

21st September 2018

ASX RELEASE

## **NEW STRUCTURE IDENTIFIED MILFORD ZINC & COPPER PROJECT**

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- The Company's ongoing phase 1 exploration program identifies a new structure (West Edge Prospect) outside of the initial target areas
  - West Edge Prospects appears to be a major structure approximately 75 feet (23 metres) to 100 feet (30 metres) thick with considerable alteration. The size and mineralisation of the structure warrants follow-up work and investigation
  - Additional sampling and trenching program was focused on identifying and mapping the recently staked claims, in addition to provide further data to finalise the upcoming drill site locations.
  - Drill site location planning nearing completion and will be finalised in the coming weeks
  - As part of the Company's continual review process, shortlisting of complimentary projects is underway as outlined in the IPO Prospectus, with the view of expanding the Company's current single project focus.
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Tao Commodities Limited ("TAO" or "the Company") (ASX: TAO) is pleased to announce the identification of a new structure (West Edge Prospect) during recent field-work from the Company's ongoing phase 1 exploration program. The Company is also advancing plans towards its phase 2 exploration program and the finalisation of its maiden drilling program.

### **West Edge Prospect**

As part of the overall evaluation of the Milford area a new prospect was discovered on the previously staked claims. As the name implies, the prospect occurs on the western edge of the original claim block. The prospect is exposed in bulldozer cuts into the side of a hill (Figure 1). The dozer cuts expose a major structure that appears to be approximately 75 feet (23 metres) to 100 feet (30 metres) thick with considerable alteration. It was difficult to determine from the exposure, but the structure appears to strike about N45°E and dip about 25° SE. The prospect occurs in the Permian Talisman Quartzite.



*Figure 1 - Western Edge Prospect looking southwest from opposite hillside.*

There were 3 obvious bands of mineralised rock within the structure, each approximately 6 feet (2 metres) to 10 feet (3 metres) wide. Copper minerals were evident in the mineralised band at the southeast end of the exposure. A sample from each of the mineralised zones was collected for assay (Sample Nos. ML18095 through ML18097, Figure 2). The size of the structure and presence of mineralisation warrant further investigation. The structure could be easily drilled with 2 or 3 short holes from the road cut into the hillside above the structure (Figure 2). No road building would be required to access the drill sites.



