

Quarterly Activities Report

For the quarter to 31 December 2017

Highlights

ASX RELEASE:
31 January 2018

ASX: TAW

CORPORATE DIRECTORY

Non-Executive Chairman
Robert Benussi

Managing Director
Mark Calderwood

Non-Executive Directors
Robert Vassie
Mark Turner
Wei (Vicki) Xie

Joint Company Secretaries
Craig Hasson
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Bald Hill Lithium and Tantalum Project (TAW 50%)¹

- **Bald Hill on track for lithium concentrate production in Q1 CY18**
 - Construction progressing on time.
 - Dry commissioning expected to commence by February 2018.
 - Mining commenced, 480,000m³ of waste used for construction.
 - All major contracts awarded.
- **Significant resource upgrade completed²**
 - Total Inferred and Indicated lithium and tantalum resources above 0.5% Li₂O or 200ppm Ta₂O₅ total 25.3 million tonnes (Mt), and comprises:
 - **High-grade lithium resources of 18.9Mt at 1.18% Li₂O and 149ppm Ta₂O₅ at a 0.5% Li₂O cut-off; and**
 - **Additional tantalum resources of 6.4Mt at 330ppm Ta₂O₅ at a 200ppm Ta₂O₅ cut-off.**
 - The Resource update represents a **47% increase** in total contained lithium and a **66% increase** in lithium within Indicated resources from prior estimates³.
 - Work on reserve upgrade underway and results also expected in Q1 CY18.
- **Tantalum offtake term sheet executed post quarter end.**
- **Bald Hill exploration results significantly increase pegmatite swarm footprint⁴**
 - Eastern high-grade extension remaining open to the east and south.
 - Boreline south-east extension remaining open to the south.
 - Initial lithium drilling at Fenceline prospect intersected significant mineralisation.
 - High-grade drill intercepts from below starter pit.

Cowan Project (TAW 100%)

In October 2017, Tawana acquired two approved Exploration Licences (ELs) totalling 410km², and one application comprising 152km² to the south and east of the Bald Hill Mine. The addition of these three tenements to Tawana's Cowan Lithium Project will increase the total area from 159km² to 721km².

Corporate

- **Tawana received \$15m second tranche funding in \$25m package from Weier Antriebe und Energietechnik GmbH.**
 - Weier holds 11.4% of Tawana following completion of the second tranche.
 - Weier is a 100%-owned subsidiary of lithium industry specialist Jiangte Special Electric Motor Co. Ltd, listed on the Shenzhen Stock Exchange.
 - \$5m in financing from a nominee of Weier expected to be finalised in February 2018.

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Bald Hill Lithium and Tantalum Project (TAW 50%)¹

The Bald Hill Lithium and Tantalum Mine (Bald Hill Mine or the Project) area is located 50km south east of Kambalda in the Eastern Goldfields. It is located approximately 75km south east of the Mt Marion Lithium project and is adjacent to the Company's 100% owned Cowan Lithium Project. The Project comprises four mining leases, eight exploration licences, eight prospecting licences and five tenement applications totalling 774km².

Construction and Development

Works at Bald Hill during the December 2017 quarter remained on schedule and within budget, with lithium concentrate production on track to commence in the March 2018 Quarter.

EPC-DMS Update

- Structural steelwork, walkway, handrail and chute installation nearing completion
- Installation of mechanical equipment well-advanced
- HDPE pipework in DMS area underway
- Electrical cabling installation well-advanced

Mining Operations

- Construction of haul roads and laydown areas including SMS laydown yard, ROM, COS and magazine pad completed.
- Drill and blast, excavate, load and haul ramping up with approximately 900,000m³ of ore and waste mined to date.
- Grade control drilling ongoing.
- 23 pieces of heavy equipment and 5 Drill and Blast and Grade Control drill rigs on site.

Non-Process Infrastructure

- Power plant installed and partly commissioned.
- Fuel farm concrete pads completed and ready to receive fuel tanks.
- New stores shed under construction.

