that are proposed to be on issue at the date Performance Securities are issued (b/(a+b))	36%

The table below sets out the impact of the Placement and the issue of the Consideration Shares, Performance Shares and Performance Options on the percentage of issued capital held by existing Shareholders, the vendors of Hyperion and GTT. The maximum level of dilution to existing Shareholders' interests arises in the event that the Consideration Securities, Facilitation Securities, Placement Options, Management Options and the options and performance rights currently on issue convert into ordinary shares, resulting in a minimum possible holding for existing Shareholders of 33.40%.

Description	Existing Shareholders	Vendors of Hyperion	GTT	Other	Total
Number of shares on issue at the date of our report	31,386,667	-	-	-	31,386,667
Number of Consideration Shares to be issued	-	26,500,000	-	-	26,500,000
Number of shares to be issued in relation to the Placement	25,000,000	-	-	-	25,000,000
Number of Facilitation Shares to be issued	-	-	2,650,000	-	2,650,000
Number of shares on issue following the completion of the Placement and issue of Consideration and Facilitation Shares	56,386,667	26,500,000	2,650,000	-	85,536,667
% holdings following the completion of the Transaction	65.92%	30.98%	3.10%	0.00%	100.00%
Vesting of Performance Shares	-	36,000,000	3,600,000	-	39,600,000
Number of shares on issue following the Transaction and vesting of the Performance Shares	56,386,667	62,500,000	6,250,000	-	125,136,667
% holdings following the vesting of the Performance Shares	45.06%	49.95%	4.99%	0.00%	100.00%
Fully diluted					
Vesting and exercise of Performance Options	-	8,000,000	-	-	8,000,000



Description	Existing Shareholders	Vendors of Hyperion	GTT	Other	Total
Exercise of Consideration Options	-	5,000,000	-	-	5,000,000
Exercise of Placement Options	-	-	-	5,000,000	5,000,000
Exercise of Management Options	-	-	-	7,000,000	7,000,000
Exercise of Existing Options	-	-	-	15,693,334	15,693,334
Vesting of Existing Rights	-	-	-	3,000,000	3,000,000
Number of shares on issue following the Transaction and vesting of all Performance Shares and exercise of all options included in the Transaction	56,386,667	75,500,000	6,250,000	30,693,334	168,830,001
% holdings on a fully diluted basis	33.40%	44.72%	3.70%	18.18%	100.00%

^{*}The vendors of Hyperion are not deemed by the Company to be associates and as such approval under item 7 Section 611 of the Corporations Act is not being sought

We note that as at the date of our Report, the Company currently has 15,693,334 listed options exercisable at \$0.20 with an expiry date of 31 August 2021 ('Existing Options') and 3,000,000 performance rights with an expiry date of 25 November 2022 ('Existing Rights'). For the purposes of the dilution calculations above, we have assumed that the Existing Options and Existing Rights are converted to ordinary shares.

We note that the Acquisition is contingent on Shareholders approving the issue of the Consideration Securities and the issue of the Facilitation Securities. Should Shareholders not approve either of the above, the Company will not be able to proceed with the Acquisition and it will not issue any of the securities covered by Resolutions 1-11.

5. Profile of Tao

5.1 History

TAO is a precious and base metals exploration company that is listed on the ASX and headquartered in Western Australia with its operations in Utah, USA. The Company's current flagship project is the Milford Base Metals Project ('Milford Project') located near the town of Milford, Utah, which is considered prospective for zinc, lead, copper, silver and gold. The Company was incorporated in 2017 and subsequently listed on the ASX in April 2018.

The current board of directors are:

- Patrick Glovac Managing Director;
- Mark Connelly Non-Executive Chairman; and
- Frank Knezovic Non-Executive Director.



5.2 Projects

Milford Base Metals Project

The Milford Project is located near the town of Milford, Utah. The Company has secured 100 claims prospective for replacement or manto/pipe-style base and precious metals. A number of historic workings and prospects were exploited for precious and base metals in the 1800s within the region, known as the San Francisco Mining District. However, little systematic modern day exploration has been completed, with limited drilling data known to exist despite the evidence of extensive historical mining activity.

The project is considered prospective for epithermal and replacement style precious and base metal mineralisation along structural corridors in reactive host rocks. Following on from previous soil and reconnaissance rock sampling results completed in Q1 2020 as part of the Phase 1 exploration programme, future exploration work aims to extend the geochemical anomalies along the interpreted strike (Phase 2) and provide sufficient data to plan initial drilling campaigns.

Phase 1 reconnaissance rock chip results returned results with grades of 17.4 g/t gold ('Au') and 8,760 g/t silver ('Ag'). Soil sampling that was completed in conjunction with the rock sampling, defined anomalous zones over several hundred metres open along strike at both its Captain Jack and Moccasin projects.

Captain Jack Project

The Captain Jack Project is located in the southern part of the Milford Project. As part of the Phase 1 programme, a total of 102 soil and 14 rock samples were collected at the Captain Jack prospects. The Captain Jack prospect is associated with a series of old shallow workings and pits in altered silicified carbonate and sedimentary rocks with evidence of ex-sulphide textures and copper oxide staining. Reconnaissance rock sampling completed by the Company as part of the Phase 1 programme returned samples with anomalous gold, ranging from 0.99 to 17.4 g/t Au. Silver results ranged from 0.25 to 8,760 g/t, with four samples assaying >100 g/t Ag.

Moccasin Project

The Moccasin Project is located in the northern part of the Milford Project. As part of the Phase 1 programme, a total of 107 soil and 13 rock samples were collected at the Moccasin prospect. Four reconnaissance rock samples collected by the Company returned gold values of +1 g/t Au. A number of samples also returned elevated base metal assay results with 15.1% lead ('Pb'), 4.64% zinc ('Zn') and 1.21% copper ('Cu').



5.3 Historical Balance Sheet

Statement of Financial Position	Audited as at 30-Jun-20	Audited as at 30-Jun-19	Audited as at 30-Jun-18
CURRENT ASSETS	\$	\$ \$	\$
Cash and cash equivalents	1,649,187	2,466,133	3,639,293
Trade and other receivables	42,438	15,131	92,179
Prepayments	24,874	19,883	19,500
TOTAL CURRENT ASSETS	1,716,499	2,501,147	3,750,972
NON-CURRENT ASSETS			
Right of use asset	24,507	-	-
Fixed assets	6,293	-	-
Deferred exploration and evaluation expenditure	1,224,895	1,081,149	576,083
TOTAL NON-CURRENT ASSETS	1,255,695	1,081,149	576,083
TOTAL ASSETS	2,972,194	3,582,296	4,327,055
CURRENT LIABILITIES			
Trade and other payables	42,198	40,241	182,640
Lease liability	25,960	-	-
Accruals	26,404	28,066	72,578
TOTAL LIABILITIES	94,562	68,307	255,218
NET ASSETS	2,877,632	3,513,989	4,071,837
EQUITY			
Issued capital	4,577,708	4,527,708	4,506,110
Reserves	1,224,153	1,164,391	974,202
Accumulated losses	(2,924,229)	(2,178,110)	(1,408,476)
TOTAL EQUITY	2,877,632	3,513,989	4,071,837

Source: TAO's audited financial statements for the years ended 30 June 2018, 30 June 2019 and 30 June 2020.

- Cash and cash equivalents decreased from \$2,466,133 as at 30 June 2019 to \$1,649,187 as at 30 June 2020 which was primarily the result of payments to suppliers and employees of \$685,562 and exploration and evaluation expenditure of \$123,767.
- The right of use asset of \$24,507 and the associated lease liability of \$25,960 as at 30 June 2020 relate to the present value of future lease payments on the Company's corporate office, which was recognised in accordance with AASB 16 'Leases'.
- Exploration and evaluation ('E&E') expenditures in relation to each separate area of interest are recognised as an E&E asset in the year in which they are incurred. E&E assets are initially measured at cost and are assessed for impairment when circumstances suggest that the carrying amount of an E&E asset may exceed its recoverable amount.



5.4 Historical Statement of Profit or Loss and Other Comprehensive Income

Statement of Profit or Loss and Other Comprehensive Income	Audited for the year ended 30-Jun-20 \$	Audited for the year ended 30-Jun-19 \$	Audited for the year ended 30-Jun-18 \$
Interest income	22,651	44,078	2,999
Other income	37,368	-	-
Administrative expenses	(366,161)	(509,709)	(437,148)
Staff expenses	(312,611)	(271,004)	(97,940)
Share based payment	(89,783)	(33,000)	(780,300)
Amortisation expense	(32,808)	-	-
Finance cost lease	(4,775)	-	-
Loss before income tax	(746,119)	(769,634)	(1,312,389)
Income tax benefit	-	-	-
Loss after income tax for the year from continuing operations	(746,119)	(769,634)	(1,312,389)
Other comprehensive income/(losses)			
Exchange differences arising on translation of foreign operations	19,979	36,438	20,502
Other comprehensive income/(losses) for the period, net of tax	19,979	36,438	20,502
Total comprehensive loss for the year	(726,140)	(733,196)	(1,291,887)

Source: Tao's audited financial statements for the years ended 30 June 2018, 30 June 2019 and 30 June 2020.

- Other income of \$37,368 for the year ended 30 June 2020 relates to the Australian Government's COVID-19 stimulus package for employers.
- Share based payment of \$780,300 for the year ended 30 June 2018 relates to the value of options granted to directors.



5.5 Capital Structure

The share structure of Tao as at 8 September 2020 is outlined below:

	Number
Total Ordinary Shares on issue	31,386,667
Top 20 Shareholders	16,244,086
Top 20 Shareholders - % of shares on issue	51.75%

Source: Tao annual report for the year ended 30 June 2020

The range of shares held in Tao as at 8 September 2020 is as follows:

Range of Shares Held	No. of Ordinary Shareholders	No. of Ordinary Shares	Percentage of Issued Shares (%)
1 - 1,000	19	3,131	0.01%
1,001 - 5,000	25	87,902	0.28%
5,001 - 10,000	64	577,583	1.84%
10,001 - 100,000	154	7,118,348	22.68%
100,001 - and over	62	23,599,703	75.19%
TOTAL	324	31,386,667	100.00%

Source: Tao annual report for the year ended 30 June 2020

The ordinary shares held by the most significant shareholders as at 8 September 2020 are detailed below:

Name	Number of Ordinary Shares Held	Percentage of Issued Shares (%)
Mounts Bay Investments PL	1,969,444	6.27%
Ms Chunyan Niu	1,944,674	6.20%
Syracuse Capital Pty Ltd	1,655,000	5.27%
Subtotal	5,569,118	17.74%
Others	25,817,549	82.26%
Total ordinary shares on Issue	31,386,667	100.00%

Source: Tao annual report for the year ended 30 June 2020

As at 8 September 2020, the options on issue in Tao are outlined below:

Name	Number of Options	Exercise Price (\$)	Expiry Date
Listed options	15,693,334	0.20	31 August 2021
Total Number of Options	15,693,334		
Cash Raised if Options Exercised	\$3,138,667		

Source: Tao annual report for the year ended 30 June 2020



6. Profile of Hyperion

6.1 History

Hyperion Metals Pty Ltd, through its wholly owned subsidiary TNE, holds the Options Agreements over the Titan Project, which upon exercise allows TNE to lease or purchase private surface property and mineral rights that are prospective for mineral sands.

