



TAO Commodities Ltd
(ACN 618 935 372)

Entitlement Issue Prospectus

For a pro-rata non-renounceable entitlement issue of one (1) Option (**Option**) for every two (2) Shares held by those Shareholders registered at the Record Date at an issue price of \$0.01 per Share to raise up to \$153,750 (based on the number of Shares on issue as at the date of this Prospectus) (**Offer**).

IMPORTANT NOTICE

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the Options being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser. This document may not be distributed in the United States.

The Options offered by this Prospectus should be considered as speculative.

Corporate Directory

Directors

Mark Connelly (Non-Executive Chairman)

Patric Glovac (Executive Director)

Jason Brewer (Non-Executive Director)

Company Secretary

Anna MacKintosh

Solicitors

Nova Legal

Level 2, 50 Kings Park Road

West Perth WA 6005

ASX Code

TAO

Registered Office and Principal Place of Business

22 Townshend Road

Subiaco WA 6008

Telephone: + 61 08 6500 6872

Email: enquiry@taocommodities.com.au

Website: www.taocommodities.com.au

Share Registry*

Automic Pty Ltd

Level 2, 267 St Georges Terrace

Perth WA 6000

Auditor*

BDO Audit (WA) Pty Ltd

38 Station Street

Subiaco WA 6008

* These parties have no involvement in the preparation or issue of this Prospectus and have not consented to being named in this Prospectus. Their names appear for information purposes only.

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Indicative Timetable

Lodgement of Prospectus with the ASIC	6 August 2018
Lodgement of Prospectus & Appendix 3B with ASX	7 August 2018
Notice sent to Shareholders	8 August 2018
Ex date	13 August 2018
Record Date for determining Entitlements	14 August 2018
Opening Date Prospectus despatched to Shareholders & Company announces despatch has been completed	15 August 2018
Closing Date*	30 August 2018
Options quoted on a deferred settlement basis	31 August 2018
ASX notified of under subscriptions	3 September 2018
Issue date	3 September 2018
Quotation of Options issued under the Offer*	4 September 2018

** This timetable is indicative only and subject to the Corporations Act and the ASX Listing rules, the Company reserves the right to change the above dates. The Directors may extend the Closing Date by giving at least 3 Business Days' notice to ASX prior to the Closing Date. As such the date the Options are expected to commence trading on ASX may vary.*

Important Notes

Shareholders should read this document in its entirety and, if in doubt, should consult their professional advisers. The Options the subject of this Prospectus should be considered highly speculative.

This Prospectus is dated 6 August 2018 (**Prospectus**) and a copy of this Prospectus was lodged with the ASIC on that date.

The ASIC and ASX take no responsibility for the content of this Prospectus.

The expiry date of the Prospectus is 13 months after the date the Prospectus was lodged with the ASIC. No Options will be issued on the basis of this Prospectus after the expiry date.

No person is authorised to give information or to make any representation in connection with this Prospectus which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

Applications for Options offered pursuant to this Prospectus can only be submitted on an original Entitlement and Acceptance Form which accompanies this Prospectus.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions constitutes a violation of those laws. This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with Section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

The Company reserves the right not to accept an Entitlement and Acceptance Form from a person if it has reason to believe that when that person was given access to the electronic Entitlement and Acceptance Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

This Prospectus contains forward-looking statements which are identified by words such as 'could', 'believes', 'may', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties. These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, and its Directors and management.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

The Company has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law. These forward looking statements are subject to various risk factors that could

cause our actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 5 of this Prospectus.

Risk Factors

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Options pursuant to this Prospectus.

The Board aims to manage these risks by carefully planning its activities and implementing risk control measures. Some of the risks are, however, highly unpredictable and the extent to which they can effectively manage them is limited.

The business, assets and operations of the Company are subject to certain risk factors that have the potential to influence the operating and financial performance of the Company in the future. These risks can impact on the value of an investment in the securities of the Company. The Board aims to manage these risks by carefully planning its activities and implementing risk control measures. Some of the risks are, however, highly unpredictable and the extent to which they can effectively manage them is limited. The risks associated with an investment in the Company are outlined in Section 5.