Major Contracts

- Crushing contract awarded to Cape Crushing expect to commence crushing mid-February 2018.
- Fuel and power contracts awarded.
- Non-processing infrastructure engineering well-advanced and construction commenced.
- Catering Services contract awarded to Cater Care.
- Ore concentrate haulage, storage and ship loading contract being finalised.
- Mining, Drill & Blast contract has been awarded.

Key Personnel

- Mr Noel O'Brien appointed Chief Technical Officer - Metallurgy and Processing



Figure 1 | DMS Plant - View A - January 2018



Figure 2 | DMS Plant - View B - January 2018



Figure 3 | Plant overview (DMS in foreground) - December 2017



Figure 4 | Mining in Stage 1 Pit (light coloured ore in foreground and darker coloured waste in background)

Bald Hill Exploration⁴

During the quarter, Tawana announced results from extensional step-out drilling and mapping at the Bald Hill Project that had significantly increased the footprint of the known lithium and tantalum pegmatite swarm. Tawana completed 87 reverse circulation (RC) holes totalling 12,222m and seven core holes totalling 750m between August and October 2017. Of these 94 holes, only results from 20 were received in time to be included in the October 2017 Resource Estimate.

Drilling focused on:

- Eastern high-grade extension, where six holes were completed. Significant results included:
 - o 17m at 0.93% Li₂O from 119m in LRC0685;
 - o 19m at 0.98% Li₂O from 156m, including 9m at 1.26% Li₂O in LRC0701;
 - o 31m at 1.46% Li₂O from 143m, including 18m at 1.88% Li₂O in LRC0702;
 - o 35m at 1.74% Li₂O from 146m including 15m at 2.11% Li₂O in LRC0703.

This mineralised zone remains open to the east and south.

- Boreline South Eastern Extension, with eight holes completed. Significant results included:
 - o 7m at 1.38% Li₂O from 113m in LRC0665;
 - o 6m at 1.45% Li₂O from 150m LRC0675;
 - o 9m at 0.93% Li₂O from 41m and 10m at 1.11% Li₂O from 117m in LRC0677.

This mineralised zone remains open to the south.

- Initial lithium drilling at Fenceline prospect, with four holes completed. Significant results included:
 - o 7m at 1.35% Li₂O from 29m in LRC0672;
 - o 7m at 0.54% Li₂O from 65m and 5m at 0.80% Li₂O from 82m in LRC0674.

- Deeper pegmatite was detected below the starter pit, with two prior holes partly assayed. Significant new results included:
 - o 7.78m at 2.46% Li₂O from 234m including 2.78m at 4.27% Li₂O in LDD0001;
 - o 6m at 2.03% Li₂O from 135m in LDD0003.

- Notable intercepts from Resource Infill drilling not included in the October Resource Estimate included:
 - o 23m at 1.31% Li₂O from 115m in LRC0494;
 - o 11m at 2.01% Li₂O from 132m and 10m at 1.00% Li₂O from 146m in LRC0495;
 - o 28m at 1.48% Li₂O from 110m including 12m at 2.04% Li₂O from 124m in LRC0499;
 - o 22m at 1.03% Li₂O from 83m in LRC0500;
 - o 29m at 0.90% Li₂O from 105m followed by 11m at 1.35% Li₂O from 133m in LRC0636;
 - o 14m at 1.59% Li₂O from 133m including 7m at 2.03% Li₂O from 138m in LRC0637;
 - o 31m at 1.50% Li₂O from 134m in LRC0638;
 - o 11m at 1.72% Li₂O from 40m and 12m at 1.17% Li₂O from 80m in LRC0640;
 - o 14m at 1.56% Li₂O and 296ppm Ta₂O₅ from 63m including 6m at 2.93% Li₂O in LRC0695.

Tawana's exploration focused on initial grade control, water bore installation and water exploration drilling. A recently completed water exploration hole (LRC0706) drilled 700m west of the current proposed starter pit intercepted four pegmatites at shallow depths, three of which contained visible spodumene.