Hyperion was founded by Ian Middlemas and Anastasios Arima, who developed Piedmont Lithium Limited, an ASX-listed company which is developing the Piedmont Lithium Project out of Charlotte, North Carolina. Upon completion of the Transaction, Anastasios Arima will join the board of Tao as an Executive Director.

We have been provided with the unaudited management accounts of Hyperion, however we do not consider these to provide material information to Shareholders, therefore we have not presented them.

6.2 Projects

Titan Project

TNE holds the Option Agreements to lease or purchase private surface property and mineral rights that are prospective for mineral sands. The Titan Project spans across the Camden Project Area and targets a segment of the unconsolidated Cretaceous stratigraphy along the eastern boundary of the Mississippi Embayment in north-western Tennessee, USA. The region includes active permitted mining operations, with the McNairy Sand hosting two mines producing quartz for the industrial glass industry.

Several HMS exploration campaigns have focused on this region over the past 60 years, with DuPont Titanium Technologies, Inc. reportedly being the first company to investigate this region, followed by Kerr-McGee Chemical Corporation that had exploration success but never commenced mining. BHP Titanium Minerals Pty Ltd had an interest in the region in the 1990s and Mineral Recovery Systems, Inc., a company associated with Altair International Inc., had significant activities in the region in the late 1990s, including land acquisition, drilling and metallurgical studies.

The Titan Project is in close proximity to significant manufacturing capacity, specifically The Chemours Company's New Johnsonville pigment plant, one of the largest titanium consuming plants in the world and within 1,000km of all other US titanium pigment and metal plants. The US pigment industry is one of the largest global consumers of titanium minerals and imports approximately 95% of its requirements.

In addition, the project's location provides several logistical advantages including:

- main highway and road access, with Interstate Highway 40 and US Route 70 proximal to the project, connecting to Nashville and Memphis;
- a commercial barge port on the Tennessee River located 15km from the project, which is part of the 19,000km U.S Inland & Intracoastal Waterways network connecting to major customers and coastal ports;
- being proximal to CSX Corporation's main rail line, one of the largest U.S east coast rail operators, connecting to major customers and coastal ports;
- high voltage power access, including multiple transmission lines passing directly through the project;
- high capacity natural gas access, including multiply natural gas pipelines running proximally to the project; and



major towns within close proximity with personnel experienced in heavy equipment and plant
operations, removing the need for camps, emergency services and fly-in/fly-out operations in a
development scenario.

Tao has expressed that it will commence exploration and continue with an aggressive land consolidation program in Tennessee, USA.

7. Economic analysis

7.1. Australia

Overview

The Australian economy grew at 2% over 2019. The Reserve Bank of Australia ('RBA') had predicted growth of approximately 2.75% for 2020, based on low interest rates, lower exchange rates, a rise in mining investment, high levels of spending on infrastructure and an expected recovery in residential construction. However, as a result of the COVID-19 outbreak and the Australian bushfires, this momentum has been significantly disrupted.

COVID-19 has led to the largest contraction in global economic activity since the 1930s. Labour markets have been severely disrupted, and inflation has declined. The easing of containment measures in some nations led to a new surge in infections, postponing a fuller and faster economic recovery. The global economic downturn has been concentrated in the services (mainly travel and hospitality) sector, with the manufacturing sector staging a recovery, initially in China, but then in other industrial nations.

The pandemic has had a significant impact on the Australian economy and financial system, along with creating considerable volatility in financial markets. Equity prices experienced sharp declines and the yield on government bonds reached historic lows in March 2020. Measures taken by the Australian government and the RBA have improved stability in equity and bond markets over recent months.

Globally, financial market conditions have rebounded from the period of dislocation in March, and over the past few months financial conditions have remained accommodative as interest rates have fallen to historical lows. The expectation that significant fiscal and monetary stimulus will be provided for an extended period, is supporting sentiment in financial markets.

Government Policies

The Australian Government introduced a range of stimulus measures in response to the impact of COVID-19 on the economy, totalling \$507 billion since the beginning of the pandemic.

Support from public policy has cushioned the effects of the health-related activity restrictions on incomes and will shape the recovery of the economy. In aggregate, household disposable income has been maintained throughout the pandemic, even as many people lost their jobs or worked fewer hours. The largest contributor to this support has been the \$101 billion JobKeeper program, which is estimated to have supported more than 25% of all workers nationwide. The program has been extended beyond September and will continue to support employment until March 2021, although at lower rates of subsidy and with changed eligibility criteria. The extension is targeting support to businesses and not-for-profits which continue to be significantly impacted by COVID-19.



Furthermore, additional payments to recipients of other forms of social assistance have boosted household incomes and will continue to do so over the next few quarters. Many households have also been able to supplement their income cash flows by withdrawing from their superannuation.

Further stimulus measures include the \$680 million Homebuilder Program announced on 4 June 2020, which was introduced to assist the residential construction market. The program provides eligible owner-occupiers with a grant of \$25,000 to build a new home or renovate an existing home.

In mid-March, the RBA introduced a comprehensive package of policy measures to support the Australian economy. The RBA announced it would implement further measures including focusing on lowering the cash rate and reducing the 3-year government bond yield to 0.25%. Since then, the RBA has purchased approximately \$50 billion worth of bonds in the secondary market. Although the target yield of 0.25% has been achieved, the RBA will continue to monitor the cash rate, which will remain in place until progress is made towards full employment level and medium term inflation between 2% and 3%.

In addition, the RBA introduced a three-year term funding facility which was provided for authorised deposit-taking institutions, such as commercial banks, unlocking access to additional funding, equivalent to 2% of their outstanding credit, at a fixed rate of 0.25% for three years.

The 2020-21 Federal Budget provided an additional \$98 billion of response and recovery support in the form of a \$74 billion new JobMaker Plan and \$25 billion in additional temporary and targeted supported under the COVID-19 Response Package.

The five-year JobMaker Plan focuses on driving sustainable, private sector led growth through the support of aggregate demand and job creation. Part of the plan involves lowering taxes by over \$50 billion, introducing the JobMaker Hiring Credit, which will provide businesses with incentives to take on additional employees aged between 16 and 35 year olds and the Boosting Apprentices Wage Subsidy which will support up to 100,000 new apprentices and trainees.

Economic Indicators

According to the RBA's baseline scenario, the Australian economy is expected to contract by approximately 6% over 2020, before growing by approximately 5% over 2021 and 4% over 2022. If realised, this would still leave the level of output below where it would have been, had the pandemic not occurred. The expected recovery will be supported by considerable fiscal and monetary policy easing, as well as accommodative financial conditions.

A quarterly decline in the Consumer Price Index ('CPI') inflation of 1.9% in the June quarter resulted in annual deflation of 0.3%. This represents the first period of annual deflation since the early 1960s and the largest quarterly decline in CPI inflation since the Australian Bureau of Statistics ('ABS') started recording quarterly CPI data in 1948. The decline was entirely accounted for by two temporary factors: the fall in petrol prices and the decision to make child care (and some preschool) free. The government subsidy, which also covered before- and after-school services, led to a 95% decline in child care prices in the June quarter, which singlehandedly subtracted 1.2% from inflation in the June quarter. The decline in inflation is anticipated to reverse in the September quarter as petrol prices begin to increase and fees for child care and preschool are being progressively reintroduced. According to the RBA's baseline scenario, inflation is expected to gradually increase to 1.5% by the end of 2022.

The COVID-19 outbreak has severely affected the labour market. The measured unemployment rate increased by more than 2% over the course of a few months, reaching 7.4% in the month of June, the



highest rate in more than two decades. Although some job losses have since been recovered as restrictions begin to ease and spending activity has picked up, employment still remains 5% lower than in mid-March.

The unemployment rate increased to 7.4% in August 2020, up from 6.2% in late June and 5.3% in January 2020. Employment fell by around 870,000 people over April and May. Some of these job losses have since been recovered as restrictions have been lifted and activity has picked up, but employment remains around 5% lower than in mid-March. The Australian Government's JobKeeper program introduced in March is currently subsidising 3.5 million jobs, in the absence of this program, employment would have declined much further.

The Australian dollar depreciated significantly during the height of the market turmoil in March 2020, but has since appreciated to be slightly above its level at the beginning of 2020. This appreciation is in line with the currencies of a range of other advanced economies against the backdrop of a depreciation of the Unites States dollar over recent months. The Australian dollar is now in a range that is broadly consistent with its fundamental determinants, namely, the terms of trade and the differential between interest rates in Australia and rates in major advanced economies.

Outlook

There is considerable uncertainty for the near term outlook of the Australian economy with the outcome depending on the success of efforts to contain the coronavirus as well as the timeframe for social distancing measures currently in place. Further outbreaks of the virus and associated restrictions on activity are the key risks to the outlook. The measures taken to address the current outbreak in Victoria will further delay the economic recovery.

While uncertainty exists, the RBA is predicting that the downturn will be less than initially predicted, with the rate of infections declining and some restrictions being eased earlier than previously suggested. This has resulted in the RBA amending its forecast of -8% GDP growth to -6% for the 2020 financial year.

Source: www.rba.gov.au Statement by Phillip Lowe, Governor: Monetary Policy Decision 1 September 2020, 7 July 2020, 2 June 2020, 5 May 2020, 7 April 2020 and 19 March 2020, www.abs.gov.au Consumer Price Index August 2020, Australian Federal Government September 2020 Resources and Energy Quarterly, Australian Government 2020-21 Budget Overview.

7.2. United States of America

The U.S economy is the largest in the world, representing approximately 20% of total global output. The economy features a highly-developed and technologically-advanced services sector, which accounts for about 80% of the nation's output. Services-oriented companies in areas such as technology, financial services, healthcare and retail dominate the economy.