1. Company Update

The Company began its maiden exploration program on its 100% owned Milford Project during May 2018.

Surface rock sampling results were received early July 2018 and provided confirmation of historical high-grade mineralisation and the significant potential of the Milford Project as a major Zinc-Lead-Copper (**Zn-Pb-Cu**) target. Peak values recorded greater than 30% Zinc (**Zn**).

Results confirmed that mineralisation was present across all three of the Company's prospects within the broader Milford Project. Significantly, high-grade Copper (**Cu**) values were also returned in a large number of samples, up to 8.52% Cu, compared to historical samples from previous exploration work undertaken.

Select rock chip assay results from the 100% owned Milford Project include:

- ML18006 assay returned > 30% Zn & 3.52% Cu
- ML18030 assay returned > 30% Zn, 2.38% Pb & 1.06% Cu
- ML18007 assay returned 28.4% Zn
- ML18035 assay returned 26.4% Zn, 10.65% Pb and 1.72% Cu
- ML18044 assay returned 26.4% Zn, 12.75% Pb & 1.20% Cu
- ML18019 assay returned 22.9% Zn & 10.5% Pb
- ML18025 assay returned 20.9% Zn & 8.58% Pb
- ML18031 assay returned 19.35% Zn
- ML18009 assay returned 16.35% Zn & 5.22% Pb
- ML18036 assay returned 14.05% Zn & 5.10% Pb
- ML18024 assay returned 12.7% Zn, 5.67% Pb & 6.34% Cu
- ML18021 assay returned 12.55% Zn & 12.20% Pb
- ML18012 assay returned 12.15% Zn, 17.3% Pb & 2.81% Cu
- ML18027 assay returned 2.87% Zn, >20% Pb & 8.32% Cu

Follow-up mapping and trenching work is to commence immediately under the continued phase 1 exploration program to define drilling targets.

Permitting procedures are also to be fast-tracked to advance toward a phase 2 exploration program, which will include the Company's maiden drilling program, scheduled for Q3 2018.

Recently the Company also expanded its tenement holdings with an additional 100 mining claims staked south west of the Company's Captain Jack prospect (which forms part of the Project) and adjoining Alderan Resources Limited's (ASX: AL8) claims. The new claims cover numerous historical workings and small-scale mines. Deposit styles within the area are carbonate replacement or manto-style base metals (Pb, Zn & Ag) epithermal gold-silver, copper-magnetite skarn or breccia hosted base or precious metals deposits.

This additional ground will also be included into the phase 1 exploration program which includes sampling, mapping and geophysics.

2. Details of the Offer

2.1 The Offer

The Offer is being made as a pro-rata non-renounceable entitlement issue of one (1) Option (**Option**) for every two (2) Shares held by those Shareholders registered at the Record Date at an issue price of \$0.01 per Share to raise up to \$153,750 (based on the number of Shares on issue as at the date of this Prospectus).

Fractional Entitlements will be rounded up to the nearest whole number.

Each Option will be exercisable at \$0.20, on or before the expiry date of 1 September 2020. All of the Options offered under this Prospectus will be issued on the terms and conditions set out in Section 4.1 of this Prospectus.

All of the Shares issued upon the future exercise of the Options offered under this Prospectus will rank equally with the Shares on issue at the date of this Prospectus. Please refer to Section 4.2 for further information regarding the rights and liabilities attaching to the Shares.

Details of the purpose and effect of the Offer are set out in Section 3 of this Prospectus.

2.2 Minimum Subscription

There is no minimum subscription.

2.3 Opening and Closing Dates of the Offer

The Opening Date of the Offer will be 15 August 2018 and the Closing Date will be 30 August 2018 at 5.00pm WST.

The Directors reserve the right to close the Offer early or extend the Closing Date (as the case may be), should it be considered by them necessary to do so.

2.4 Acceptance

Your acceptance of the Offer must be made on the Entitlement and Acceptance Form accompanying this Prospectus. Your acceptance must not exceed your Entitlement as shown on that form. If it does, your acceptance will be deemed to be for the maximum Entitlement.