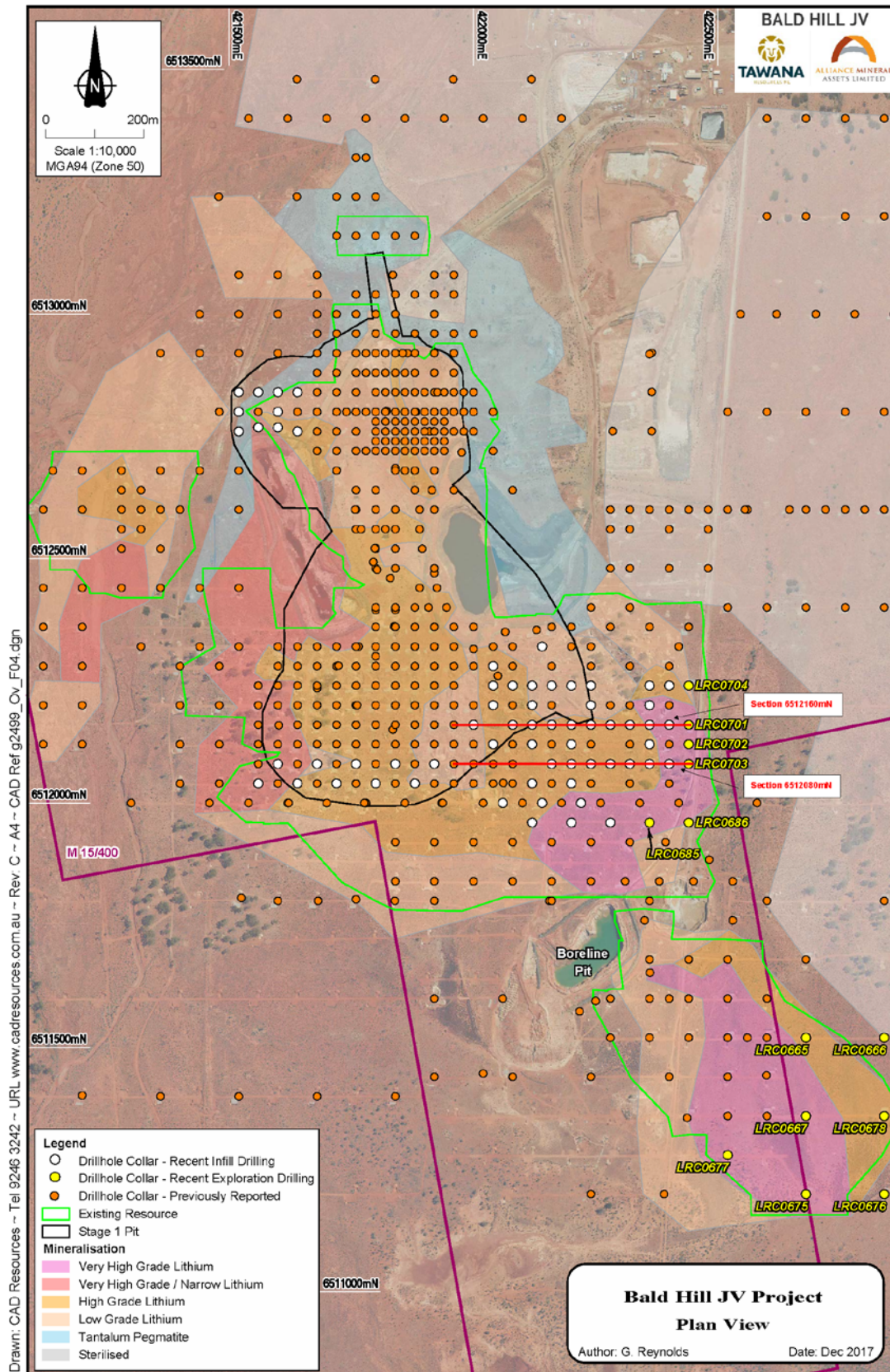


Figure 5 | Bald Hill Project mineralised pegmatites plan view

Mapping and Sampling⁴

Tawana undertook outcrop mapping and sampling on R15/001. Several outcropping spodumene and tantalum pegmatites were located, highlighting the potential, at depth, for the more important sub-horizontal pegmatites. Tawana collected 75 rock chip and channel samples over a wide area, and 54 contained visual spodumene or anomalous lithium, tantalum or tin.