In February 2020, U.S GDP was on track to contract by as much as 8% in 2020 as a result of COVID-19 and the consequent measures to contain and mitigate viral transmission, marking the worst economic contraction since 1932. At the same time, unemployment was forecast to reach 19% in May 2020, the highest projection since the Great Depression and almost twice its peak during the global financial crisis.

In March 2020, the Federal Reserve announced that it would purchase US\$500 billion in U.S Treasury bills and US\$200 billion in mortgage-backed securities. This was followed by the decision to expand quantitative easing purchases to an unlimited amount to ensure sufficient liquidity in financial markets. By June 2020, the Federal Reserve had expanded its balance sheet by more than US\$3 trillion, to a record balance of US\$7.2 trillion, in order to achieve the Federal Funds Rate target range of 0.0% to 0.25%. This resulted in historically low yields for long-term fixed-rate mortgages and corporate bonds.



Simultaneously, the U.S Federal Government injected US\$2.2 trillion in direct financial support to American firms, households, medical establishments and State and local governments. Most notably, the Paycheck Protection Program ('PPP'), a measure designed to maintain employer-employee matches, helped stabilise labour markets by allowing firms to retain workers and rehire them as health conditions improve. As a result, an estimated 81% of layoffs are expected to be temporary rather than permanent.

By the end of Q1 2020, GDP growth had declined 5.0%, signalling the onset of the 2020 recession. In Q2 2020, the full effect of the recession commenced and the economy contracted 31.4% in the quarter. The Congressional Budget Office anticipates the economy to return to its pre-pandemic level in 2022 under the current tax and spending laws. According to the most recent forecast released at the Federal Open Market Committee meeting on 16 September 2020, the U.S GDP growth is expected to contract by 3.7% in 2020 and is anticipated to rebound to a growth rate of 4.0% in 2021 before slowing to 3.0% in 2022 and 2.5% in 2023.

The unemployment rate peaked at 14.7% in April 2020 as workers were furloughed in response to COVID-19. However, the PPP initiative has provided easing for the labour market, with unemployment expected to average 7.6% in 2020, then falling to 5.5% in 2021, 4.6% in 2022 and 4.0% in 2023.

For the month of April 2020, CPI decreased 0.8%, the largest monthly drop since December 2008. However, inflation has rebounded more rapidly than expected which was primarily supported by the cost of used cars and trucks increasing 6.7% and the increase in the cost of natural gas by 4.2%, pushing overall energy prices higher. As at September 2020, the annual inflation rate in the U.S was 1.4%. By contrast, the annual inflation rate was 2.5% at the beginning of 2020. However, prices are not anticipated to rise much faster until the economic certainty becomes stronger.

The International Monetary Fund has scaled back its estimate of the global economic downturn, amending its forecast of -5.2% GDP growth to -4.4% for the 2020 calendar year due to stronger than expected performance in Q2 and Q3 of 2020. Albeit, the IMF anticipates the final bill for COVID-19 would total US\$28 trillion in lost output.

Source: Federal Reserve Board, Credit and Liquidity Programs and the Balance Sheet, Board of Governors of the Federal Reserve System, Federal Reserve Press Release, September 16 2020, Bureau of Labor Statistics, Employment Situation Summary, Federal Reserve Board, Federal Reserve Announces Extensive New Measures to Support the Economy, Market Watch, U.S Inflation Higher in September

8. Industry analysis

This section sets out an overview of the mineral sands industry. We note that although Tao currently explores for other minerals, specifically zinc, lead, copper, silver and gold, it's exposure to these minerals will be of significantly smaller scale, relative to its exposure to mineral sands following the vesting of the Performance Securities, should it occur. As such, mineral sands are the focus of our analysis below.

Mineral sands are typically ancient beach, river or dune sands that contain concentrations of a group of minerals. These minerals include titanium minerals (rutile, ilmenite, leucoxene and synthetic rutile) and zircon, which are also known as 'heavy minerals' due to their heavy characteristic. Additionally, most of the 17 rare earth elements can be extracted from mineral sands, which are used in everyday objects and hybrid and electric vehicles, which are anticipated to account for 20% of all vehicles by 2030.

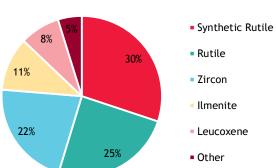
The shallow depth of mineral sands deposits allows mining to be conducted using conventional surface mining methods including bulldozers, excavators and trucks which minimises disturbance to the land. The topsoil, subsoil and clay are removed and stockpiled separately to allow it to be progressively returned in correct order after the mining process. Once the mineral sand ore is removed from the ground, water is



added to the ore which is pumped to a processing plant where the valuable heavy minerals are separated from the sand. The sand is then pumped back to the mined area, the water is removed for reuse and the sand is returned to the ground. The subsoil and topsoil are then replaced and the land is rehabilitated back to its original land use.

Australia is home to the largest mineral sand deposits in the world, hosting 62% and 32% of the world's share of rutile resources and ilmenite resources respectively and producing 68% of the world's zircon resources. In particular, Australian mineral sands mining company, Iluka Resources Limited ('Iluka'), owns both the world's largest rutile and zircon mines in the world. Mineral sands production in Australia by mineral type is set out below, which is broadly similar to the composition of global mineral sands production:

Mineral Sands Production (FY2020)



Source: IBISWorld Industry Report Mineral Sand Mining in Australia

Zircon

Zircon is a popular gemstone that has been used for nearly 2,000 years. Zircon contains the metals zirconium and hafnium which are widely distributed in the Earth's crust and is often found in most igneous and metamorphic rocks. Zircon is extremely resistant to corrosion and has a high melting point, and as such, is used to make pipes for harsh chemicals, nuclear reactor cladding, line furnaces, heat exchangers and speciality alloys. In addition, Zircon products are also used in engines, electronics, spacecraft and the ceramics and tiles industry.

Australia hosts approximately 35% of the world's zircon, the largest resource of zircon in the world, while China consumes approximately 50% of the world's zircon. Zircon is typically sold to the Chinese and European ceramics markets, where over 50% of the zircon supplied to the industry is used in the production of ceramic items including kitchen benches, tiles and bathroom fittings. Zircon is also used in a range of production processes in refractories and foundry casting. Growing markets include zirconium chemicals used in catalytic fuel converters, and air and water purification systems.

Zircon constitutes a relatively secure input source to a range of industrial and end-consumer applications, with relatively low threats from substitutes. Today, zircon is often a co-product at mining or processing operations where ilmenite and rutile are being mined for their titanium content.

Between 2013 and 2017, the zircon price steadily declined as a result of a slowdown in the rapid growth of demand from China seen during 2011 and 2012 and the recovery of supply side problems, before its price recovered in mid-July 2017. The price of zircon reached a high of approximately US\$1,635 per tonne in December 2018. According to Consensus Economics, the long-term forecast zircon price is expected to be approximately US\$1,400 per tonne and US\$1,500 per tonne.



Titanium

The titanium minerals - rutile, ilmenite, leucoxene and synthetic rutile - are the principal feedstock for pigment production. Titanium is a lightweight, strong and rust-resistant silver-white metal, which has the same strength as steel, but is half the weight.

Of the world's titanium, 80% is used in the production of titanium dioxide ('TiO₂'), a white pigment used in the manufacture of paint, toothpaste and plastics, providing non-toxic UV protection. In addition, smaller quantities of titanium are used in the production of titanium chemicals, titanium metal, glass production, welding rod electrodes, heat exchanges and steelmaking. Additionally, titanium is also used in the construction of space shuttles and throughout the International Space Station.

In recent years, pricing for titanium products has been at the lower end of historical prices. However since late 2016, the industry has seen a resurgence in pricing, linked to stronger demand and balancing of stock levels globally.

Mineral Sands - USA

The USA is the second largest global importer of titanium where it is used to produce two main products, TiO_2 pigment for the coatings and plastics sector and titanium metal for the defence, aerospace, space and medical sectors.

Over the last decade however, the USA has seen a significant decrease in production of both titanium minerals and zircon, which coincided with the closure of Iluka's Virginia operations in 2016. In 2010, 74% of the nation's mineral sands use was sourced from overseas, which increased to 95% in 2019, with import values increasing from \$470 million to \$1.2 billion over the same period.

In 2018, the U.S Department of the Interior published a list of 35 mineral commodities considered critical to the U.S economic and national security. This initiative was designed to break the nation's dependence on foreign minerals, the list includes titanium and zircon. More recently, in February 2020, President Trump issued a Presidential Memoranda: *Memorandum on the Effect of Titanium Sponge Imports on National Security*. The focus of this is to assess and rectify the threat of relying on imports of titanium sponge, as it is heavily used in the defence sector.

The intent of these actions is for federal agencies to prioritise the development of domestic sources of these critical minerals, with a focus on providing funding opportunities or easing of regulatory hurdles. Given the significant dependence by the US on imported titanium feedstocks, and its use within the defence sector, Tao will monitor and consider its eligibility for any potential funding options which may arise through US Federal Government programs.

Mineral Sands Outlook

Mineral sands output is forecast to increase over the next five years, reflecting higher production at new and existing operations after several years of production growth. This output growth also reflects rising demand as global economic conditions improve and continues to recover from the COVID-19 pandemic. Tile manufacturers in China and Europe have partially commenced operations, however operation rates still remain at approximately 50-60% of pre-COVID-19 levels.

Rising steel production in Asia, most notably China is projected to drive industry production volumes and revenue over the five year period. Additionally, demand from other manufacturers for TiO₂ pigment used in paint, coatings, plastics, rubber and paper is anticipated to grow at a steady pace.



Although demand for mineral sands is anticipated to grow over the period, higher global rutile output is likely to limit price growth as increased supply puts downward pressure on prices. Similarly, increases in the global supply of ilmenite will likely closely match demand growth over the period, limiting scope for higher prices. Higher mineral sand mining activity in other countries will likely pose a challenge for industry operators over the next five years, as international competition constrains industry export growth opportunities.

Importantly, the market for mineral sands will further benefit from global government infrastructure spending, expected to be enacted as a means of economic stimulus as a result of COVID-19. This has the potential to significantly increase global demand, whilst exacerbating the need for the re-establishment of a US production base for these minerals.

Source: Geoscience Australia *Zircon*, Minerals Council of Australia *Mineral Sands*, United States Geological Survey *Interior Releases* 2018's Final List of 35 Minerals Deemed Critical to U.S National Security and the Economy.

