

Tawana Resources NL
(Incorporated in Australia)
(Registration number ACN 085 166 721)
Share code on the JSE Limited: TAW
JSE ISIN: AU0000TAWDA9
Share code on the Australian Securities Exchange Limited: TAW
ASX ISIN: AU000000TAW7
("the Company" or "Tawana")

Quarterly Activities Report For the quarter to 31 March 2018 and Appendix 5B

Highlights

Bald Hill Lithium Project, Western Australia

- **Lithium production commenced at Bald Hill in March 2018**
 - Bald Hill Mine becomes the first Australian mine to commence spodumene production since 2016
 - Production followed commissioning of a Dense Media Separation circuit at Bald Hill
 - Ramp up to full production run rate commenced
- **Bald Hill plant achieves key milestones**
 - DMS primary gravity concentration circuit exceeds name-plate throughput rate
 - High quality concentrates with grades of more than 6% Li₂O produced

Corporate

- **Tawana and Alliance Mineral Assets Limited (Alliance) announced an intention to merge via a scheme of arrangement**
 - Alliance to acquire 100% of Tawana shares
 - Merged group will own 100% of the Bald Hill Project, and elevate its status as a pure-play mid-tier lithium company
 - Merged group will trade on ASX and SGX Catalist boards with a pro-forma market capitalisation of ~A\$446 million¹
 - Simplifies ownership structure and operational management of the Bald Hill asset, providing potential for efficiency benefits
 - Merged group will have enhanced financial capacity with a strong pro-forma balance sheet
- **Completion of a fully underwritten A\$20 million placement to sophisticated and institutional investors**
 - Tawana to complete an additional A\$5 million conditional non-underwritten placement
- **Tawana to spin out Cowan, Yallari and Mofe Creek assets to create a new exploration-focused company with prospective lithium and iron ore assets**
 - Tawana to transfer assets to wholly-owned public company
 - Spinout will allow Tawana to focus on Bald Hill Mine
- **\$5 million loan secured from nominee of Weier for development of Bald Hill Mine.**

¹ Calculated by multiplying the number of Alliance Shares post Merger by the closing Alliance share price as at close 4 April 2018. The exchange rate of A\$1 to S\$0.99 is applied throughout for purposes of conversion in this announcement.

Bald Hill Project (TAW 50%, AMAL 50%)

The Bald Hill Lithium and Tantalum Mine (Bald Hill Mine or the Project) is located 50km south east of Kambalda in the Eastern Goldfields. It is located approximately 75km south east of the Mt Marion Lithium project. The Project comprises four mining leases, one mining lease application, and 20 other licenses totalling 774km².

Lithium production commenced

In March 2018, Tawana and JV partner Alliance announced the commencement of lithium production at the Bald Hill mine, following ore commissioning of the newly constructed Dense Media Separation (DMS) circuit.

The newly constructed Dense Media Separation Plant (DMS) circuit made significant progress, achieving nameplate capacity of 162tph in the first two weeks of operation. The DMS circuit is scheduled to be ramped up to full production rate during the second quarter of 2018.

The DMS completed the first of three performance tests, with:

- 4,152 tonnes of ore processed over a 24-hour period at an average processing rate of 173tph;
- Initial sampling of the primary concentrate returning a grade of **7.03% Li₂O**, 0.34% Fe₂O₃ and 1.12% combined Na₂O and K₂O;
- the concentrates containing less than 1% mica; and
- initial sampling of waste material returning a grade of 0.10% Li₂O.

These initial results were achieved on low-grade commissioning ore. The plant performance is consistent with results achieved in test work in the development and design phase of the project.

The commencement of spodumene production at Bald Hill followed key commissioning milestones for the project achieved earlier in the quarter, including:

- Completion of wet commissioning
- Practical completion achieved by EPC contractor - Primero Group
- Ferrosilicon media introduced to the plant and stabilised
- Completion of crusher commissioning and stockpiling of 20,000 tonnes of crushed ore
- Commencement of first ore feed into the processing plant.

Exploration assets

During the quarter, Tawana announced plans to restructure the Company's assets to focus on its flagship Bald Hill project. The restructuring will involve the transfer of the Cowan, Yallari and Mofe Creek assets and shares in Rakana Consolidate Mines Pty Ltd to a wholly owned public company ("**SpinCo**"), before undertaking a capital reduction and distribution by way of in-specie distribution of 85% of all SpinCo shares to Tawana's shareholders. Further details on this proposal are provided in the Corporate section of this report. No substantive exploration or development activities were conducted on these projects during the quarter.

Cowan Lithium Project

The Cowan Lithium Project is located 50km south east of Kambalda in the Eastern Goldfields of Western Australia. The Cowan Project covers a 26km strike of two rare earth pegmatite belts over 721km², which are adjacent to the Bald Hill Mine.