For full details of exploration drilling, and mapping and sampling refer to ASX announcement of 6 December 2017 and subsequent addendum to the announcement on 18 December 2017.

Mineral Resource Estimate²

CSA Global Pty Ltd (“CSA Global”) was commissioned by Tawana to update the lithium and tantalum Mineral Resource estimate for the Bald Hill Project.

The Bald Hill Pegmatite Mineral Resource comprises one large, main, sub horizontal pegmatite body, striking north-south, with a strike length of 1,230 metres, and a width at its widest point of 1,080 metres. This main body is surrounded by several smaller discrete pegmatite bodies, sub-parallel to the main, which result in a total strike length for the whole resource of 2,045 metres, and a total width of 1,800 metres. The Mineral Resource has a total vertical depth of 245 metres, beginning 20 metres below the natural surface and plunging gently to the south along its entire strike length.

The Mineral Resource has been classified as Indicated and Inferred in accordance with the JORC Code, 2012 Edition on a qualitative basis; taking into consideration numerous factors including drill holes spacing, estimation quality statistics (kriging slope of regression), number of informing samples, average distance to informing samples in comparison to the semi-variogram model ranges, and overall coherence and continuity of the modelled mineralisation wireframes. Refer ASX announcement of 11 October 2017 for full details.

Table 1 | Bald Hill Project, Resources above 0.5% Li₂O cut-off

Resource Category	Tonnes (Mt)	Grade Li ₂ O %	Contained Li ₂ O Tonnes	Grade Ta ₂ O ₅ ppm	Contained Ta ₂ O ₅ (,000) Lbs
Indicated	8.0	1.18	95,000	190	2,800
Inferred	10.9	1.18	128,300	118	2,300
Total	18.9	1.18	223,300	149	5,100

Table 2 | Bald Hill Project, Resources above 0.5% Li₂O and 200ppm Ta₂O₅ cut-offs

Resource Category	Tonnes (Mt)	Grade Li ₂ O %	Contained Li ₂ O Tonnes	Grade Ta ₂ O ₅ ppm	Contained Ta ₂ O ₅ (,000) Lbs
Indicated	2.5	1.20	33,300	315	1,900
Inferred	1.2	1.18	14,500	296	800
Total	4.0	1.20	47,800	309	2,700

Note

- 1) The tantalum resources form part of the lithium/tantalum resources reported in Table 1.

Table 3 | Bald Hill Project, Resources below 0.5% Li₂O and above 200ppm Ta₂O₅ cut-offs

Resource Category	Tonnes (Mt)	Grade Ta ₂ O ₅ ppm	Contained Ta ₂ O ₅ (,000) Lbs
Indicated	3.9	342	1,700
Inferred	2.5	313	2,950
Total	6.4	330	4,650

Note

1) The tantalum resources reported in Table 3 are additional to those reported in Tables 1 and 2.

Cowan Lithium Project

The 100% owned Cowan Lithium Project is located 50km south-east of Kambalda in the Goldfields region of Western Australia, approximately 75km south-east of the Mt Marion lithium project and comprises three tenements totalling 159km². The tenements are adjacent to the Bald Hill Mine (Tawana earning 50%), at which the Company is expected to commence lithium production in 2017. The Cowan Project contains many LCT pegmatites some of which are proven to contain significant spodumene.

In October, Tawana announced its subsidiary, Mt Belches Pty Ltd, had entered into a binding agreement with Metalicity Energy Pty Ltd (Metalicity), a 100% subsidiary of Metalicity Limited (ASX: MCT) to acquire its Lake Cowan Project bordering to the south of Tawana's Cowan Lithium Project. Refer ASX announcement 30 October 2017. The Lake Cowan Project comprises two approved Exploration Licences (ELs) totalling 410km² and one application comprising 152km². Tawana considers the acquisition to be highly strategic as the Mt Belches-Bald Hill pegmatite belt may extend into the tenements.