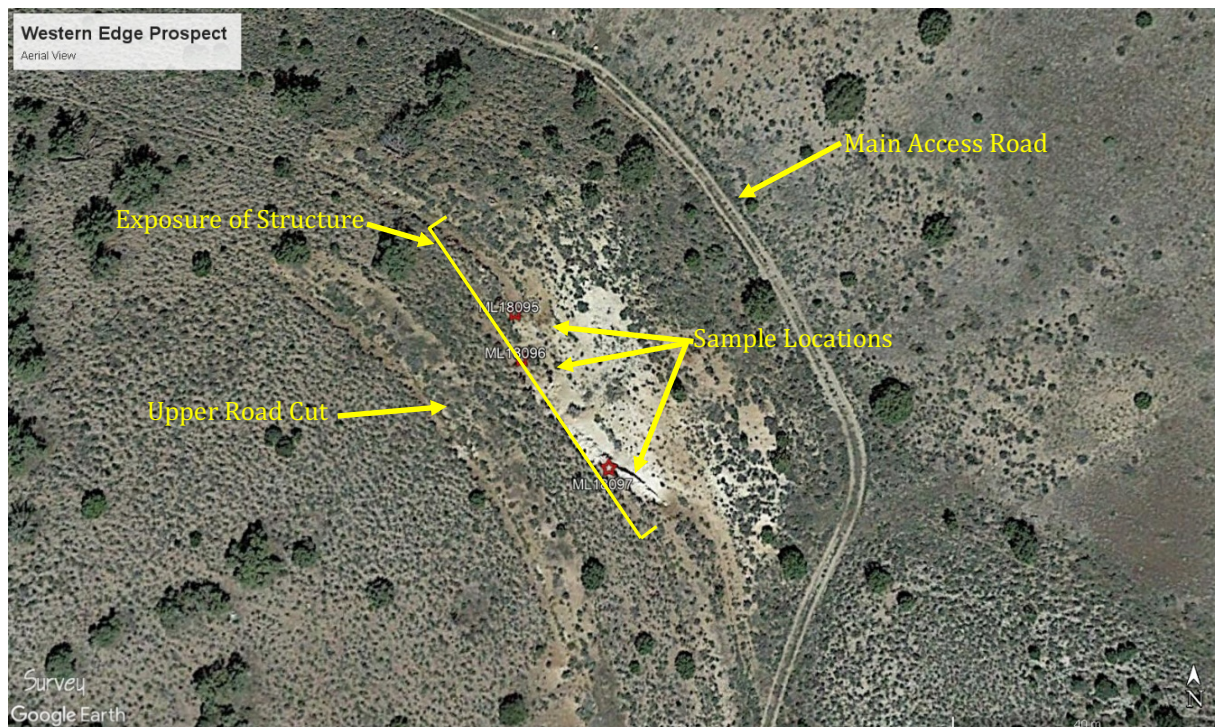


Figure 2 - Western Edge prospect aerial view

Two more samples (ML18098 and ML18099) were collected from prospects to the south of the dozer cuts, but it was subsequently found that the prospects were on patented land, so are not held by TAO.

A geological inspection of the new claims was conducted during July 2018. Old prospects dating back to the late 1800s were evaluated and sampled. The results of the sampling are reported in Table 1. Half of the samples are from prospects on the new claims. The others are from the previously staked claims. These sample results are in addition to results from 88 samples reported earlier this year (See news release entitled “High Grade Zinc, Lead and Copper Confirmed”, dated 9<sup>th</sup> July 2018).

Table 1 – Sample results from 12 samples collected from TAO’s Milford claims. (UTM locations are in NAD83, Zone 12.)

SAMPLE	Prospect Area	Sample Type	UTM E	UTM N	Recvd Wt.	Ag	Cu	Cu	Pb	Pb	Zn	Zn
					kg	ppm	ppm	%	ppm	%	ppm	%
ML18089	Old Prospect New Claims	Grab	313987	4246422	1.42	2.81	44.9		1095	1.09%	2320	0.23%
ML18090	Old Prospect New Claims	Grab	313555	4246181	0.77	0.3	3.9		8.3		54	
ML18091	Old Prospect New Claims	3m Chip	313565	4246150	2.05	0.38	7.4		19.3		42	
ML18092	Old Prospect New Claims	Grab	312917	4244598	1.01	13.85	257		>10000	1.26%	2850	0.28%
ML18093	Old Prospect New Claims	1m Chip	313887	4246940	1.01	0.32	11.9		52.8		59	
ML18094	Old Prospect New Claims	Grab	310388	4241005	1.19	0.23	6		72		74	
ML18095	West Edge Prospect	Grab	313432	4250479	0.89	0.26	7.7		18.3		6	

ML18096	West Edge Prospect	1.5m Chip	313433	4250472	1.12	0.31	26		23.9		19	
ML18097	West Edge Prospect	1m Chip	313446	4250455	0.91	1.45	8440	0.84%	44		47	
ML18098	Old Prospect Previous Claims	Grab	313426	4250127	0.85	0.39	28.5		20.3		29	
ML18099	Old Prospect Previous Claims	Grab	313397	4250102	2.12	387	320		>10000	>20%	1360	1.36%
ML18100	Silver Gulch Prospect	Grab	313497	4249445	0.71	3.09	135		1280	1.28%	72	

Figure 3 is an image of both claim blocks; new claims in yellow and previous claims in green. Sample locations are shown with the previously reported samples shown as green stars. New samples and old trench areas are shown as red stars. Some of the old trenched areas were unmineralised and therefore were not sampled.

Figure 4 shows a closer view of the new claims and some of the previous claims with the sampled and unsampled locations. Some prospects on the new claims will require some follow-up evaluation.