9. Valuation approach adopted

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings ('FME')
- Discounted cash flow ('DCF')
- Quoted market price basis ('QMP')
- Net asset value ('NAV')

A summary of each of these methodologies is outlined in Appendix 2.

9.1 Value of Tao prior to the Transaction

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information. In our assessment of the value of Tao shares prior to the Transaction we have chosen to employ the following methodologies:

- NAV on a going concern basis as our primary valuation methodology; and
- QMP as our secondary methodology.

We have chosen these methodologies for the following reasons:

- Tao's mineral assets do not currently generate any income nor are there any historical profits that could be used to represent future earnings, so the FME approach is not appropriate;
- Tao currently has no foreseeable future net cash inflows, so the application of the DCF valuation approach is not appropriate;
- Tao's mineral assets are currently not producing assets and no revenue or cash flows are currently generated by these assets. We have not commissioned an independent technical specialist to value Tao's assets prior to the Transaction because its assets are not sufficiently advanced, nor is the value of these assets material in the context of the Transaction. Also, the Company's accounting policy is to capitalise its exploration expenditure and we consider a cost approach to be appropriate to value Tao's exploration assets. Therefore, we consider that the NAV approach is an appropriate methodology to use in assessing the value of a Tao share prior to the Transaction; and
- The QMP basis is a relevant methodology to consider because Tao's shares are listed on the ASX. This means there is a regulated and observable market where Tao's shares can be traded. However, in order for the QMP methodology to be considered appropriate, the listed shares should be liquid and



the market should be fully informed of the Company's activities. As detailed in Section 10.2, we consider there to be a liquid and active market for Tao's shares, therefore we have relied on the QMP approach in determining the value of a Tao share prior to the Transaction.

9.2 Value of Tao following the vesting of the Performance Securities

9.2.1. Level of uncertainty around funding assumptions

In determining the approach to assess whether the Transaction is fair and reasonable to Shareholders, we have considered the guidance contained in RG 111, RG 170 and IS 214. Specifically, RG 111.15 states that funding for a target that is not in financial distress (e.g. capital that is required to develop a project) should generally be taken into account when determining the fair value of target securities. The expert may need to expressly determine to take funding requirements into account when using certain methodologies, for example the discounted cash flow methodology.

The funding referred to above would be required to fund the exploration and drilling work required to be able to proceed to a feasibility study stage, as well as the cost of commissioning the study. Further, in order to proceed to commercial production, the Company would be required to fund the initial upfront capital expenditure required to construct the mine and surrounding infrastructure and to fund the initial periods whilst the mine ramps up to full capacity. In order to determine the quantum of funding required for the project, an assessment of the following would be required:

- The likely success of future exploration work;
- The timing and cost of successful exploration and commissioning of the feasibility study;
- The mining and other infrastructure required to economically extract the mineral sands;
- The forecast production profile and timing of construction expenditure to determine the extent of funding required to fund the construction and ramp up period;
- The quality and type of minerals to be extracted;
- The forecast pricing of those minerals that are to be extracted; and
- The estimated operating costs likely to be incurred in extracting these minerals.

The above is not an exhaustive list however it does demonstrate the level of uncertainty associated with estimating the required funding for a project in the future.

Further, once the quantum of the raising is determined, in order to assess the impact on the value of a share, an assessment of the following would need to be undertaken:

- The structure of the funding (being the proportion of debt, equity or alternate means such as a streaming/prepayment facility or offtake arrangement); and
- The terms of the above funding, including debt, offtake or streaming terms as well as the future share price and possible discount at which the Company may be able to raise equity.



9.2.2. Differences between a funded and unfunded NPV

The Class A Milestone does not explicitly state whether the NPV of \$200 million is measured on a funded or unfunded basis.

An NPV measured on an unfunded basis will not consider the impact of the required funding of the project and assumes the project is funded using the company's existing cash. For example, should the project be funded via debt, an unfunded NPV will not incorporate the cost of servicing the debt. Similarly, should the project be funded via equity, the NPV will not contemplate the dilution of existing shareholders' interests that is likely to arise from an equity raising. This therefore assumes that the NPV of the project will only flow to existing shareholders.

Contrastingly, a funded NPV considers the impact of the required funding of the project, such as debt servicing in the case that the project is funded via debt, the dilution of existing shareholders' interests if it is funded via equity or the cost of any alternative financing means such as offtake, streaming or prepayment facilities. Therefore, assuming that a company is required to raise capital in order to fund the project, an unfunded NPV of a project on a per share basis will exceed the funded NPV of a project on a per share basis and therefore does not represent the value that is flowing to existing shareholders.

In the case that the Class A Milestone is measured on an unfunded basis and the project requires funding, this would require a forecast of the assumptions detailed in Section 9.2.1 above.

Based on the guidance of RG 170 and IS 214, we do not consider there to be sufficient reasonable grounds on which to assess the future value of a Tao share if the Class A Milestone is to be assessed on an unfunded basis.

Class A Milestone on a funded basis

The notion of a NPV assessed on a funded basis means that the \$200 million effectively flows to existing Shareholders and the holders of the Performance Shares without the impact of dilution arising from future capital raisings. We do not have reasonable grounds for assumptions made around the future value of Tao's other assets and liabilities and as such we have left the value of Tao's other assets and liabilities unadjusted.

The basis of the valuation of a Tao share following the vesting of the Performance Securities, is the \$200 million NPV required for the Camden Project Area. We have also included the value of Tao following the vesting of the Performance Securities and exercise of the Performance Options, which involves adjusting the value of Tao for the cash raised on exercise and increasing the number of shares on issue.

Class A Milestone on an unfunded basis

In the event that the Class A Milestone represents an unfunded NPV we do not have sufficient reasonable grounds on which to assess the future value of Tao assuming that the Performance Securities are met. This is detailed further in Section 11.2. We note that a NPV on an unfunded basis effectively means that a mix of debt or equity funding would be required in order to realise the \$200 million NPV. We note that it is also unclear as to whether the \$200 million NPV is before cash flows to service debt, streaming, offtake or equity. As such, the value that flows to existing Shareholders and holders of the Performance Shares would be less than \$200 million.



10. Valuation of Tao prior to the Transaction

10.1 Net Asset Valuation of Tao

The value of Tao's assets prior to the Transaction, on a going concern basis is reflected in our valuation below:

Net Asset Valuation	Note	Audited as at 30-Jun-20
		\$
CURRENT ASSETS		
Cash and cash equivalents		1,649,187
Trade and other receivables		42,438
Prepayments		24,874
TOTAL CURRENT ASSETS		1,716,499
NON-CURRENT ASSETS		
Right of use asset		24,507
Fixed assets		6,293
Deferred exploration and evaluation expenditure	a)	1,224,895
TOTAL NON-CURRENT ASSETS		1,255,695
TOTAL ASSETS		2,972,194
CURRENT LIABILITIES		
Trade and other payables		42,198
Lease liability		25,960
Accruals		26,404
TOTAL LIABILITIES		94,562
NET ASSETS		2,877,632
Shares on issue (number)	b)	31,386,667
Value per share		\$0.092

Source: BDO analysis

We have been advised that there has been no material changes in the consolidated statement of financial position since 30 June 2020. As such, we have relied on the audited accounts as at 30 June 2020 in arriving at our valuation above. The table above indicates the net asset value of a Tao share prior to the Transaction is \$0.092.

Note a) Deferred exploration and evaluation expenditure

The Company's accounting policy is to capitalise E&E expenditure, therefore the book value of exploration assets represents the historical cost of the Company's projects. Given the early stage of the Company's projects, and in the absence of reasonable grounds for an alternative valuation approach, we consider the book value of E&E expenditure to be an appropriate basis for assessing the valuation.

Further, the purpose of our report is to provide an opinion on whether the proposed issue of Performance Securities is fair and reasonable to Shareholders. This involves an assessment of the value of the Company



following the achievement of the Class A and Class B Milestones. In the event that the milestones are met, the value of the Company's existing projects would not be material in the context of the Company's other assets. Therefore, we do not consider it appropriate to commission a technical specialist to provide an independent market valuation of the exploration assets currently held by Tao. The commissioning of an independent technical specialist would not have a material impact on our valuations or affect the conclusions reached.

Note b) Shares on issue

The listed options currently on issue are out-of-the-money, therefore we have assumed that the options have not been exercised, as such, our valuation is assessed on an undiluted basis. As detailed in Section 5.5, the Company has 31,386,667 shares on issue prior to the Transaction.

10.2 Quoted Market Prices for Tao Securities

To provide a comparison to the valuation of Tao in Section 10.1, we have also assessed the quoted market price for a Tao share.

The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

As we are assessing Tao's shares on a controlling interest basis, it is appropriate to apply a control premium to the minority interest value of a Tao share. An acquirer could be expected to pay a premium for control due to the advantages they will receive should they obtain 100% control of another company. These advantages include the following:

- control over decision making and strategic direction;
- access to underlying cash flows;
- control over dividend policies; and
- access to potential tax losses.

Therefore, our calculation of the quoted market price of a Tao share including a premium for control has been prepared in two parts. The first part is to calculate the quoted market price on a minority interest basis. The second part is to add a premium for control to the minority interest value to arrive at a quoted market price value that includes a premium for control.

Minority interest value

Our analysis of the quoted market price of a Tao share is based on the pricing prior to the announcement of the Transaction. This is because the value of a Tao share after the announcement may include the effects of any change in value as a result of the Transaction. However, we have considered the value of a Tao share following the announcement when we have considered reasonableness in Section 13.

Information on the Transaction was announced to the market on 24 September 2020. Therefore, the following chart provides a summary of the share price movement over the 12 months to 17 September 2020, which was the last trading day prior to the announcement.





Source: Bloomberg

The daily price of Tao shares from 17 September 2019 to 17 September 2020 has ranged from a low of \$0.040 on 29 April 2020 to a high of \$0.150 on 26 September 2019 and 7 October 2019. The highest single trading day over the assessed period was 30 April 2020, when 12,990,345 shares were traded.

To provide further analysis of the market prices for a Tao share, we have also considered the weighted average market price for 10, 30, 60 and 90 day periods to 17 September 2020.

Share Price per unit	17-Sep-20	10 Days	30 Days	60 Days	90 Days
Closing price	\$0.120				
Volume weighted average price (VWAP)		\$0.129	\$0.121	\$0.106	\$0.089

Source: Bloomberg, BDO analysis

The above weighted average prices are prior to the date of the announcement of the Transaction, to avoid the influence of any increase in price of Tao shares that has occurred since the Transaction was announced.