Tawana has paid \$50,000 and issued 615,384 Tawana shares to shareholders of Metalicity as purchase consideration for the first two tenements, none of whom are related parties of the Company. A further 153,846 shares will be issued upon transfer of the third tenement.

The addition of the three tenements to Tawana's Cowan Lithium Project will increase the total area from 159km² to 721km². The adjoining Bald Hill Project totals 774km², meaning together, the Bald Hill and Cowan projects represent nearly 1,500km².

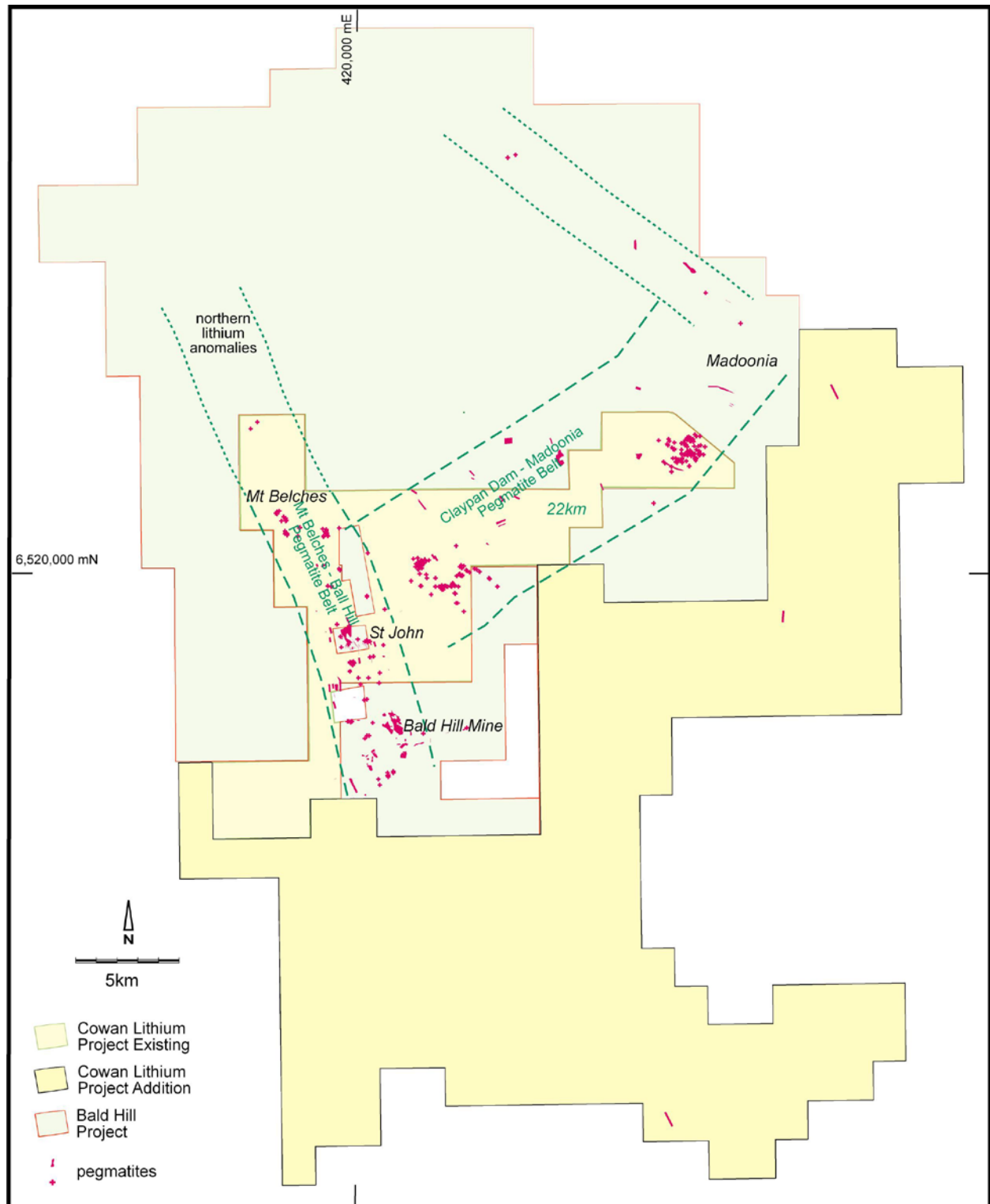


Figure 6 | Cowan and Bald Hill Projects

Corporate

Funding

As announced last quarter, Tawana agreed a \$25m funding package to develop the Bald Hill Lithium and Tantalum Mine which included a \$20m placement and \$5m loan facility from German company Weier Antriebe und Energietechnik GmbH (Weier) which is a 100%-owned subsidiary of lithium industry specialist Jiangte Special Electric Motor Co. Ltd (JSMC), a company listed on the Shenzhen Stock Exchange.

The placement to Weier was completed in two tranches:

- The first tranche consisted of 14,285,714 shares at an issue price of \$0.35, settled on 25 October 2017; and
- The second tranche consisted of 42,857,143 shares at an issue price of \$0.35, settled on 15 November 2017.

The placement was within the Company's 15% placement capacity. Following completion of the placement, Weier held approximately 11.5% of the issued capital of Tawana. Weier also appointed a nominee to the Board of Directors of Tawana as part of the placement (see details under the *Board and Management Appointments* section of this report below).

The debt will be A\$5 million from a nominee of Weier with the following material terms:

- Interest of 11% per annum payable quarterly in arrears;
- Maturity date of 31 December 2019;
- Tawana may repay the debt at any time before maturity without penalty; and
- Security over the DMS plant or other suitable security.

Discussions on the binding loan agreement are progressing. The binding loan agreement is expected to be finalised during February 2018.

Earn in