You may participate in the Offer as follows:

- (a) if you wish to accept your full Entitlement:
 - (i) complete the Entitlement and Acceptance Form; and
 - (ii) attach your cheque, drawn on an Australian bank made payable in Australian currency, for the amount indicated on the Entitlement and Acceptance Form; or
- (b) if you only wish to accept **part** of your Entitlement:
 - (i) fill in the number of Options you wish to accept in the space provided on the Entitlement and Acceptance Form; and
 - (ii) attach your cheque, drawn on an Australian bank made payable in Australian currency, for the appropriate application monies (at \$0.01 per Option); or

- (c) if you do not wish to accept all or part of your Entitlement, you are not obliged to do anything.

All cheques must be drawn on an Australian bank made payable in Australian currency to **“TAO Commodities Ltd – Entitlement Issue Account”** and crossed **“Not Negotiable”**.

Your completed Entitlement and Acceptance Form and cheque must reach the Company's share registry no later than 5:00 pm WST on the Closing Date.

For payment by BPAY®, please follow the instructions on the Entitlement and Acceptance Form. You can only make a payment via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions. Please note that should you choose to pay by BPAY®:

- (d) you do not need to submit the Entitlement and Acceptance Form but are taken to have made the declarations on that Entitlement and Acceptance Form; and
- (e) if you do not pay for your Entitlement in full, you are deemed to have taken up your Entitlement in respect of such whole number of Shares which is covered in full by your application monies.

It is your responsibility to ensure that your BPAY® payment is received by the share registry by no later than 5:00 pm (WST) on the Closing Date. You should be aware that your financial institution may implement earlier cut-off times with regards to electronic payment and you should therefore take this into consideration when making payment. Any application monies received for more than your final allocation of Options will be refunded. No interest will be paid on any application monies received or refunded.

The Offer is non-renounceable. Accordingly, a Shareholder may not sell or transfer all or part of their Entitlement.

2.5 Underwriting

The Offer is not underwritten.

2.6 Effect on Control of the Company

In addition, Shareholders should note that if they do not participate in the Offer, their holdings, upon the future exercise of the Options, are likely to be diluted by approximately 33.33% (as compared to their holdings and number of Shares on issue as at the date of the Prospectus).

2.7 Shortfall Offer

Any Entitlement not taken up pursuant to the Offer will form the Shortfall Offer.

The Shortfall Offer is a separate offer made pursuant to this Prospectus and will remain open for up to three months following the Closing Date. The issue price for each Option to be issued under the Shortfall Offer shall be \$0.01 being the price at which Options have been offered under the Offer.

The Directors reserve the right to issue Shortfall Options at their absolute discretion. Accordingly, do not apply for Shortfall Options unless instructed to do so by the Directors.

2.8 ASX Listing

In the event that the Company receives sufficient applications to meet the requirements for quotation of a second class of securities under the ASX Listing Rules, application for Official Quotation of the Options offered pursuant to this Prospectus will be made in accordance with the timetable set out at the commencement of this Prospectus. If ASX does not grant Official Quotation of the Options offered pursuant to this Prospectus before the expiration of 3 months after the date of issue of this Prospectus, (or such period as varied by the ASIC), the Company will not issue any Options and will repay all application monies for the Options within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the Options is not to be taken in any way as an indication of the merits of the Company or the Options now offered for subscription.

2.9 Issue of Options

Options issued pursuant to the Offer will be allotted in accordance with the ASX Listing Rules and timetable set out at the commencement of this Prospectus.

Options issued pursuant to the Shortfall Offer will be allotted on a progressive basis. Where the number of Options issued is less than the number applied for, or where no allotment is made surplus application monies will be refunded without an interest to the Applicant as soon as practicable after the closing date of the Shortfall Offer.

Pending the allotment and issue of the Options or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

Holding statements for Options issued under the Offer will be mailed in accordance with the ASX Listing Rules and timetable set out at the commencement of this Prospectus and for Shortfall Options issued under the Shortfall Offer as soon as practicable after their issue.

2.10 Overseas Shareholders

This Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

It is not practicable for the Company to comply with the securities laws of overseas jurisdictions having regard to the number of overseas Shareholders, the number and value of Options these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction. Accordingly, the Offer is not being extended and Options will not be issued to Shareholders with a registered address which is outside Australia and New Zealand.