An analysis of the volume of trading in Tao shares for the twelve months to 17 September 2020 is set out below:

Trading days	Share price	Share price	Cumulative volume	As a % of
	low	high	traded	Issued capital
1 Day	\$0.120	\$0.135	58,000	0.18%
10 Days	\$0.120	\$0.145	651,181	2.07%
30 Days	\$0.085	\$0.145	3,345,248	10.66%
60 Days	\$0.074	\$0.145	5,469,128	17.42%
90 Days	\$0.061	\$0.145	11,990,830	38.20%
180 Days	\$0.040	\$0.145	33,890,140	107.98%
1 Year	\$0.040	\$0.150	37,620,974	119.86%

Source: Bloomberg, BDO analysis

This table indicates that Tao's shares display a high level of liquidity, with 119.86% of the Company's current issued capital being traded in a twelve month period. Further, over the period of 30 trading days,



(a six week period), 10.66% of shares were traded, representing approximately 1.78% of Tao's issued capital being traded per week over the 30 trading days prior to the announcement. RG 111.69 states that for the quoted market price methodology to be an appropriate methodology there needs to be a 'liquid and active' market in the shares and allowing for the fact that the quoted price may not reflect their value should 100% of the securities not be available for sale. We consider the following characteristics to be representative of a liquid and active market:

- Regular trading in a company's securities;
- Approximately 1% of a company's securities are traded on a weekly basis;
- The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- There are no significant but unexplained movements in share price.

A company's shares should meet all of the above criteria to be considered 'liquid and active', however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

We have also assessed the trading volumes for Tao shares on a weekly basis over the twelve months prior to the announcement of the Transaction and found the mean and median weekly trading volume was approximately 2.3% and 0.8% of the Company's issued capital respectively. Of the 53 weeks in which our analysis is based on, more than 1% of the Company's securities had been traded in 23 of those weeks. During the week which included the highest single trading day over the assessed period (27 April 2020 to 1 May 2020), 47.6% of the Company's issued capital was traded, therefore explaining the difference between the mean and median.

Based on the above analysis, we consider there to be a liquid and active market for Tao's shares. We have based our assessment of the minority interest value of a Tao share on the pre-announcement closing price and the VWAP's calculated over the 10 and 30 trading days prior to the announcement as this period displays a high level of liquidity and is not distorted by any single day of trading.

Our assessment is that a range of values for Tao shares based on market pricing, after disregarding post announcement pricing, is between \$0.120 and \$0.130.

Control Premium

We have reviewed the control premiums paid by acquirers of both mining companies and ASX-listed companies. We have summarised our findings below.

We have reviewed the control premiums on completed transactions, paid by acquirers of both acquirers of both general mining companies and all ASX-listed companies. In assessing the appropriate sample of transactions from which to determine an appropriate control premium, we have excluded transactions where an acquirer obtained a controlling interest (20% and above) at a discount (i.e. less than a 0% premium). We have summarised our findings below:

Mining Companies

Year	Number of Transactions	Average Deal Value (\$m)	Average Control Premium (%)
2020	6	498.23	56.86
2019	12	143.74	42.83
2018	11	87.76	53.40
2017	5	13.91	35.21



Year	Number of Transactions	Average Deal Value (\$m)	Average Control Premium (%)
2016	13	59.54	74.92
2015	9	340.82	57.86
2014	16	111.11	47.28
2013	17	117.99	63.99
2012	17	219.10	54.03
2011	21	811.55	37.42
2010	21	555.11	50.61

Source: Bloomberg, BDO Analysis

ASX-Listed Companies

Year	Number of Transactions	Average Deal Value (\$m)	Average Control Premium (%)
2020	18	311.60	54.30
2019	45	3026.62	38.82
2018	45	1101.19	41.23
2017	29	973.72	43.33
2016	42	718.51	49.58
2015	34	828.14	34.10
2014	46	507.34	39.97
2013	41	128.21	50.99
2012	51	481.33	52.19
2011	68	891.85	44.43
2010	53	574.61	44.37

Source: Bloomberg, BDO Analysis

The mean and the median of the entire data sets comprising control transactions from 2010 onwards for mining companies and all ASX-listed companies, is set out below:

	General Mining Companies		All ASX-Listed Companies	
Entire Data Set Metrics	Average Deal Value (\$m)	Average Control Premium (%)	Average Deal Value (\$m)	Average Control Premium (%)
Mean	311.46	52.19	895.46	44.58
Median	44.40	41.57	114.30	34.85

Source: Bloomberg, BDO Analysis

In arriving at an appropriate control premium to apply we note that observed control premiums can vary due to the:

- Nature and magnitude of non-operating assets;
- Nature and magnitude of discretionary expenses;
- Perceived quality of existing management;
- Nature and magnitude of business opportunities not currently being exploited;
- Ability to integrate the acquiree into the acquirer's business;
- Level of pre-announcement speculation of the transaction;
- Level of liquidity in the trade of the acquiree's securities.



When performing our control premium analysis, we considered completed transactions where the acquirer held a controlling interest, defined at 20% or above, pre-transaction or proceeded to hold a controlling interest post-transaction in the target company.

The table above indicates that the long-term average control premium paid by acquirers of mining companies and all ASX-listed companies is approximately 52.19% and 44.58% respectively. However, in assessing the transactions included in the table, we noted transactions that appear to be extreme outliers.

These outliers included 17 general mining transactions and 34 ASX-listed company transactions in total, for which the announced premium was in excess of 100%. We have removed these transactions because we consider it likely that the acquirer in these transactions would be paying for special value and/or synergies in excess of the standard premium for control. Whereas, the purpose of this analysis is to assess the premium that is likely to be paid for control, not specific strategic value to the acquirer.

In a population where there are extreme outliers, the median often represents a superior measure of central tendency compared to the mean. We note that the median announced control premium over the assessed period was approximately 41.57% for mining companies and 34.85% for all ASX-listed companies.

We consider an appropriate control premium to be on the lower end of historical averages as a result of the degree of business risk faced by small, early-stage exploration companies. As Tao's current operations are relatively small and in the exploration phase, we believe that an acquirer would not be willing to pay a control premium in line with historical averages. As such, we consider an appropriate premium for control to be between 25% and 35%.

Quoted market price including control premium

Applying a control premium to Tao's quoted market share price results in the following quoted market price value including a premium for control:

	Low	Midpoint	High
	\$	\$	\$
Quoted market price value	0.120	0.125	0.130
Control premium	25%	30%	35%
Quoted market price valuation including a premium for control	0.150	0.163	0.176

Source: BDO analysis

Therefore, our valuation of a Tao share based on the quoted market price method and including a premium for control is between \$0.150 and \$0.176, with a midpoint value of \$0.163.



10.3 Assessment of Tao Value

The results of the valuations performed are summarised in the table below:

	Low	Midpoint	High
	\$	\$	\$
NAV (Section 10.1)	0.092	0.092	0.092
QMP (Section 10.2)	0.150	0.163	0.176

Source: BDO analysis

We note that the range of values derived under the QMP approach are higher than the NAV of Tao. This is likely because Tao does not generate any income nor are there any historical profits that could be used to represent future earnings, therefore the quoted market price of Tao shares may be influenced by investors' perceptions of future upside in relation to the Company's projects. Further, the market may have been pricing in the possibility of a future transaction which may partly explain the difference between the results derived under the QMP and NAV approaches.

As detailed in Section 9.1, Tao's mineral assets are currently non-producing assets and no revenue or cash flows are currently generated by these assets. We consider the NAV to represent an appropriate floor price for the shares as this represents a price that may be realisable in the event that the Company disposed of its assets and discharged its liabilities. Therefore, we consider the NAV approach is an appropriate measure of the low value of a Tao share.

Our analysis in Section 10.2 indicates that Tao shares display a high level of liquidity, with 10.66% of the Company's current issued capital traded over a six week period in the lead up to the announcement of the Transaction.

Based on the results above we consider the value of a Tao share to be between \$0.092 and \$0.176, with a midpoint value of \$0.134. We note that we have concluded on a wide range of values given the early stage of the Company's assets and the blue sky value that appears to be priced in by the market. However, for assessing whether to approve the Transaction, we consider this value range to be meaningful as an adoption of any of the values within the range would not alter our opinion or conclusion in relation to the Transaction. It is our view that assigning a more narrow range by disregarding the NAV as the low valuation or the top end of the QMP range, would understate the level of uncertainty with the valuation and may be imply a misleading level of accuracy.

We also note that the Placement, which is a condition precedent to the Transaction, is to be conducted at a price of \$0.08 per share. This represents a minority interest value, therefore after applying our assessed control premium to this value, results in a controlling interest value implied by the Placement of \$0.100 to \$0.108, which broadly supports the low end of our valuation range. We have not presented this as a valuation approach as the Placement is linked to the Transaction and so have disclosed this for information purposes only.



11. Valuation of Tao following the vesting of the Performance Securities

As detailed in Section 1 and Section 4 of our Report, the Class A Performance Shares vest on completion of a feasibility study with a project NPV of \$200 million. The executed term sheet does not specify whether the NPV is assessed on a funded or unfunded basis. RG111.15 and IS 214 require us to assess the value of a project to shareholders in an independent expert report on a funded basis. We have considered the impact on the value of a Tao share (where appropriate) following the vesting of the Performance Securities under both funded and unfunded bases.

The Class B Milestone requires the Company to achieve commercial production from the Camden Project Area. Under the assumption that the feasibility study uses an appropriate discount rate that adequately reflects the risks of proceeding to commercial production, we do not consider the change in value between these milestones to be significant. Further, there is insufficient reasonable grounds to be able to quantify any value uplift between the completion of the feasibility study and first commercial production. Therefore, for the purposes of our valuation of a Tao share following the vesting of the Performance Securities, we have not differentiated between the achievement of the Class A Milestone and Class B Milestone.

11.1 Valuation of Tao assuming that the Class A Milestone is assessed on a funded basis

Minimum level of dilution

Our valuation of a Tao share following the Transaction and vesting of the Performance Securities and assuming the minimum possible level of dilution, is based on the following assumptions:

- The Class A and Class B Milestones are achieved, triggering the vesting of the Performance Shares and Performance Options;
- The Consideration Options, Performance Options, Management Options, Existing Options and Existing Rights are not exercised; and
- The Company does not issue additional shares other than those detailed below.

This scenario represents the minimum possible level of dilution to existing shareholders, while still assuming that a pre-feasibility study demonstrates a \$200 million NPV for the Camden Project Area. Without subsequent equity raisings, this means that the \$200 million NPV flows to existing shareholders proportionate to their holdings prior to the Transaction (assuming the Performance Shares convert to ordinary shares). We do not have reasonable grounds to estimate the value of any assets or liabilities that may exist at the time of vesting of the Performance Securities, should that occur.