As announced last quarter, Lithco No. 2 Pty Ltd (**Lithco**), a 100%-owned subsidiary of Tawana, spent the required \$12,500,000 to earn a 50% interest in the Bald Hill Project (being all minerals from the tenements and the processing plant and infrastructure at Bald Hill).

As the conditions in the farm-in agreement entered into between Lithco and AMAL on 23 February 2017 were satisfied, the Bald Hill Joint Venture Agreement came into effect, as verified by independent auditor, Ernst & Young on 20 October 2017. Consequentially, the Bald Hill Joint Venture Agreement supersedes the Lithium Rights Joint Venture Agreement and Tawana (via Lithco) and AMAL each have an equal 50:50 legal and beneficial interest in the Bald Hill Project.

Cash Position and Movements

As at 31 December 2017, Tawana Resources held \$16.4m in cash (September 2017: \$12m).

A total of \$12.7m was paid towards the construction of the lithium plant and development at the Bald Hill Mine.

Tawana received \$20m as proceeds of its placement to Weier.

For further movements in cash during the quarter, refer to the Appendix 5B.

Board and Management Appointments

During the quarter, Tawana made several key appointments:

Ms Wei (Vicki) Xie was appointed a Non-Executive Director of Tawana. Ms Xie is a representative of German company Weier Antriebe und Energietechnik GmbH (Weier) and was nominated to the Tawana Board by Weier as part of an equity funding agreement between Tawana and Weier.

Ms Xie is an accountant with more than 16 years' experience in Accounting and Finance, as well as in fund raising, acquisition and private equity investment. Ms Xie has held Chief Financial Officer, accounting and Company Secretary roles in both China and Australia.

Mr Noel O'Brien was appointed Chief Technical Officer - Metallurgy and Processing. Mr O'Brien, is a metallurgist and processing expert with experience in multiple lithium projects in Australia and internationally. Mr O'Brien was recently appointed a non-executive Director of Birimian Ltd., and is a technical adviser to Kidman Resources Limited, having previously consulted to Galaxy Resources and the Bikita Minerals Lithium Project. Mr O'Brien has a deep understanding of the lithium market and possesses processing expertise in smelting, gravity separation, flotation, leaching and solvent extraction.