2.11 Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship

The Company will not be issuing option certificates. The Company is a participant in CHES, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by the

Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of Options allotted to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

2.12 Privacy Act

If you complete an application for Options, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder or Optionholder, facilitate distribution payments and corporate communications to you as a Shareholder or Optionholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Share Registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the Entitlement and Acceptance Form, the Company may not be able to accept or process your application.

2.13 Enquiries

Any questions concerning the Offer should be directed to the Company at + 61 08 6500 6872 or by email to enquiry@taocommodities.com.au.

3. Purpose and Effect of the Offer

3.1 Purpose of the Offer

The purpose of the Offer is to reward seed and initial public offer investors for their loyalty, having committed their capital at or before the Company's initial public offer. The Offer will also serve to help maintain Shareholder loyalty and Share ownership for any Shareholders who have purchased Shares since the Company's Shares commenced quotation on ASX.

The Board has decided to structure the Offer as a non-renounceable entitlement issue, rather than a bonus issue, to:

- (a) provide a cost base for tax purposes in respect of the Options offered under the Offer; and
- (b) cover the expenses of the Offer and;
- (c) provide the company with additional working capital

3.2 Effect on capital structure

The effect of the Offer on the capital structure of the Company, assuming all Options offered under the Prospectus are issued, is set out below.

Shares	Number
Shares currently on issue	30,750,000
Shares offered pursuant to the Offer	Nil
Total Shares on issue after completion of the Offer	30,750,000
Options	Number
Options currently on issue (exercisable at \$0.30 each on or before 1 August 2020)	11,000,000
Options offered pursuant to the Offer ¹ (exercisable at \$0.20 each on or before 1 September 2020)	15,375,000
Total Options on issue after completion of the Offer	26,375,000

Notes:

1. The terms and conditions of the Options to be issued under the Offer are set out in Section 4.1.

3.3 Other Effects of the Offer

The principal effect of the Offer, assuming all Options offered under the Prospectus are issued, will be to:

- (a) issue a new class of listed Options;
- (b) increase the number of Options on issue from 11,000,000 as at the date of this Prospectus to up to 26,375,000 Options; and
- (c) the Company will receive \$0.01 for each Option exercised and raise additional funds of up to approximately \$153,750. The likelihood of the Company raising the additional capital through the exercise of the Options is dependent on the price of the Shares from time to time until the Options expire.

3.4 Financial Effect of the Offer

The Options to be issued pursuant to this Prospectus will be issued for \$0.01 consideration each. The issue of the Options pursuant to this Prospectus will not have a material impact on the Company's current financial position other than to raise \$153,750 (before costs of the Offer of approximately \$16,379).

3.5 Details of substantial holders

Those Shareholders holding 5% or more of the Shares on issue both as at the date of this Prospectus and on completion of the Offer are set out in the respective tables below.

As at the date of the Prospectus:

Shareholder	Shares	Options	Percentage Holding (undiluted)
Mounts Bay Investments Pty Ltd <Calver Capital A/C>	1,909,444	Nil	6.21%

On completion of the Offer (assuming the existing substantial Shareholder above subscribes for their full entitlement and receives Options pursuant to the Offer):

Shareholder	Shares	Entitlement to Options under the Offer	Percentage Holding (undiluted)	Percentage Holding (diluted) ¹
Mounts Bay Investments Pty Ltd <Calver Capital A/C>	1,909,444	964,722	6.21%	4.14%

¹ Calculated on the basis that all of the Options offered under this Prospectus are exercised into Shares.

4. Rights and Liabilities Attaching to Securities

4.1 Option terms and conditions

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 1 September 2020 (**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:
 - (i) 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 apply for quotation of the Options.
- (l) 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.

4.2 Rights attaching to Shares

The following is a summary of the more significant rights attaching to Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

(a) General meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act and the Constitution.

(b) Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at general meetings of Shareholders or classes of Shareholders:

- (i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and

on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the Share, but in respect of partly paid Shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

(c) Dividend rights

Subject to the rights of any persons entitled to shares with special rights to dividends, the Directors may from time to time declare a dividend to be paid to the Shareholders out of profits.