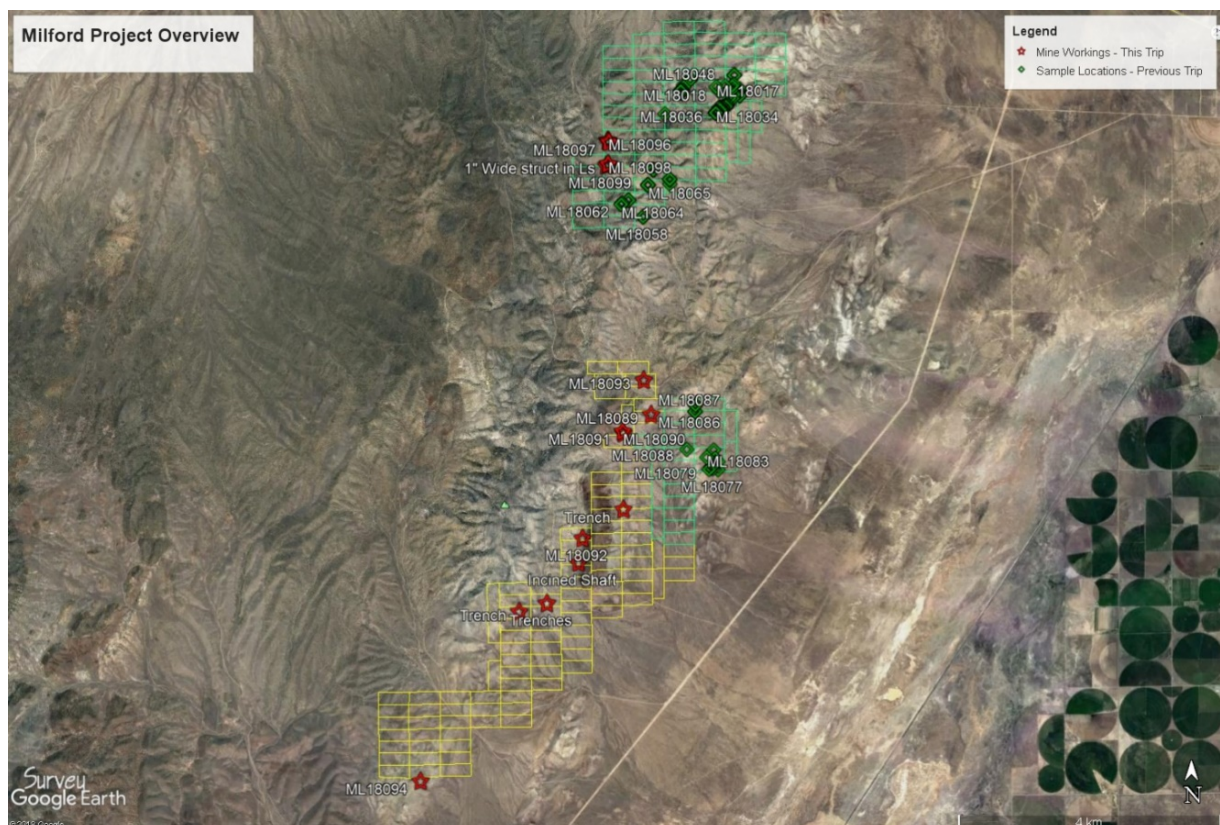
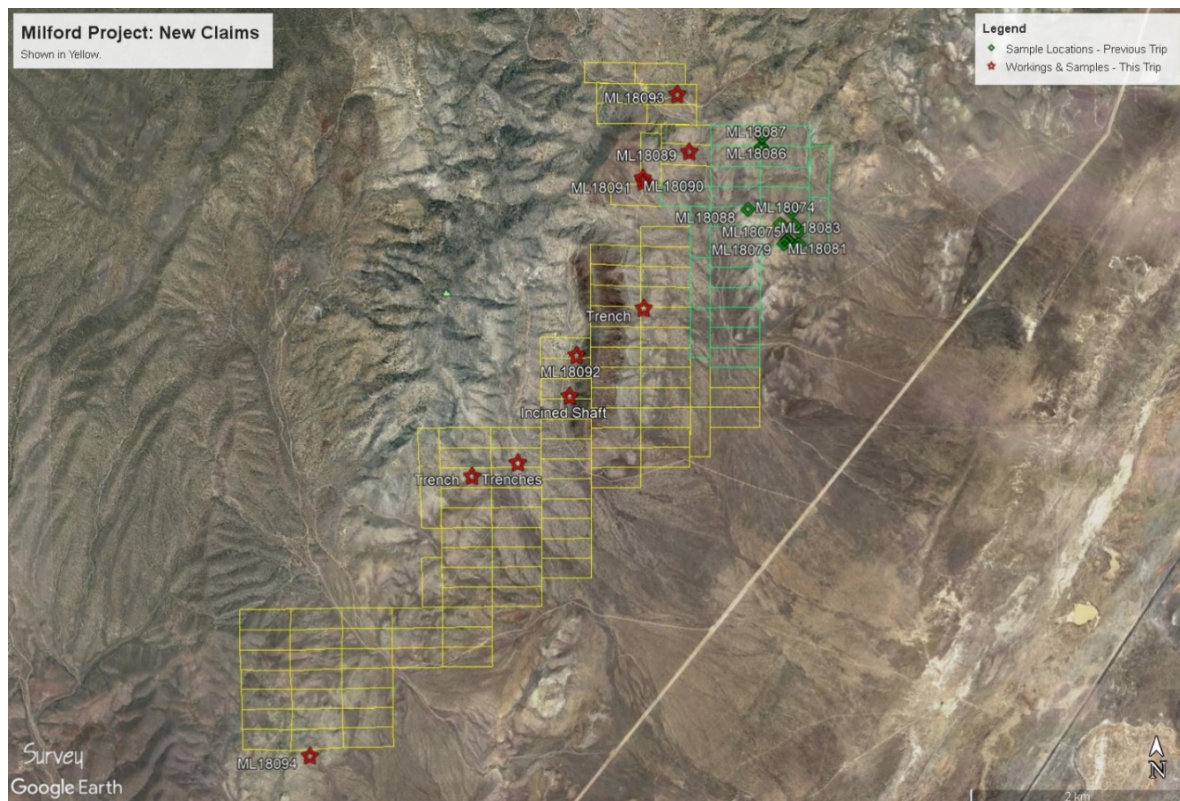