Mr O'Brien was formerly managing director in South Africa for SNC-Lavalin Inc, a leading global engineering and construction group, and was responsible for delivering base metal smelter and refinery projects across Africa. He was Project Director for Tawana on the Mofe Creek iron ore project in Liberia. Mr. O'Brien has a metallurgical engineering degree from Melbourne University and an MBA from Witwatersrand University. He is a Fellow of the AusIMM.

Ms Claire O'Brien was appointed Joint Company Secretary of Tawana Resources.

Results of Meeting

At a General Meeting of Tawana shareholders, held on 12 December 2017, all five resolutions put to the meeting were unanimously passed on a show of hands:

- Resolution 1 Ratification of Prior Issue – Tranche 1 Shares
- Resolution 2 Ratification of Prior Issue – Tranche 2 Shares
- Resolution 3 Issue of Options to Related Party – Robert Vassie
- Resolution 4 Issue of Options to Related Party – Mark Turner
- Resolution 5 Ratification of Prior Issue – Agent Options.

Tawana Resources NL Tenements (As at 31 December 2017)

Tenement	Location	Registered Owner	Structure and Ownership
Mofe Creek Iron Ore Project			
MEL-12029 Mofe Creek	Liberia	Tawana Liberia Inc	100%
MEL-1223/14 Mofe Ck Sth	Liberia	Tawana Liberia Inc	100%
Cowan Lithium Project			
E15/1205	Western Australia	ABEH Pty Ltd	Pending, 100%
E15/1377	Western Australia	ABEH Pty Ltd	Pending, 100%
E15/1446	Western Australia	ABEH Pty Ltd	Pending, 100%
E15/1502	Western Australia	Metalicity Energy Pty Ltd	Pending, 100%
E15/1503	Western Australia	Metalicity Energy Pty Ltd	Pending, 100%
E28/2702	Western Australia	Metalicity Energy Pty Ltd	Under application, 100%
Yallari Project			
E15/1401	Western Australia	ABEH Pty Ltd	Pending, 100%
E15/1526	Western Australia	Mt Belches Pty Ltd	100%
Bald Hill Mine			
M15/400	Western Australia	Alliance Mineral Assets Limited	50%
M15/1470	Western Australia	Alliance Mineral Assets Limited	50%
M15/1811	Western Australia	Alliance Mineral Assets Limited	50%
M15/1305	Western Australia	Alliance Mineral Assets Limited	50%
M15/1308	Western Australia	Alliance Mineral Assets Limited	50%
G15/28	Western Australia	Alliance Mineral Assets Limited	50%
L15/265	Western Australia	Alliance Mineral Assets Limited	50%
L15/266	Western Australia	Alliance Mineral Assets Limited	50%
L15/267	Western Australia	Alliance Mineral Assets Limited	50%
L15/268	Western Australia	Alliance Mineral Assets Limited	50%
L15/269	Western Australia	Alliance Mineral Assets Limited	50%
L15/270	Western Australia	Alliance Mineral Assets Limited	50%
L15/365	Western Australia	Alliance Mineral Assets Limited	50%
L15/366	Western Australia	Alliance Mineral Assets Limited	50%
P15/5465	Western Australia	Alliance Mineral Assets Limited	50%