The Directors may from time to time pay to the Shareholders any interim dividends as they may determine. No dividend shall carry interest as against the Company. The Directors may set aside out of the profits of the Company any amounts that they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

Subject to the ASX Listing Rules and the Corporations Act, the Company may, by resolution of the Directors, implement a dividend reinvestment plan on such terms and conditions as the Directors think fit and which provides for any dividend which the Directors may declare from time to time payable on Shares which are participating Shares in the dividend reinvestment plan, less any amount which the Company shall either pursuant to the Constitution or any law be entitled or obliged to retain, be applied by the Company to the payment of the subscription price of Shares.

(d) **Winding-up**

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company, divide among the shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

The liquidator may, with the authority of a special resolution of the Company, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any Shares or other securities in respect of which there is any liability.

(e) **Shareholder liability**

The Shares are fully paid shares, they are not subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(f) **Transfer of Shares**

Subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the ASX Listing Rules, the Shares are freely transferable.

(g) **Variation of rights**

Pursuant to Section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to Shares.

If at any time the share capital is divided into different classes of Shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of three-quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

5. Risk Factors

5.1 Introduction

The Shares offered under this Prospectus are considered highly speculative. An investment in the Company is not risk free and the Directors strongly recommend potential investors to consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for Shares and to consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

There are specific risks which relate directly to the Company's business. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors. The risks identified in this section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of the Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

5.2 Company specific

(a) Limited history

The Company was only recently incorporated (5 May 2017) and has no operating history and limited historical financial performance. Further, Calatos Pty Ltd LLC was only incorporated on 5 April 2017. No assurance can be given that the Company will establish a resource or reserve in accordance with the JORC Code. Until the Company is able to realise value from the Project, it is likely to incur ongoing operating losses.

(b) Reliance on Key Personnel

The Company's operational success will depend substantially on the continuing efforts of senior executives. The loss of services of one or more senior executives may have an adverse effect on the Company's operations. Furthermore, if the Company is unable to attract, train and retain key individuals and other highly skilled employees and consultants, its business may be adversely affected.

(c) Additional Requirements for Capital

The funds raised under the Offer are considered sufficient to meet the immediate objectives of the Company. The funds raised through this Prospectus that are spent on mineral exploration may not, however be sufficient to identify JORC Code compliant resources, which will mean that the Company is likely to need to raise more funds. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities.

If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back exploration expenditure as the case may be.

(d) Potential Acquisitions

As part of its business strategy, the Company may make acquisitions of, or significant investments in, complementary companies or prospects although no such acquisitions or investments are currently planned. Any such transactions will be accompanied by risks commonly encountered in making such acquisitions.

(e) The Company does not expect to declare any dividends in the foreseeable future

The Company does not anticipate declaring or paying any dividends to Shareholders in the foreseeable future. Consequently, investors may need to rely on sales of their securities to realise any future gains on their investment.

(f) If the Company's goodwill or intangible assets become impaired, it may be required to record a significant charge to earnings

Under Generally Accepted Accounting Principles, the Company reviews its intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is required to be tested for impairment at least annually.

(g) Liquidity

Certain securities are likely to be classified as restricted securities. At the end of the relevant escrow periods a significant number of Shares will become tradeable on ASX. This may result in an increase in the number of Shares being offered for sale on market which may in turn put downward pressure on the Company's Share price.

(h) Title Risk

The Company could lose title to or its interest in the Mining Rights if annual claim maintenance fee payments are not paid.

The Company has taken reasonable steps to verify the title to the Mining Rights in which it has, or has a right to acquire, an interest. Although these steps are in line with market practice for exploration projects such as the Project, they do not guarantee title to the Mining Rights nor guarantee that the Mining Rights are free of any third party rights or claims.