The Cowan Project comprises several underexplored tenements which contain a vast number of pegmatites which have been discovered through limited exploration mapping and drilling, some of which contain spodumene.

Yallari Project

The Yallari Project is 6km west of the Mt Marion lithium mine in Western Australia, and 75km northwest of Tawana's Cowan Project.

The tenement contains numerous pegmatites in the same host-rock sequence as Mt Marion and is located close to the Depot Hill granodiorite.

Limited exploration for lithium has been undertaken to date, however the project is considered moderately prospective.

Mofe Creek Project

The Mofe Creek iron ore project is located in West Africa, within one of Liberia's historic iron ore mining districts.

Corporate

Proposed Merger of Tawana and Alliance

In April 2018, Tawana announced a proposed merger with Joint Venture partner Alliance, to be implemented by way of a Tawana scheme of arrangement under the Australian Corporations Act 2001. Subject to all necessary approvals, the merger would result in Tawana shareholders and Alliance shareholders holding approximately 50% of the combined Alliance/Tawana group.

Highlights of the merger proposal

- The Merged Group will have a pro-forma market capitalisation of approximately A\$446m, placing the Merged Group on the radar of a greater number of domestic and global institutional investors
- Increased scale of the Merged Group will enhance its capital markets profile and liquidity and provide greater access to capital with strong potential for re-rating
- The Merger simplifies the ownership structure and operational management of the Bald Hill Project, with potential for efficiency benefits to the Merged Group
- The Merger enhances the financial capacity of the Merged Group and improves the Merged Group's balance sheet, to fund future exploration and growth initiatives
- The board of the Merged Group (Merged Group Board) and the Merged Group's management team will be highly experienced, with proven successful track records in exploration, project management and open pit mining operations, combined with significant strategic and capital markets experience
- The Merged Group will be ideally positioned to become a sizeable producer of high demand lithium concentrate

The transaction is expected to be completed in Q4 CY2018, subject to regulatory approvals (including SGX).

Following announcement of the merger proposal, Tawana completed a fully underwritten \$20 million placement, including a \$7.8 million placement to Weier Antriebe und Energietechnik GmbH (Weier) (Tawana's substantial shareholder). The underwritten placement was strongly supported by domestic and offshore sophisticated and institutional investors. The underwritten placement issue price of A\$0.41 per share represented a 9.9% discount to Tawana's last traded price of \$0.455 on 4 April 2018.

Tawana also intends to place up to a further A\$5 million in gross proceeds to sophisticated and institutional investors ("Conditional Placement"). This is non-underwritten and conditional on completion of the Alliance Conditional Placement, being a non-underwritten placement to Burwill Holdings Ltd, an existing substantial shareholder of Alliance, which is conditional on Alliance Shareholders' approval, to raise gross proceeds of up to A\$7.8 million. Tawana Board reserves the right to waive this condition.

Canaccord Genuity (Australia) Limited acted as Underwriter, Lead Manager and Bookrunner to the Underwritten Placement and is acting as Lead Manager and Bookrunner to the Conditional Placement. A fee of 5% of the total amount raised under the placements will be paid to Canaccord.

The placements will provide additional working capital, enabling continued commissioning of Bald Hill, resource drilling, capital expenditure including feasibility studies on expansion projects, and other initiatives at the Bald Hill Mine.

The Underwritten Placement settled on 16 April 2018 and the new Tawana shares were issued on 17 April 2018. Shares under the Underwritten Placement and the Conditional Placement are and will be issued under Tawana's existing ASX Listing Rule 7.1 placement capacity.

More details regarding the proposed merger are available in the ASX announcement and presentation dated 5 April 2018.

Spinout of Assets

During the quarter, Tawana announced plans to restructure the Company's assets to focus on its flagship Bald Hill project. The restructuring will involve the transfer of the Cowan, Yallari and Mofe Creek assets to a wholly owned public company ("**SpinCo**"), before undertaking a capital reduction and distribution by way of in-specie distribution of 85% of all SpinCo shares to Tawana's shareholders.

The assets to be transferred to SpinCo include shares in wholly owned subsidiaries of the Company holding:

- the 100%-owned Cowan Lithium Project in Western Australia;
- the 100%-owned Yallari Lithium Project in Western Australia; and
- the 100%-owned Mofe Creek Iron Ore Project in Liberia.

The Proposed Transaction will create two distinct companies:

- Tawana, with its existing Board and management team focussed on production at the Bald Hill Project, positioned as a major supplier of quality lithium; and
- SpinCo, with the Cowan, Yallari and Mofe Creek assets as a lithium and iron ore exploration-focused company.