Figure 3 - Milford Project Overview





*Figure 4 - Sites of sampled and unsampled workings on the new claims.*

As outlined in the Company's IPO Prospectus and use of funds allocation, the Company intends to continually review and assess complimentary assets, which will add shareholder value. The Company's main focus continues to be the exciting and highly prospective Milford Zinc, Lead & Copper project, however given the current single asset focus, the Company believes it is prudent to add new assets in due course. As part of this process the Company is increasing its activities in identifying additional projects. The Company is currently identifying parameters around the search, including preferred jurisdictions and commodities and will update the market in due course.

The Company will also update shareholders shortly on the finalisation of the upcoming maiden drill program planning.

**END**

For further information, please contact

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## Appendix 1: Competent Persons Statement – JORC Code 2012

The information in this Report that relates to Exploration Results of the Company has been reviewed by Bradley C. Peek, MSc. who is a Member of the American Institute of Professional Geologists (CPG #11299). Mr. Peek is a consultant to independent contractor Harrison Land Services, LLC and has sufficient experience, which is relevant to the style of mineralisation and type of deposit 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' ("JORC Code 2012"). Mr. Peek consents to the inclusion in this Report of the matters based on the information in the form and context in which they appear.

## Appendix 2: JORC Table

### Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

Criteria	JORC Code explanation	Commentary
<b>Sampling techniques</b>	<ul style="list-style-type: none"> <li><i>Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.</i></li> <li><i>Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.</i></li> <li><i>Aspects of the determination of mineralisation that are Material to the Public Report.</i></li> <li><i>In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.</i></li> </ul>	<ul style="list-style-type: none"> <li>A total of 12 geochem samples were collected as random chips from historically existing mining and exploration workings. This includes from sites such as mine dumps, prospect pits &amp; trenches, and adjacent mineralised outcrops. Equipment used was predominately hand-held hammer for the collection of rock fragments. Samples were not necessarily representative of average grade of the area being sampled.</li> </ul>
<b>Drilling techniques</b>	<ul style="list-style-type: none"> <li><i>Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by</i></li> </ul>	<ul style="list-style-type: none"> <li>No drilling conducted.</li> </ul>