P15/5466	Western Australia	Alliance Mineral Assets Limited	50%
P15/5467	Western Australia	Alliance Mineral Assets Limited	50%
P15/5862	Western Australia	Alliance Mineral Assets Limited	50%
P15/5863	Western Australia	Alliance Mineral Assets Limited	50%
P15/5864	Western Australia	Alliance Mineral Assets Limited	50%
P15/5865	Western Australia	Alliance Mineral Assets Limited	50%
P15/5866	Western Australia	Alliance Mineral Assets Limited	50%
R15/1	Western Australia	Alliance Mineral Assets Limited	50%
E15/1058	Western Australia	Alliance Mineral Assets Limited	50%
E15/1212	Western Australia	Alliance Mineral Assets Limited	50%
E15/1161	Western Australia	Alliance Mineral Assets Limited	50%
E15/1162	Western Australia	Alliance Mineral Assets Limited	50%
E15/1166	Western Australia	Alliance Mineral Assets Limited	50%
E15/1353	Western Australia	Alliance Mineral Assets Limited	50%
E15/1066	Western Australia	Alliance Mineral Assets Limited	50%
E15/1067	Western Australia	Alliance Mineral Assets Limited	50%

Mining Tenements disposed: Nil

Mining Tenements acquired: E15/1502, E15/1503 and E28/2702

Beneficial percentage interests held in farm in or farm-out agreements: Refer above

Beneficial percentage interests in farm-in or farm-out agreements acquired or disposed: Nil.

Competent Persons' Statement

The information in this announcement that relates to Exploration Results is based on and fairly represents information and supporting documentation compiled by Mr Mark Calderwood and Mr Gareth Reynolds, both employees of Tawana Resources NL ("Tawana"). Mr Calderwood is a member of The Australasian Institute of Mining and Metallurgy and Mr Reynolds is a member of the Australian Institute of Geoscientists. Mr Calderwood and Mr Reynolds have sufficient experience relevant to the style of mineralisation under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Calderwood and Mr Reynolds consent to the inclusion in this announcement of the matters based on their information in the form and context in which it appears.

Mr Calderwood is a significant shareholder in Tawana. Mr Calderwood and Tawana do not consider these to constitute a potential conflict of interest to his role as Competent Person. Mr Calderwood is not aware of any other relationship with Tawana which could constitute a potential for a conflict of interest.

Mr Reynolds is an employee of Tawana. Mr Reynolds is not aware of any other relationship with Tawana which could constitute a potential for a conflict of interest.

Forward Looking Statement

This report may contain certain forward looking statements and projections regarding estimated, resources and reserves; planned production and operating costs profiles; planned capital requirements; and planned strategies and corporate objectives. Such forward looking statements/projections are estimates for discussion purposes only and should not be relied upon. They are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors many of which are beyond the control of Tawana Resources NL. The forward looking statements/projections are inherently uncertain and may therefore differ materially from results ultimately achieved.

Tawana Resources NL does not make any representations and provides no warranties concerning the accuracy of the projections, and disclaims any obligation to update or revise any forward looking statements/projects based on new information, future events or otherwise except to the extent required by applicable laws. While the information contained in this report has been prepared in good faith, neither TAW or any of its directors, officers, agents, employees or advisors give any representation or warranty, express or implied, as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this presentation. Accordingly, to the maximum extent permitted by law, none of TAW, its directors, employees or agents, advisers, nor any other person accepts any liability whether direct or indirect, express or limited, contractual, tortious, statutory or otherwise, in respect of, the accuracy or completeness of the information or for any of the opinions contained in this presentation or for any errors, omissions or misstatements or for any loss, howsoever arising, from the use of this presentation.

End Notes

- 1: All figures throughout this announcement regarding the Project are, unless expressly stated otherwise, presented on a 100% of Project basis. Tawana, through its 100% owned subsidiary Lithco No. 2 Pty Ltd has a 50% interest in the Project comprising the Bald Hill tenements, the processing plant and infrastructure at Bald Hill, and all minerals from the Bald Hill tenements under the terms of the Bald Hill Joint Venture Agreement.
- 2: All material assumptions and technical parameters underpinning the Mineral resources update in the ASX announcement dated 11 October 2017 continue to apply and have not materially changed since it was last reported.
3. Refer to ASX announcement on 14 June 2017.
4. For more information on Drilling Results refer to ASX announcement of 6 December 2017 and subsequent addendum to the announcement on 18 December 2017. Tawana is not aware of any new information or data that materially affects the information included in the said announcements.