Tawana will retain a 15% interest in SpinCo, and will initially provide transitional services to SpinCo. In addition, Tawana will reserve to itself certain access and water rights from the Cowan Project which will support operations at Bald Hill.

Full details and timing for the Proposed Transaction are currently being finalised and will be set out in a notice of meeting to be sent to Tawana shareholders in Q2 2018.

A Shareholders Meeting is expected to be convened in June 2018, with the transaction proposed to be completed shortly thereafter.

Funding

As announced on 5 February 2018, Lithco No.2 Pty Ltd, a wholly-owned subsidiary which holds Tawana's 50% interest in the Bald Hill Lithium and Tantalum Mine (Bald Hill Project), executed a binding A\$5 million loan agreement with Red Coast Investment Limited, an investment company nominated by Weier Antriebe und Energietechnik GmbH (Weier). The loan agreement is part of the A\$25 million funding package to support works at the Bald Hill Project, initially announced on 20 October 2017.

The funds are to be used for development at Bald Hill and working capital.

Weier is a 100%-owned subsidiary of lithium industry specialist Jiangte Special Electric Motor Co. Ltd (JSMC), a company listed on the Shenzhen Stock Exchange.

Tantalum Offtake

In January 2018, Tawana and AMAL executed a non-binding in principle term sheet for the offtake of tantalum concentrate with leading tantalum industry specialist HC Starck.

HC Starck is a leading international manufacturer of high-tech powders and components made of technology metals, advanced ceramics and thermal spray powders. HC Starck agreed in principle to purchase a minimum of 600,000 pounds of tantalum concentrate in aggregate produced at Bald Hill from April 2018 to 31 December 2020, or all of the standard grade tantalum concentrate produced at Bald Hill within the period if the delivery is less than 600,000 pounds.

In addition, HC Starck may purchase any other tantalum materials from Bald Hill, including low-grade concentrate and off spec material etc. as part of the agreement.

Cash Position and Movements

As at 31 March 2018, Tawana Resources held \$7.4m in cash (December 2017: \$16.4m).

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:

Craig Hasson became Chief Financial Officer. Mr Hasson is a Chartered Accountant with 15 years of accounting and finance experience with a number of ASX-listed companies in company secretary and senior finance roles. Mr Hasson was Tawana's General Manager – Commercial, and had been acting CFO since November 2017.

Alexei Fedotov was appointed General Manager Commercial & Legal and Joint Company Secretary of the Company. Mr Fedotov has nearly 15 years of combined private law practice and ASX Top 20 in-house experience.

Mr Hasson resigned as Joint Company Secretary and Ms Claire O'Brien continues as Joint Company Secretary of Tawana.

Tim Thomas was appointed Chief Technical Officer – Mining. Mr Thomas has 27 years' experience in mine planning, development and operations, including 10 years in senior management positions.

About Tawana

Tawana Resources NL is a resources focussed ASX and JSE listed company located in Perth, Western Australia.

Tawana has a 50% interest in the Bald Hill Project. The project is located 50km south east of Kambalda in the Eastern Goldfields of Western Australia. The Project comprises four mining leases, one mining lease application, and 20 other licenses totalling 774km². Since entering the farm-in agreement for the Bald Hill Project in September 2016, Tawana has undertaken the appointment of senior operations and development personnel, has led the construction on the lithium plant, awarded the engineering, procurement and construction agreement, delivered a robust prefeasibility study for the Bald Hill mine, and entered into a binding long-term exclusive lithium concentrate offtake agreement, to bring the Bald Hill Project up to its current state as a producer of spodumene concentrate.

Tawana Resources NL Tenements (as at 31 March 2018)

Tenement	Location	Registered Owner	Structure and Ownership
Bald Hill Mine¹			
M15/400	Western Australia	Alliance Mineral Assets Limited	50%
M15/1470	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%
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%

Tenement	Location	Registered Owner	Structure and Ownership
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%
E15/1492	Western Australia	Alliance Mineral Assets Limited	50%
E15/1493	Western Australia	Alliance Mineral Assets Limited	50%
E15/1555	Western Australia	Alliance Mineral Assets Limited	50%
E15/1556	Western Australia	Alliance Mineral Assets Limited	50%
M15/1840 (application)	Western Australia	Alliance Mineral Assets Limited	50%
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	Mount Belches Pty Ltd	100%
E15/1377	Western Australia	Mount Belches Pty Ltd	100%
E15/1446	Western Australia	Mount Belches Pty Ltd	100%
E15/1502	Western Australia	Metalicity Energy Pty Ltd	100% ²
E15/1503	Western Australia	Metalicity Energy Pty Ltd	100% ²
E28/2702	Western Australia	Metalicity Energy Pty Ltd	100% ²
Yallari Project			
E15/1401 (application)	Western Australia	ABEH Pty Ltd	100% ³
E15/1526	Western Australia	Mount Belches Pty Ltd	100%

¹ Lithco No. 2 Pty Ltd has a 50% beneficial interest in these tenements pursuant to the Farm-In Agreement described on page 12 of the Company's 2017 Annual Report. Registrations in the name of Lithco No.2 Pty Ltd are pending.