Our valuation on an undiluted basis (no exercise of Performance Options, Placement Options, Management Options, Existing Options and Existing Rights) is set out below:

Description	Number of Shares	Value
		\$
Value of Tao following the Transaction and vesting of Performance Securities		
Value of Tao prior to the Transaction		2,877,632
Value of the Camden Project Area		200,000,000
Cash raised from Placement		2,000,000
Total value of Tao following the Transaction and vesting of Performance Securities		204,877,632
Number of Shares on issue		
Shares on issue prior to the Transaction	31,386,667	
Issue of Consideration Shares	26,500,000	
Issue of Placement Shares	25,000,000	
Issue of Facilitation Shares	2,650,000	
Vesting of Performance Shares	39,600,000	
Total number of Shares on issue following vesting of Performance Shares		125,136,667
Value per Share (\$) on an undiluted basis (control)		\$1.64

^{*}We note that in accordance with the Terms of the Transaction, the Company advanced the Loan of US\$125,000 to Hyperion. This does not impact the value of Tao following the Transaction as it will eliminate on consolidation and as such, we have not adjusted for this payment.

Therefore, the value of a Tao share following the vesting of the Performance Securities, assuming the minimum possible level of dilution, is \$1.64 per share.

Maximum level of dilution

Our valuation of a Tao share following the Transaction and vesting of the Performance Securities and assuming the maximum possible level of dilution, is based on the following assumptions:

- The Class A and Class B Milestones are achieved, triggering the vesting of the Performance Shares and Performance Options;
- The Consideration Options, Performance Options, Placement Options, Management Options, Existing Options and Existing Rights are exercised on the basis that our assessed value per Tao share following the vesting of the Performance Securities exceeds the exercise price of \$0.20 for the Consideration Options, Performance Options, Placement Options and Existing Options and \$0.25 for the Management Options and are therefore in-the-money. As the options are assumed to be exercised at a price of \$0.20 and \$0.25 (for the Management Options), this would result in an additional \$8,488,667 of cash being raised, which we have considered in the value of Tao following vesting of the Performance Securities; and
- The Company does not issue additional shares other than those detailed below.

This scenario represents the maximum possible level of dilution experienced by existing Shareholders.



Our valuation under this second approach is outlined below:

Description	Number of Shares	Value
	511a. 05	:
Value of Tao following the Transaction and vesting of Performance Securities		
Value of Tao prior to the Transaction		2,877,63
Value of the Camden Project Area		200,000,00
Cash raised from Placement		2,000,00
Cash raised from exercise of Consideration Options		1,000,00
Cash raised from exercise of Performance Options		1,600,00
Cash raised from exercise of Placement Options		1,000,00
Cash raised from exercise of Management Options		1,750,00
Cash raised from exercise of Existing Options		3,138,66
Total value of Tao following the Transaction and vesting of the Performance Securities		213,366,29
Number of Shares on issue		
Shares on issue prior to the Transaction	31,386,667	
Issue of Consideration Shares	26,500,000	
Issue of Placement shares	25,000,000	
Issue of Facilitation Shares	2,650,000	
Exercise of Consideration Options	5,000,000	
Vesting of Performance Shares	39,600,000	
Vesting of Performance Options	8,000,000	
Vesting of Placement Options	5,000,000	
Vesting of Management Options	7,000,000	
Exercise of Existing Options	15,693,334	
Vesting of Existing Rights	3,000,000	
Total number of Shares on issue following the Transaction and vesting and exercise of all Performance Shares, Performance Options, other options included in the Transaction, Existing Options and Existing Rights		168,830,00
Value per Share (\$) on a diluted basis (control)		\$1.2

^{*}We note that in accordance with the Terms of the Transaction, the Company advanced the Loan of US\$125,000 to Hyperion. This does not impact the value of Tao following the Transaction as it will eliminate on consolidation and as such, we have not adjusted for this payment.

Therefore, the value of a Tao share following the Transaction on a fully diluted basis, is \$1.26 per share.

11.2 Conclusion in relation to the achievement of the Class A Milestone if the NPV is assessed on an unfunded basis

Section 11.1 above presents an estimate of the future value of Tao assuming that the Class A and Class B Milestones are achieved as this is premised on the Class A Milestone being measured with reference to a fully funded NPV. However, the terms of the Class A Performance Shares and Class A Performance Options require the Company to complete a feasibility study with a NPV for HMS mining and processing at any of the Camden Project Area. Often a feasibility study will present the NPV of a project without



contemplating the impact of the required funding of the project and therefore the likely dilution of existing shareholders' interests should the capital expenditure requirements be funded via an equity raising. Similarly, if the capital expenditure is to be funded via debt, often the project NPV will not incorporate funding costs nor will it consider the costs of prepaid offtake or streaming facilities.

Therefore, if the achievement of the Class A Milestone is to be assessed against an unfunded NPV, in order to assess the likely value of a share in Tao following the achievement of the Class A Milestone, an assessment of the funding requirement for the project would need to be undertaken. This is in accordance with RG 111.15, which states that funding for a target that is not in financial distress (e.g. capital that is required to develop a project) should generally be taken into account when determining the fair value of target securities.

The assets acquired from Hyperion are early stage exploration areas that are yet to declare a Mineral Resource in accordance with The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 Edition) ('JORC Code'). Therefore, we have considered the guidance contained in RG 111, RG 170 and IS 214 in relation to reasonable grounds for forward looking information, with the relevant sections discussed below.

As set out in RG 111.90, an expert's opinion should be based on reasonable grounds, with the grounds being set out in the report. Similarly, RG 111.95 states that an expert should not include forward looking information unless there are reasonable grounds for the forward looking information.

We note that RG 170 ordinarily relates to prospective financial information, however RG 111.97 states that RG 170 provides useful guidance for inclusion of forward-looking information that does not fall within the definition of 'prospective financial information'. RG 170.17 states that the making of a forward looking statement must have reasonable grounds or it will be taken to be misleading. This is further supported by IS 214 which applies the principles of RG 170 to forward looking information in the mining and resources sector. Specifically, it does not require that funding is secured, but it does require reasonable grounds for any assumptions made about funding sources. The assumptions underpinning a forward-looking valuation, to which we do not have sufficient reasonable grounds are detailed in Section 9.2.1.

Based on the above, given the early stage of the exploration assets acquired as part of the Transaction, we have concluded that there is insufficient reasonable grounds on which to make assumptions around the quantum, structure and timing of funding requirements and as such we do not have reasonable grounds for a forward looking valuation.



12. Is the Transaction fair?

As set out below, we have determined that the value of a share in Tao following the vesting of the Performance Securities is greater than the value of a share in Tao prior to the Transaction on both a diluted and undiluted basis. This assessment is under the assumption that the Class A Milestone is to be measured on a funded basis.

	Ref	Low \$	Midpoint \$	High \$
Value of a share in Tao prior to the Transaction (control)	10.3	0.092	0.134	0.176
Value of a share in Tao following the vesting of the Performance Securities (control) (diluted)	11.1	1.26	1.26	1.26
Value of a share in Tao following the vesting of the Performance Securities (control) (undiluted)	11.1	1.64	1.64	1.64

Source: BDO analysis

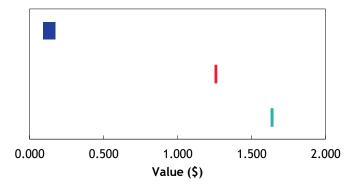
The above valuation ranges are graphically presented below:

Valuation Summary

Value of a share in Tao prior to the Transaction

Value of a share in Tao following the vesting of the Performance Securities (diluted)

Value of a share in Tao following the vesting of the Performance Securities (undiluted)



We note that the above valuation ranges are predicated on the assumption that the Class A Milestone is assessed on a funded basis. As detailed in Section 11.2, in the event that the Class A Milestone is assessed on an unfunded basis, we do not have sufficient reasonable grounds on which to assess the future value of a share. As a result, we are unable to assess the value of a Tao share following the vesting of the Performance Securities in accordance with the guidance provided by RG 111, RG 170 and IS 214.

Based on the above, given that we are unable to opine on the value of a Tao share should the Class A Milestone be assessed on an unfunded basis, by default we consider the Transaction to be **not fair** for Shareholders.



13. Is the Transaction reasonable?

13.1 Alternative Proposal

We are unaware of any alternative proposal that might offer the Shareholders of Tao a premium over the value resulting from the Transaction.

13.2 Advantages of Approving the Transaction

We have considered the following advantages when assessing whether the Transaction is reasonable.

Description
As detailed in Section 11.1, in the event that the Class A Milestone is assessed on a funded basis, the value of a Tao share following the vesting of the Performance Securities is significantly higher than the value of a share in Tao prior to the Transaction. This shows that in the event that the Performance Securities vest, there is likely to be significant value accretion, which Shareholders will participate in.
The structure of the consideration being the issue of the Performance Securities ensures that the interests of Shareholders, the vendors of Hyperion and the management team of Tao are aligned. Such that, if the Class A and/or Class B Milestone is achieved then the respective Class A and Class B Performance Securities will vest. As detailed in Section 11.1, if the Class A Milestone is assessed on a funded basis, the value of a share following the vesting of the Performance Securities is \$1.64 and \$1.26 on an undiluted and diluted basis respectively. Therefore, all else being equal, despite the dilution arising from the vesting of the Performance Securities, Shareholders will participate in the upside of holding shares in a company that has completed a feasibility study with a NPV of \$200 million.
Shareholders are exposed to potential upside from early exploration success at the Camden Project Area. We note that should Shareholders approve the Transaction, the Company will acquire a project that is significantly larger than its current projects. As detailed in Section 8, demand for HMS is forecast to increase over the next five years. This growth is largely attributable to Asian nations expanding their manufacturing and construction sectors over the period, coupled with global government infrastructure spending which is expected to be enacted as a



Advantage	Description
	Furthermore, USA is determined to reduce the nation's dependence on importing HMS, as it is heavily used in the defence sector. This is evidenced by the U.S Department of the Interior including titanium and zircon in its list of 35 mineral commodities considered critical to the economic and national security of USA and President Trump issuing a Presidential Memoranda: Memorandum on the Effect of Titanium Sponge Imports on National Security.
	The project's management team has experience in exploration and permitting in the south-eastern region of USA and has a strong network of personnel and consultants across geology, mine development, permitting and operational roles. This may allow the management team to source the appropriate team to maximise the probability of the Performance Milestones being achieved.
	Therefore, given the optimistic demand prospects for HMS, the nation's aim to move away from imports, the project's location and the experienced management team, the Transaction presents an opportunity for Shareholders to participate in potential upside, should it materialise.
Access to funding from Placement	The Transaction will provide the Company with additional working capital resulting from the completion of a \$2 million Placement at an issue price of \$0.08, which is a condition precedent to the Transaction.
	In the absence of the Transaction, the Company may not be able to attract existing or new shareholders to provide equity funding.