(i) Unpatented Mining Rights

The Project is comprised of unpatented lode mining claims (referred to as Mining Rights), which provide for access to and extraction of mineral rights owned by the USA and administered by the United States Bureau of Land Management. Rights under unpatented mining claims of the type the Project comprises are restricted to the extraction and development of a mineral deposit, and no land ownership is conveyed. The rights granted by such mining claims are valid against a challenge by the USA or another claimant only after the discovery of a valuable mineral deposit within the claim. While the Company will use its reasonable efforts to secure discoveries on each Mining Right, there can be no guarantee that the Company will discover a valuable mineral deposit that can defeat a challenge to the unpatented mining claims by the USA or another claimant.

(j) Inherent mining risks

The Company's business operations are subject to risks and hazards inherent in the mining industry. The exploration for and the development of mineral deposits involves significant risks, including: environmental hazards, industrial accidents, metallurgical and other processing problems, unusual or unexpected rock formations, structure cave-in or slides; flooding; fires and interruption due to inclement or hazardous weather conditions. These risks could result in damage to, or destruction of, mineral properties, production facilities or other properties, personal injury or death, environmental damage, delays in mining, increased production costs, monetary losses and possible legal liability.

(k) Conflicts of Interest

Certain Directors are also directors and officers of other companies engaged in mineral exploration and development and mineral property acquisitions. Accordingly, mineral exploration opportunities or prospects of which these Directors become aware may not

necessarily be made available to the Company in the first instance. Although these Directors have been advised of their fiduciary duties to the Company, there exist actual and potential conflicts of interest among these persons and situations could arise in which their obligations to, or interests in, other companies could detract from their efforts on behalf of the Company.

(l) Offer Risk

If ASX does not admit the Options to Official Quotation before the expiration of 3 months after the date of issue of this Prospectus, or such period as varied by ASIC, the Company will not allot or issue any Options and will repay all application monies for the Options within the time prescribed under the Corporations Act, without interest.

5.3 General Risks

The future prospects of the Company's business may be affected by circumstances and external factors beyond the Company's control. Financial performance of the Company may be affected by a number of business risks that apply to companies generally and may include economic, financial, market or regulatory conditions.

(a) General Economic Climate

Factors such as inflation, currency fluctuation, interest rates and supply and demand have an impact on operating costs, commodity prices and stock market prices. The Company's future revenues and securities price may be affected by these factors, as well as by fluctuations in the price of commodities, which are beyond the Company's control.

(b) Changes in Legislation and Government Regulation

Government legislation in Australia or any other relevant jurisdiction, including changes to the taxation system, may affect future earnings and relative attractiveness of investing in the Company. Changes in government policy or statutory changes may affect the Company and the attractiveness of an investment in it.

(c) Competition for Projects

The Company competes with other companies, including mineral exploration and production companies. Some of these companies have greater financial and other resources than the Company. As a result, such companies may be in a better position to compete for future business opportunities and there can be no assurance that the Company can effectively compete with these companies. In the event that the Company is not able to secure a new project or business opportunity this may have an adverse effect on the operations of the Company, its possible future profitability and the trading price of its securities, including the Options offered under this Prospectus.

(d) Commodity Price Volatility and Exchange Rate Risk

If the Company achieves success leading to mineral production, the revenue it will derive through the sale exposes the potential income of the Company to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for precious and base metals, technological advancements, forward selling activities and other macro-economic factors. Furthermore, international prices of various commodities are denominated in United States dollars, whereas the income and expenditure of the Company are and will be taken into account in Australian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined in international markets.

(e) Sharemarket Conditions

The market price of the Company's securities may be subject to varied and unpredictable influences on the market for equities in general and resources stocks in particular.

(f) Speculative Nature of Investment

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Options offered under this Prospectus. Therefore, the Options offered pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of the securities.

6. Additional Information

6.1 Continuous Disclosure Obligations

The Company is a “disclosing entity” (as defined in Section 111AC of the Corporations Act) for the purposes of Section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company’s securities.

This Prospectus is a “transaction specific prospectus” under section 713 of the Corporations Act. In general terms, a “transaction specific prospectus” is only required to contain information in relation to the effect of the issue of securities on the Company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 3 months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in Section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents (as applicable), free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
 - (i) the annual financial report most recently lodged by the Company with the ASIC;
 - (ii) any half-year financial report lodged by the Company with the ASIC after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC; and
 - (iii) any continuous disclosure documents given by the Company to ASX in accordance with the ASX Listing Rules as referred to in Section 674(1) of the Corporations Act after the lodgement of the annual financial report

referred to in (i) and before the lodgement of this Prospectus with the ASIC.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company or an ASIC office during normal office hours.