² Mount Belches Pty Ltd has a beneficial interest in these tenements pursuant to the acquisition described on page 20 of the Company's 2017 Annual Report. Registrations in the name of Mount Belches Pty Ltd are pending.

³ Mount Belches Pty Ltd has a beneficial interest in this tenement application pursuant to the acquisition described on page 21 of the Company's 2017 Annual Report. Tenement is required to be transferred to Mount Belches Pty Ltd following its grant.

Mining Tenements disposed: Application for M15/1811 was withdrawn (replaced with application for M15/1840).

Mining Tenements acquired: Alliance Mineral Assets Limited applied for M15/1840 (Lithco No.2 Pty Ltd – 50% beneficial interest).

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.

Forward Looking Statement

This announcement may contain certain forward looking statements and projections, including regarding estimated resources and reserves, production and operating costs profiles, capital requirements and strategies and corporate objectives. Such forward looking statements/projections are estimates for discussion purposes only and should not be relied upon as representation or warranty, express or implied, of Tawana Resources NL and/or Alliance Mineral Assets Limited. 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 and/or Alliance Mineral Assets Limited. The forward looking statements/projections are inherently uncertain and may therefore differ materially from results ultimately achieved.

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End Notes

All figures throughout this report regarding the Bald Hill Project are, unless expressly stated otherwise, presented on a 100% basis. Tawana, through its 100% owned subsidiary Lithco No. 2. Pty Ltd has a 50% interest in the project.

30 April 2018

Sponsor

PricewaterhouseCoopers Corporate Finance (Pty) Limited

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Tawana Resources NL

ABN

69 085 166 721

Quarter ended ("current quarter")

31 March 2018

Consolidated statement of cash flows	Current quarter	Year to date (3 months)
	\$A'000	\$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(135)	(135)
(b) development	(12,269)	(12,269)
(c) production	-	-
(d) staff costs	(1,077)	(1,077)
(e) administration and corporate costs	(504)	(504)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	23	23
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other	-	-
1.8 Net cash from / (used in) operating activities	(13,962)	(13,962)

Consolidated statement of cash flows		Current quarter	Year to date (3 months)
		\$A'000	\$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(7)	(7)
	(b) tenements (see item 10)	(97)	(97)
	(c) investments	-	-
	(d) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other - Prepayment reallocation to development	-	-
2.6	Net cash from / (used in) investing activities	(104)	(104)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	254	254
3.4	Transaction costs related to issues of shares, convertible notes or options	(3)	(3)
3.5	Proceeds from borrowings	5,000	5,000
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	(150)	(150)
3.8	Dividends paid	-	-
3.9	Other	-	-
3.10	Net cash from / (used in) financing activities	5,101	5,101

Consolidated statement of cash flows		Current quarter	Year to date (3 months)
		\$A'000	\$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	16,375	16,375
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(13,962)	(13,962)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(104)	(104)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	5,101	5,101
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	7,410	7,410

5.	Reconciliation of cash and cash equivalents	Current quarter	Previous quarter
	at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	\$A'000	\$A'000
5.1	Bank balances	7,410	16,375
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	7,410	16,375

6. Payments to directors of the entity and their associates

6.1 Aggregate amount of payments to these parties included in item 1.2

6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

155

-

Directors' salaries, directors' fees and superannuation

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

N/A

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	5,000	5,000
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	12,500	12,500
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

8.1 In March 2018, the Company drew down in full on a \$5m unsecured loan facility with Red Coast Investment Limited, an investment company nominated by Weier Antriebe und Energietechnik GmbH. The loan agreement formed part of a \$25m funding package to support works at the Bald Hill Project. Interest is payable quarterly in arrears at a rate of 11% with a maturity and single repayment date of 31 December 2019.

8.3 In April 2017, the Company signed a prepayment agreement with a 100% owned subsidiary of Burwill Holdings Ltd (Burwill), a company listed on the main Board of The Stock Exchange of Hong Kong Limited (stock code 0024). No interest is payable in respect of the prepayment and it is unsecured. Tawana shall repay the outstanding prepayment through 15% of the value of each shipment of lithium concentrate until such time as Burwill has been reimbursed in full for the aggregate amount of the prepayment.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	465
9.2 Development	9,907
9.3 Production	13,980
9.4 Staff costs	1,149
9.5 Administration and corporate costs	533
9.6 Other (Capital raising, merger and spinout costs)	1,749
9.7 Total estimated cash outflows	27,783