Criteria	JORC Code explanation	Commentary
	<i>what method, etc).</i>	
<b>Drill sample recovery</b>	<ul style="list-style-type: none"> <li>• <i>Method of recording and assessing core and chip sample recoveries and results assessed.</i></li> <li>• <i>Measures taken to maximise sample recovery and ensure representative nature of the samples.</i></li> <li>• <i>Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.</i></li> </ul>	<ul style="list-style-type: none"> <li>• No drilling conducted.</li> </ul>
<b>Logging</b>	<ul style="list-style-type: none"> <li>• <i>Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.</i></li> <li>• <i>Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.</i></li> <li>• <i>The total length and percentage of the relevant intersections logged.</i></li> </ul>	<ul style="list-style-type: none"> <li>• Brief descriptions of samples have been collected in field notes but not to a level of detail that would support mineral estimation, mining studies and metallurgical studies.</li> </ul>
<b>Sub-sampling techniques and sample preparation</b>	<ul style="list-style-type: none"> <li>• <i>If core, whether cut or sawn and whether quarter, half or all core taken.</i></li> <li>• <i>If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.</i></li> <li>• <i>For all sample types, the nature, quality and appropriateness of the sample preparation technique.</i></li> <li>• <i>Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.</i></li> <li>• <i>Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.</i></li> <li>• <i>Whether sample sizes are appropriate to the grain size of the material being sampled.</i></li> </ul>	<ul style="list-style-type: none"> <li>• Chip samples were placed directly into calico bags at the site location from which they were collected. No repeat or check samples have yet been submitted for analysis. Each sample was weighed at the preparation laboratory and the weights recorded along with the analytical results. No specific quality control procedure has been adopted for the collection of samples other than due care was exercised to maintain a uniform sample. Samples were shipped to ALS Global laboratories in Reno, Nevada for drying, pulverizing, and splitting to prepare a pulp of approximately 200g which was then shipped to ALS Global laboratories in Vancouver, Canada for analytical determinations.</li> </ul>
<b>Quality of assay data and laboratory tests</b>	<ul style="list-style-type: none"> <li>• <i>The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.</i></li> <li>• <i>For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.</i></li> </ul>	<ul style="list-style-type: none"> <li>• Assays were prepared and performed by ALS Global – Geochemistry Analytical Labs in Reno, Nevada USA and Vancouver, BC Canada using a four acid digestion method with an ICP-MS finish. Average sample weight submitted for prep was 1.17kg and range from 0.71kg to 2.12kg. Samples were pulverized to minus 75 microns before a 250g riffle split was sent to ALS Vancouver lab for</li> </ul>

Criteria	JORC Code explanation	Commentary
	<ul style="list-style-type: none"> <li><i>Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.</i></li> </ul>	analysis. This is an accepted industry analytical process appropriate for the nature and style of mineralisation under investigation. No company generated standards or blanks were incorporated into the sampling procedure. ALS undertook their own internal checks and blanks.
<b>Verification of sampling and assaying</b>	<ul style="list-style-type: none"> <li><i>The verification of significant intersections by either independent or alternative company personnel.</i></li> <li><i>The use of twinned holes.</i></li> <li><i>Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.</i></li> <li><i>Discuss any adjustment to assay data.</i></li> </ul>	<ul style="list-style-type: none"> <li>Little verification work has been conducted yet due to the preliminary stage of the project. This will be incorporated into the future work programs now that analytical results from this initial sampling are known. No adjustment to the assay data has been performed.</li> </ul>
<b>Location of data points</b>	<ul style="list-style-type: none"> <li><i>Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.</i></li> <li><i>Specification of the grid system used.</i></li> <li><i>Quality and adequacy of topographic control.</i></li> </ul>	<ul style="list-style-type: none"> <li>Location of samples were recorded by hand held GPS. The GPS recorded locations used the NAD83 datum UTM Zone 12N. Accuracy is limited to approximately 3 metres.</li> </ul>
<b>Data spacing and distribution</b>	<ul style="list-style-type: none"> <li><i>Data spacing for reporting of Exploration Results.</i></li> <li><i>Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.</i></li> <li><i>Whether sample compositing has been applied.</i></li> </ul>	<ul style="list-style-type: none"> <li>Samples were collected at previously known mining and prospect sites. The data is not expected to be incorporated into any Mineral and Ore Reserve estimation and is primarily an initial exploration reconnaissance sampling program.</li> </ul>
<b>Orientation of data in relation to geological structure</b>	<ul style="list-style-type: none"> <li><i>Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.</i></li> <li><i>If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.</i></li> </ul>	<ul style="list-style-type: none"> <li>Not applicable.</li> </ul>
<b>Sample security</b>	<ul style="list-style-type: none"> <li><i>The measures taken to ensure sample security.</i></li> </ul>	<ul style="list-style-type: none"> <li>Company personnel collected the samples and shipped them to the assay laboratory in Reno, Nevada via U. S. Postal Service. The samples remained in the possession of the personnel or under lock and key at all times prior to</li> </ul>



Criteria	JORC Code explanation	Commentary
		their shipment to the laboratory.
<b>Audits or reviews</b>	<ul style="list-style-type: none"> <li>The results of any audits or reviews of sampling techniques and data.</li> </ul>	<ul style="list-style-type: none"> <li>The Competent Person and other company personnel have reviewed the data for accuracy and completeness.</li> </ul>

## Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
<b>Mineral tenement and land tenure status</b>	<ul style="list-style-type: none"> <li>Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.</li> <li>The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.</li> </ul>	<p>The TAO Commodities Ltd. project is located on unpatented Federal lode mining claims in the USA on land administered by the U.S. Bureau of Land Management. The Competent Person has accessed the USA Federal government websites to confirm that all of the mining claims are held by the party indicated in the agreement.</p> <p>TAO Commodities Ltd. will obtain local, state and/or federal permits to operate in their project areas as required.</p>
<b>Exploration done by other parties</b>	<ul style="list-style-type: none"> <li>Acknowledgment and appraisal of exploration by other parties.</li> </ul>	<ul style="list-style-type: none"> <li>Extensive historical mining and exploration activity beginning in the late 1800's is evident within the project area. Limited modern-day exploration techniques and methods have been conducted.</li> <li>Firestrike Resources Ltd and J/V partner Escalante Mines LLC performed rock chip sampling of historic mine dumps and prospect pits during 2011-2013. They also completed a 2000m RC drilling program during 2012 on the Coronado Prospect which lies outside of the current project area. Results of this campaign are contained in Firestrike Resources Limited ASX announcement release dated 5 February 2013, "Widespread high grade silver, lead and zinc along with elevated copper and gold discovered at surface."</li> <li>Agricola Mining Consultants Pty Ltd completed an independent technical review of the project during September 2017.</li> </ul>
<b>Geology</b>	<ul style="list-style-type: none"> <li>Deposit type, geological setting and style of mineralisation.</li> </ul>	<ul style="list-style-type: none"> <li>The project area lies within a structurally controlled Basin &amp; Range type mountain range. Epithermal and replacement type mineralisation occurs along structural corridors in reactive sedimentary host rocks.</li> </ul>

Criteria	JORC Code explanation	Commentary
<b>Drill hole Information</b>	<ul style="list-style-type: none"> <li>A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes: <ul style="list-style-type: none"> <li>easting and northing of the drill hole collar</li> <li>elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar</li> <li>dip and azimuth of the hole</li> <li>down hole length and interception depth</li> <li>hole length.</li> </ul> </li> <li>If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.</li> </ul>	<ul style="list-style-type: none"> <li>No drilling conducted.</li> </ul>
<b>Data aggregation methods</b>	<ul style="list-style-type: none"> <li>In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated.</li> <li>Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.</li> <li>The assumptions used for any reporting of metal equivalent values should be clearly stated.</li> </ul>	<ul style="list-style-type: none"> <li>No drilling conducted.</li> </ul>
<b>Relationship between mineralisation widths and intercept lengths</b>	<ul style="list-style-type: none"> <li>These relationships are particularly important in the reporting of Exploration Results.</li> <li>If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.</li> <li>If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known').</li> </ul>	<ul style="list-style-type: none"> <li>No drilling conducted.</li> </ul>
<b>Diagrams</b>	<ul style="list-style-type: none"> <li>Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.</li> </ul>	<ul style="list-style-type: none"> <li>Sample location maps with highlighted sample locations are contained in the announcement.</li> </ul>

Criteria	JORC Code explanation	Commentary
<b>Balanced reporting</b>	<ul style="list-style-type: none"> <li>Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.</li> </ul>	<ul style="list-style-type: none"> <li>All results have been reported, unmodified.</li> </ul>
<b>Other substantive exploration data</b>	<ul style="list-style-type: none"> <li>Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.</li> </ul>	<ul style="list-style-type: none"> <li>The evaluation of old workings, previous mining activity, and interpretations of satellite imagery is ongoing. At this stage, the sample results in this release simply relate to the surface sampling as it stands. Further geological work including detailed prospect scale mapping and verification of samples and sample sites will be needed to improve confidence in the results.</li> </ul>
<b>Further work</b>	<ul style="list-style-type: none"> <li>The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).</li> <li>Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.</li> </ul>	<ul style="list-style-type: none"> <li>Follow-up mapping and sampling work will commence immediately under the continued phase 1 exploration program to define drilling targets. Permitting procedures are under way to advance towards a Phase 2 exploration program, which will include the Company's maiden drilling program, tentatively scheduled for Q4 2018. Details of the drilling program will be announced in a separate news release.</li> </ul>

### **Forward looking statements**

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

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

Forward looking statements are based on the Company and its management's good faith assumptions relating to the financial, market, regulatory and other relevant environments that will exist and affect the Company's business and operations in the future. The Company does not give any assurance that



the assumptions on which forward looking statements are based will prove to be correct, or that the Company's business or operations will not be affected in any material manner by these or other factors not foreseen or foreseeable by the Company or management or beyond the Company's control.

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