The Company has lodged the following announcements with ASX since being admitted to the Official List:

6.2 Announcements

Date	Description of Announcement
03/08/2018	Change in Substantial Holding
27/07/2018	Quarterly Cashflow Report
27/07/2018	Quarterly Activities Report
27/07/2018	Change of Director's Interest Notice
27/07/2018	Ceasing to be a substantial holder
27/07/2018	Change in substantial holding
17/07/2018	Proposed Loyalty Entitlements Issue of Options
09/07/2018	High Grade Zinc, Lead and Copper Confirmed
05/07/2018	Trading Halt
03/07/2018	TAO Expands Holdings Over Adjoining Mineral District
22/05/2018	Exploration Commences Targeting High Grade Zinc
01/05/2018	Exploration Program To Target High Grade Zinc
30/04/2018	Quarterly Activities Report
30/04/2018	Quarterly Cashflow Report
16/04/2018	Initial Director's Interest Notice
16/04/2018	Initial Director's Interest Notice
16/04/2018	Initial Director's Interest Notice
16/04/2018	Becoming a substantial holder
16/04/2018	Becoming a substantial holder
16/04/2018	Becoming a substantial holder
12/04/2018	Statement of Confirmations
12/04/2018	Securities Trading Policy
12/04/2018	Calatos Accounts - Incorporation to 31 July 2017
12/04/2018	Tao Commodities Accounts - Incorporation to 30 June 2017
12/04/2018	Constitution
12/04/2018	Second Supplementary Prospectus
12/04/2018	Supplementary Prospectus

Date	Description of Announcement
12/04/2018	Second Replacement Prospectus
12/04/2018	Appendix 1A and Information Form & Checklist with Annexure I
12/04/2018	Top 20 Holders
12/04/2018	Distribution Schedule
12/04/2018	Admission to Official List - Quotation Commences 16/4/2018
12/04/2018	ASX Notice - Admission and Quotation

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours.

6.3 Directors' Interests

Other than as set out below or elsewhere in this Prospectus, no Director nor any firm in which such a Director is a partner, has or had within 2 years before the lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer pursuant to this Prospectus; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any Director or to any firm in which any such Director is a partner or Director, either to induce them to become, or to qualify them as, a Director or otherwise for services rendered by them or by the firm in connection with the formation or promotion of the Company or the Offer.

The Directors' relevant interests in the Company's securities as at the date of this Prospectus and remuneration payable (inclusive of superannuation) for the current and the last two financial years (including share based payments) is set out below:

Name	Shares	Options	Entitlement ¹	Remuneration FY 17 ³	Remuneration FY 18 ³	Remuneration Current FY ³
Mark Connelly	Nil	3,000,000	Nil	Nil	\$32,850	\$65,700
Patric Glovac ²	1,359,445	3,000,000	679,722	Nil	\$45,990	\$91,980
Jason Brewer	Nil	2,000,000	Nil	Nil	\$19,713	\$39,420

Notes:

- 1 As at the date of this Prospectus, Patric Glovac intends to participate in the Offer to the extent of his full entitlement.
- 2 These Shares and Options are held by Kcirtap Securities Pty Ltd, an entity which Patric Glovac controls.
- 3 The Company was incorporated on 5 May 2017. Remuneration paid for the current financial year up to the date of this Prospectus.

The Constitution of the Company provides that the Non-Executive Directors may be paid for their services as Directors, a sum not exceeding such fixed sum per annum as may be determined by the Company in general meeting. The current amount has been set at an amount not to exceed \$200,000 per annum.

Directors, companies associated with the Directors or their associates are also reimbursed for all reasonable expenses properly incurred in the course of conducting their duties which include, but are not in any way limited to, out of pocket expenses, travelling expenses, disbursements made on behalf of the Company and other miscellaneous expenses.