13.3 Disadvantages of Approving the Transaction

If the Transaction is approved, in our opinion, the potential disadvantages to Shareholders include those listed in the table below:

Disadvantage	Description
Potential dilution of existing Shareholders' interests	If the Transaction is approved, then in the event that the Class A and Class B Milestones are met, and the Performance Shares and Options are exercised by the holders, this will result in the dilution of existing Shareholders. Assuming that all Performance Securities



Disadvantage	Description
	vest and are exercised, existing Shareholders' interests may be diluted to approximately 33.40% of the Company.
	We also note that in the event the Transaction is approved, and the Class A and Class B Milestones are not achieved, existing Shareholders will not be able to participate in the upside of developing the Camden Project Area to a positive feasibility study stage and ultimately commercial production stage, but will still experience the dilution resulting from the issue of the Consideration Shares, Placement Shares and Facilitation Shares.

13.4 Consequences of not Approving the Transaction

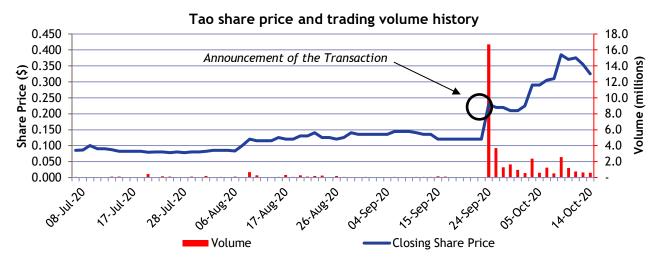
Shareholders will forego the opportunity to participate in the upside of the Camden Project Area

In the event that Shareholders do not approve the Transaction, Shareholders will forego the opportunity to participate in potential upside of the Camden Project Area, which is significantly larger than the Company's current projects and may have more potential upside.

As detailed in Section 13.2 above, the Transaction provides Shareholders with exposure to a growth industry in USA. Therefore, if Shareholders do not approve the Transaction, they will forego the opportunity to participate in this upside, should it materialise.

Potential decline in share price

We have analysed movements in Tao's share price since the Transaction was announced on 24 September 2020. A graph of Tao's share price and trading volume leading up to, and following the announcement of the Transaction is set out below.



Source: Bloomberg



The closing price of a Tao share from 7 July 2020 to 7 October 2020 has ranged from a low of \$0.078 on 28 July 2020 to a high of \$0.310 on 7 October 2020. On 24 September 2020, being the date the Transaction was announced, 16,714,416 shares were traded, representing approximately 53.3% of the Company's current issued share capital.

Following the announcement of the Transaction, Tao's share price closed at \$0.230, up from a closing price of \$0.120 on the date prior to the announcement of the Transaction.

Given the above analysis, it is possible that if the Transaction is not approved then Tao's share price may decline to pre-announcement levels.

13.5 Other considerations

Uncertainty relating to a change in value between the achievement of the Class A Milestone and the Class B Milestone

For the purposes of our assessment of whether the Transaction is fair to Shareholders, we have not differentiated between the achievement of the Class A Milestone and the Class B Milestone. This is because we would not have sufficient reasonable grounds in accordance with RG 170, RG 111 and IS 214 to quantify this value accretion between the achievement of the Class A Milestone and the achievement of the Class B Milestone (should it materialise). We have not included this as an advantage of approving the Transaction because it is also possible that there is a decrease in value between the Company achieving a feasibility study of \$200 million for the Camden Project Area and it achieving first commercial production. Therefore, it is a separate consideration for Shareholders to assist in their decision on whether to approve the Transaction.

14. Conclusion

We have considered the terms of the Transaction as outlined in the body of this report and have concluded that the Transaction is **not fair but reasonable** to Shareholders.

In our opinion, the Transaction is **not fair** because we are unable to opine on the value of a Tao share should the Class A Milestone be assessed on an unfunded basis, and therefore by default we consider the Transaction to be **not fair** for Shareholders.

However, we consider the Transaction to be reasonable because the advantages of the Transaction to Shareholders are greater than the disadvantages. In particular, if the achievement of the Class A Milestone was assessed on a funded basis, the value of a Tao share following the vesting of the Performance Securities would be significantly higher than the value of Tao prior to the Transaction. Further, although the vesting of the Performance Securities will dilute existing Shareholders' interests, there is likely to be significant value accretion in proceeding to a feasibility study stage with a project NPV of \$200 million. There may also be value accretion between the feasibility stage and the first commercial production (Class B Milestone). However, we do not have sufficient reasonable grounds to be able to quantify this value accretion and as such for the purposes of our Report, we have not differentiated between the achievement of the Class A and Class B Milestones. For completeness, we note that there is a possibility that the value of Shareholders' interests could decline between the achievement of the Class A Milestone and Class B Milestone, should they be achieved.



15. Sources of information

This report has been based on the following information:

- Draft Notice of General Meeting and Explanatory Statement on or about the date of this report;
- Term Sheet;
- Audited financial statements of Tao for the years ended 30 June 2018, 30 June 2019 and 30 June 2020;
- Unaudited management accounts of Tao for the period from 1 July 2020 to 30 September 2020;
- Unaudited management accounts of Hyperion and TNE as at 30 September 2020;
- Share registry information;
- RBA Monetary Policy Decision dated 19 March 2020, 7 April 2020, 5 May 2020, 2 June 2020, 7 July 2020 and 1 September 2020;
- Australian Bureau of Statistics Consumer Price Index August 2020;
- Australian Federal Government September 2020 Resources and Energy Quarterly
- Australian Federal Government 2020-21 Budget Overview;
- IBISWorld Industry Report Mineral Sand Mining in Australia;
- Geoscience Australia Zircon;
- Mineral Council of Australia Mineral Sands;
- United States Geological Survey;
- Federal Reserve Board Credit and Liquidity Programs and the Balance Sheet;
- Board of Governors of the Federal Reserve System Federal Reserve Press Release 16 September 2020;
- Bureau of Labor Statistics Employment Situation Summary;
- Federal Reserve Board Federal Reserve Announces Extensive new Measures to Support the Economy;
- · Bloomberg; and
- Discussions with Directors and Management of Tao.

16. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of approximately \$24,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by Tao in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by Tao, including the non-provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to Tao and Hyperion and any of their respective associates with reference to ASIC Regulatory Guide 112 'Independence of Experts'. In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of Tao and Hyperion and their respective associates.



The provision of our services is not considered a threat to our independence as auditors under Professional Statement APES 110 - Professional Independence. The services provided have no material impact on the financial report of Tao.

A draft of this report was provided to Tao and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

BDO is the brand name for the BDO International network and for each of the BDO Member firms.

BDO (Australia) Ltd, an Australian company limited by guarantee, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of Independent Member Firms. BDO in Australia, is a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International).

17. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investments Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Adam Myers, Sherif Andrawes and Ashton Lombardo of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Adam Myers is a member of the Australian Institute of Chartered Accountants. Adam's career spans over 20 years in the Audit and Assurance and Corporate Finance areas. Adam is a CA BV Specialist and has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Fellow of Chartered Accountants Australia & New Zealand. He has over 30 years' experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 350 public company independent expert's reports under the Corporations Act or ASX Listing Rules and is a CA BV Specialist. These experts' reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Corporate Finance Practice Group Leader of BDO in Western Australia, the Global Head of Natural Resources for BDO and a former Chairman of BDO in Western Australia.

Ashton Lombardo is a member of the Australian Institute of Chartered Accountants. Ashton has over nine years of experience in Corporate Finance and has facilitated the preparation of numerous independent expert's reports and valuations. Ashton has a Bachelor of Economics and a Bachelor of Commerce from the University of Western Australia and has completed a Graduate Diploma of Applied Corporate Governance with the Governance Institute of Australia.

18. Disclaimers and consents

This report has been prepared at the request of Tao for inclusion in the Notice of Meeting which will be sent to all Tao Shareholders. Tao engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent



expert's report to consider the issue of performance securities as part of the consideration payable for the proposed acquisition of Hyperion.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Notice of Meeting. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Notice of Meeting other than this report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting appropriate due diligence in relation to Hyperion.

BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Proposed Acquisition tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of Tao, or any other party.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd is required to provide a supplementary report if we become aware of a significant change affecting the information in this report arising between the date of this report and prior to the date of the meeting or during the offer period.

Yours faithfully

BDO CORPORATE FINANCE (WA) PTY LTD

Adam Myers

Director

Sherif Andrawes

Director



Appendix 1 - Glossary of Terms

Reference	Definition
ABS	Australian Bureau of Statistics
Acquisition	The acquisition of the entire issued capital of Hyperion
The Act	The Corporations Act 2001 Cth
AFCA	Australian Financial Complaints Authority
Ag	Silver
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
Au	Gold
BDO	BDO Corporate Finance (WA) Pty Ltd
Camden Project Area	The Benton, Carroll and Henry countries of Tennessee, USA
Class A Milestone	Completion of a pre-feasibility study which demonstrates an NPV of at least \$200 million, within 4 years of the execution of the Term Sheet
Class A Performance Options	4,000,000 performance options on the same terms and conditions as the Consideration Options that vest upon satisfaction of the Class A Milestone
Class A Performance Shares	18,000,000 unlisted performance shares that convert into an equal number of ordinary shares upon completion of Class A Milestone
Class B Milestone	Commencement of commercial production from the Camden Project Area, within 5 years of the execution of the Term Sheet
Class B Performance Options	4,000,000 performance options on the same terms and conditions as the Consideration Options that vest upon satisfaction of the Class B Milestone
Class B Performance Shares	18,000,000 unlisted performance shares that convert into an equal number of ordinary shares upon completion of Class B Milestone
The Company	Tao Commodities Limited
Conditions Precedent	The certain conditions precedent that the Transaction is subject to
Consideration Options	5,000,000 unlisted options with an exercise price of \$0.20 per share, and an expiry date that is five years from their date of issue