6.4 Interests of experts and advisers

Other than as set out below or elsewhere in this Prospectus, no expert, underwriter, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, nor any firm in which any of those persons is or was a partner, nor any company with which any of those persons is or was associated, has or had within 2 years before the lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company; or
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any expert, underwriter, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus, or to any firm in which any of those persons is or was a partner, or to any company with which any of those persons is or was associated, for services rendered by that person, or by the firm or the company, in connection with the formation or promotion of the Company or the Offer.

Nova Legal has acted as the solicitors to the Company in relation to the Offer and associated due diligence process. The Company estimates it will pay Nova Legal \$10,000 (excluding GST and disbursements) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Nova Legal has been paid approximately \$259,540 (excluding GST) for legal services provided to the Company.

6.5 Consents

Each of the parties referred to in this Section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section; and
- (b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

Nova Legal has given and has not withdrawn its consent to be named as the solicitors to the Company in this Prospectus, in the form and context in which it is named. Nova Legal has not caused or authorised the issue of this Prospectus, and expressly disclaims and takes no responsibility for, any part of this Prospectus.

6.6 Litigation

As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Company's Directors are not aware of any legal proceedings pending or threatened against Company.

6.7 Estimated Expenses of Offer

The total expenses of the Offer are estimated to be approximately \$16,379 as follows:

Expense	(\$)
ASIC fees	3,206
ASX fees	2,173
Legal expenses	10,000
Miscellaneous, printing and other expenses	1,000
Total	16,379

6.8 Market Price of Shares

The Company is a disclosing entity for the purposes of the Corporations Act and its securities are enhanced disclosure securities quoted on ASX.

The highest and lowest market sale prices of the Company's Shares on ASX during the three months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

TAO Shares:

Highest: \$0.27 on 17 April 2018.

Lowest: \$0.19 on 21 May 2018.

The latest available closing sale price of the Company's Shares on ASX prior to the lodgement of this Prospectus with the ASIC was \$ 0.205 on 3 August 2018.

6.9 Electronic Prospectus

Pursuant to ASIC Regulatory Guide 107, the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus and electronic entitlement and acceptance form on the basis of a paper prospectus lodged with the ASIC, and the publication of notices referring to an electronic prospectus or electronic entitlement and acceptance form, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Entitlement and Acceptance Form. If you have not, please phone the Company on +61 08 6500 6872 and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both.

The Company reserves the right not to accept an Entitlement and Acceptance Form from a person if it has reason to believe that when that person was given access to the electronic Entitlement and Acceptance Form, it was not provided together with the

electronic Prospectus and any relevant supplementary or Prospectus or any of those documents were incomplete or altered.

6.10 Financial forecasts

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

7. Directors' Authorisation

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.



Patric Glovac
Executive Director
For and on behalf of TAO Commodities Ltd

8. Glossary

\$ means the lawful currency of the Commonwealth of Australia.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by it as the context requires.

ASX Listing Rules means the listing rules of the ASX.

ASX Settlement Operating Rules means the settlement rules of the securities clearing house which operates CHESS.

Board means the board of Directors unless the context indicates otherwise.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day.

Closing Date means the date specified in the timetable set out at the commencement of this Prospectus (unless extended).

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

Constitution means the constitution of the Company as at the date of this Prospectus.

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the directors of the Company as at the date of this Prospectus.

Entitlement means the entitlement of a Shareholder who is eligible to participate in the Offer.

Entitlement and Acceptance Form means the personalised entitlement and application form accompany this Prospectus.

Mining Rights means the 100 United States unpatented lode mining claims which comprise the Project.

Offer means the non-renounceable offer, the subject of this Prospectus.

Official Quotation means official quotation on ASX.

Option means an option to acquire a Share, on the terms and conditions set out in Section 4.1 of this Prospectus.

Optionholder means a holder of an Option.

Project or **Milford Project** means the 'Milford Zinc-Gold Project' located in Southern Utah, USA,

Prospectus means this prospectus.

Record Date means the date specified in the timetable set out at the commencement of this Prospectus.

Section means a section of this Prospectus.

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

Shareholder means a holder of a Share.

Shortfall Offer has the meaning specified in Section 2.7 of this Prospectus.

WST means Western Standard Time as observed in Perth, Western Australia