Reference	Definition				
Consideration Securities	The consideration payable to Hyperion				
Consideration Shares	26,500,000 shares in Tao at a deemed issue price of \$0.08 per share				
СРІ	Consumer Price Index				
Cu	Copper				
DCF	Discounted Future Cash Flows				
E&E	Exploration and evaluation				
EBIT	Earnings before interest and tax				
EBITDA	Earnings before interest, tax, depreciation and amortisation				
Existing Options	The 15,693,334 listed options, exercisable at \$0.20 with an expiry date of 31 August 2021 that the Company currently has on issue				
Existing Rights	The 3,000,000 performance rights with an expiry date of 25 November 2022 that the Company currently has on issue				
Facilitation Performance Shares	1,800,000 Class A Performance Shares and 1,800,000 Class B Performance Shares payable to GTT				
Facilitation Securities	The Facilitation Shares and the Facilitation Performance Shares				
Facilitation Shares	10% of the number of the Consideration Shares, being 2,650,000 shares in Tao, payable to Tao's corporate advisor GTT				
FME	Future Maintainable Earnings				
FOS	Financial Ombudsman Service				
FSG	Financial Services Guide				
GN 19	ASX Guidance Note 19 'Performance Securities'				
GTT	GTT Ventures Pty Ltd				
HMS	Heavy mineral sands				
Hyperion	Hyperion Metals Pty Ltd				
Iluka	Iluka Resources Limited				
IS 214	Information Sheet 214: Mining and Resources: Forward-looking Statements				



Reference	Definition				
JORC Code	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 Edition)				
Lead Manager	The lead manager of the Capital Raising				
Loan	Upon exercise of the Option by Tao, the Company will advance a loan of US\$125,000 (interest free) to Hyperion				
Management Options	7,000,000 options to Tao directors and management of Hyperion, exercisable at $\$0.25$, expiring 31 December 2023				
Milford Project	Milford Base Metals Project				
NAV	Net Asset Value				
NPV	Net Present Value				
Option	The exclusive Option to acquire the entire issued capital of Hyperion				
Option Agreements	The option agreements owned by TNE, to lease or purchase private surface property and mineral rights for mineral sands				
Option Fee	Non-refundable option fee of US\$25,000 payable to Hyperion upon exercise of the Option				
Other Commercial Terms	Additional commercial terms set out in the Term Sheet				
Our Report	This Independent Expert's Report prepared by BDO				
Pb	Lead				
Performance Options	Class A Performance Options and Class B Performance Options				
Performance Securities	The Performance Shares and Performance Options				
Performance Shares	Class A Performance Shares and Class B Performance Shares				
Placement	Placement of \$2.0 million via the issue of 25 million shares at \$0.08 share, which is subject to shareholder approval and a Condition Precedent				
Placement Options	The Options payable to the Lead Manager and unrelated parties				
PPP	Paycheck Protection Program				
Proposed Issue	The proposed issue of the Performance Securities which is being sought shareholder approval				
QMP	Quoted market price				
RBA	Reserve Bank of Australia				



Reference	Definition				
RG 111	Content of expert reports (March 2011)				
RG 112	Independence of experts (March 2011)				
RG 170	Prospective financial information				
Shareholders	Non-participating shareholders of Tao				
Тао	Tao Commodities Limited				
Term Sheet	The binding term sheet between Tao and the vendors of Hyperion				
TiO ₂	Titanium dioxide				
TNE	TN Exploration LLC				
The Transaction	The Acquisition, the proposed issue of the Consideration Securities and the proposed issue of the Facilitation Securities				
USA	United States of America				
Zn	Zinc				

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The Directors

BDO Corporate Finance (WA) Pty Ltd

38 Station Street

SUBIACO, WA 6008

Australia



Appendix 2 - Valuation Methodologies

Methodologies commonly used for valuing assets and businesses are as follows:

1 Net asset value ('NAV')

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity's assets are liquid or for asset holding companies.

2 Quoted Market Price Basis ('QMP')

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a liquid and active market in that security.

3 Capitalisation of future maintainable earnings ('FME')

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.



The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ('EBIT') or earnings before interest, tax, depreciation and amortisation ('EBITDA'). The capitalisation rate or 'earnings multiple' is adjusted to reflect which base is being used for FME.

4 Discounted future cash flows ('DCF')

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start-up phase, or experience irregular cash flows.

5 Market Based Assessment

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.



Tao Commodities Ltd | ABN 84 618 935 372

Proxy Voting Form

If you are attending the meeting in person, please bring this with you for Securityholder registration.

Holder Number:

Your proxy voting instruction must be received by **11.00am (WST) on Saturday 28 November 2020,** being **not later than 48 hours** before the commencement of the Meeting. Any Proxy Voting instructions received after that time will not be valid for the scheduled Meeting.

SUBMIT YOUR PROXY

Complete the form overleaf in accordance with the instructions set out below. YOUR NAME AND ADDRESS

The name and address shown above is as it appears on the Company's share register. If this information is incorrect, and you have an Issuer Sponsored holding, you can update your address through the investor portal: https://investor.automic.com.au/#/home Shareholders sponsored by a broker should advise their broker of any changes.

STEP 1 - APPOINT A PROXY

If you wish to appoint someone other than the Chair of the Meeting as your proxy, please write the name of that Individual or body corporate. A proxy need not be a Shareholder of the Company. Otherwise if you leave this box blank, the Chair of the Meeting will be appointed as your proxy by default.

DEFAULT TO THE CHAIR OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chair of the Meeting, who is required to vote these proxies as directed. Any undirected proxies that default to the Chair of the Meeting will be voted according to the instructions set out in this Proxy Voting Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP.

STEP 2 - VOTES ON ITEMS OF BUSINESS

You may direct your proxy how to vote by marking one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF SECOND PROXY

You may appoint up to two proxies. If you appoint two proxies, you should complete two separate Proxy Voting Forms and specify the percentage or number each proxy may exercise. If you do not specify a percentage or number, each proxy may exercise half the votes. You must return both Proxy Voting Forms together. If you require an additional Proxy Voting Form, contact Automic Registry Services.

SIGNING INSTRUCTIONS

Individual: Where the holding is in one name, the Shareholder must sign.

Joint holding: Where the holding is in more than one name, all Shareholders should sign.

Power of attorney: If you have not already lodged the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Voting Form when you return it.

Companies: To be signed in accordance with your Constitution. Please sign in the appropriate box which indicates the office held by you.

Email Address: Please provide your email address in the space provided.

By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible) such as a Notice of Meeting, Proxy Voting Form and Annual Report via email.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate 'Appointment of Corporate Representative' should be produced prior to admission. A form may be obtained from the Company's share registry online at https://automic.com.au.

Lodging your Proxy Voting Form:

Online:

Use your computer or smartphone to appoint a proxy at

https://investor.automic.com.au/#/loginsah

or scan the QR code below using your smartphone

Login & Click on 'Meetings'. Use the Holder Number as shown at the top of this Proxy Voting Form.



BY MAIL:

Automic GPO Box 5193 Sydney NSW 2001

IN PERSON:

Automic

Level 5, 126 Phillip Street Sydney NSW 2000

BY EMAIL:

 $\underline{meetings@automicgroup.com.au}$

BY FACSIMILE:

+61 2 8583 3040

All enquiries to Automic:

WEBCHAT: https://automicgroup.com.au/

PHONE: 1300 288 664 (Within Australia) +61 2 9698 5414 (Overseas)

TAO

CTED 4 House to control										
STEP 1 - How to vote										
APPOINT A PROXY: I/We being a Shareholder entitled to attend and vote at the Annual General Meeting of Tao Commodities Ltd, to be held at 11.00am (WST) on Monday, 30 November 2020 at 22 Townshend Road, Subiaco WA 6008 hereby:										
Appoint the Chair of the Meeting (Chair) OR if you are not appointing the Chair of the Meeting as your proxy, please write in the box provided below the name of the person or body corporate you are appointing as your proxy or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit and at any adjournment thereof.										
The Chair intends to vote undirected proxies in favour of all Resolutions in which the Chair is entitled to vote. Unless indicated otherwise by ticking the "for"," against" or "abstain" box you will be authorising the Chair to vote in accordance with the Chair's voting intention.										
AUTHORITY FOR CHAIR TO VOTE UNDIRECTED PROXIES ON REMUNERATION RELATED RESOLUTIONS Where I/we have appointed the Chair as my/our proxy (or where the Chair becomes my/our proxy by default), I/we expressly authorise the Chair to exercise my/our proxy on Resolutions 10 and 14 (except where I/we have indicated a different voting intention below) even though Resolutions 10 and 14 are connected directly or indirectly with the remuneration of a member of the Key Management Personnel, which includes the Chair.										
STEP 2 – Your voting directio	n			T						
Resolutions	For	Against	Abstain	Resolutions	For Against Abstain					
1. Acquisition of Hyperion Metals				9. Grant of Placement Options to Broker						
2. Issue of Acquisition Consideration				10. Grant of Placement Options to Unrelated Parties						
3. Issue of Acquisition Facilitation Securities				11. Creation of a New Class of Securities – Performance Shares						
4. Election of a Director — Mr Anastasios (Taso) Arima				12. Adoption of Remuneration Report						
5a. Grant of Management Options to Mr Dominic Allen — Unrelated Party				13. Re-election of Director — Mark Connelly						
5b. Grant of Management Options to Mr Lamont Leatherman – Unrelated Partu				14. Re-election of Director — Frank Knezovic						
5C. Grant of Management Options to Mr Patrick Brindle – Unrelated Party				15. Approval of 10% Placement Facility						
5d. Grant of Management Options to Mr Gregory Swan — Unrelated Party				16a. Grant of Management Options to Mr Patrick Glovac — Related Party						
6. Grant of Options to Incoming Director – Anastasios Arima				16b. Grant of Management Options to Mr Mark Connelly — Related Party						
7. Issue of Placement Shares — Unrelated Parties				16C. Grant of Management Options to Mr Frank Knezovic — Related Party						
8. Related Party Participation in Placement – Patrick Glovac										
Please note: If you mark the abstain box for poll and your votes will not be counted in				cting your proxy not to vote on that Resolut poll.	ion on a show of hands or on a					
STEP 3 – Signatures and con	tact det	tails								
Individual or Securityholder 1 Securityholder 2 Securityholder 3 Sole Director and Sole Company Secretary Director Director Director / Company Secretary										
Contact Name:					_ <u> </u>					
Email Address:	1 1	<u> </u>								

Contact Daytime Telephone Date (DD/MM/YY) By providing your email address, you elect to receive all of your communications despatched by the Company electronically (where legally permissible).