



**TAWANA**  
RESOURCES NL

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# ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

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WE REFLECT ON A YEAR THAT  
HAS BEEN TRANSFORMATIVE  
FOR OUR COMPANY AND  
SEEN US ACHIEVE A SERIES  
OF IMPORTANT MILESTONES  
TO BECOME AUSTRALIA'S  
NEWEST LITHIUM PRODUCER.

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## CORPORATE DIRECTORY

### DIRECTORS

Mr Robert Benussi	Non-Executive Chairman
Mr Mark Calderwood	Managing Director
Mr Robert Vassie	Non-Executive Director
Mr Mark Turner	Non-Executive Director
Ms Vicki Xie	Non-Executive Director

### COMPANY SECRETARIES

Mr Alexei Fedotov  
Ms Claire O'Brien

### PRINCIPAL PLACE OF BUSINESS & REGISTERED OFFICE

Level 3, 20 Parkland Road  
Osborne Park WA 6017

### CONTACT DETAILS

Phone: +61 8 9489 2600  
Email: admin@tawana.com.au  
Website: www.tawana.com.au

### SHARE REGISTER - AUSTRALIA

Computershare Investor Services Pty Ltd  
GPO Box 2975, Melbourne VIC 3001  
Phone: +61 3 9415 5000  
Fax: +61 3 9473 2500

### SHARE REGISTER - SOUTH AFRICA

Computershare Investor Services (Pty) Limited  
Rosebank Towers, 15 Biermann Avenue  
Rosebank, 2196  
Phone: +27 (0) 11 870 8241  
Fax: +27 (0) 11 688 5209

### AUDITORS

Ernst & Young  
11 Mounts Bay Road  
Perth WA 6000

### BANKERS

National Australia Bank  
100 St Georges Terrace  
Perth WA 6000

### MEDIA RELATIONS

NWR Communications  
Nathan Ryan  
Phone: +61 (0) 420 582 887

### STOCK EXCHANGE

Primary listing: Australian Securities Exchange  
ASX Code: TAW  
  
Secondary Listing: JSE Limited  
JSE Code: TAW

### SOLICITORS

King & Wood Mallesons  
250 St Georges Terrace  
Perth WA 6000

#### Forward Looking Statements

This report 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. They are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors many of which are beyond the control of Tawana Resources NL. The forward looking statements/projections are inherently uncertain and may therefore differ materially from results ultimately achieved.

Tawana Resources NL does not make any representations and provides no warranties concerning the accuracy of the forward looking statements, and disclaims any obligation to update or revise any forward looking statements based on new information, future events or otherwise except to the extent required by applicable laws.

## CHAIRMAN'S LETTER TO SHAREHOLDERS

### DEAR FELLOW SHAREHOLDERS,

It is a pleasure to welcome you to the 2017 Annual Report for Tawana Resources NL ("Tawana"), as we reflect on a year that has been transformative for our Company and seen us achieve a series of important milestones to become Australia's newest lithium producer.

During the past 12 months, Tawana has worked with Joint Venture partner Alliance Mineral Assets Limited ("AMAL") to bring the Bald Hill Lithium and Tantalum Project into production, with the first spodumene (lithium) concentrate production announced on 14 March 2018. Tawana only acquired an interest in the project in the eastern Goldfields region of Western Australia in late 2016, so we have achieved this in quite a short time frame, delivering on timeframe expectations whilst maintaining a low Capex budget.

### BALD HILL WAS THE GROUP'S FOCUS DURING 2017 WITH MILESTONES INCLUDING:

- Expenditure requirements to earn a 50% interest in Bald Hill, being all tenements, the processing plant and infrastructure, and entering a 50:50 Joint Venture with co-owner AMAL
- Completion of a Pre-Feasibility Study for the Bald Hill Lithium and Tantalum Mine based on operations from a starter pit
- Financing of construction at Bald Hill substantially through agreements with offtake partner Burwill Holdings Limited who provided \$12,500,000 in pre-payments, a \$20,000,000 placement to a subsidiary of lithium industry specialist Jiangte Special Electric Motor Co Ltd and a \$5,000,000 loan which was drawn down in full subsequent to the end of the year
- Commencing construction of works at Bald Hill, with most major components completed by year-end
- Continued drilling throughout the year, aiming at extending the zone of mineralisation at Bald Hill. Results from the year have more than trebled the size of the target area Tawana originally defined in January 2017
- Declaration of a maiden Indicated and Inferred lithium Mineral Resource at Bald Hill, which we then upgraded following further infill drilling. A Reserve estimate was declared in July 2017
- Signing of a long-term lithium concentrate offtake agreement to supply lithium over five years at a fixed price of US\$880 per tonne for the first two years.

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## CHAIRMAN'S LETTER TO SHAREHOLDERS

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Commissioning commenced at Bald Hill in early 2018 in preparation for lithium and tantalum production, and the Dense Media Separation (DMS) circuit is now ramping up to full run rate production. Bald Hill is the first Australian mine to commence spodumene production since 2016, and first lithium concentrate product will be available for shipment in April 2018.

With production underway, we will now work on achieving a steady rate of production from the Stage 1 DMS circuit and optimising our lithium yields, whilst also completing design of the Stage 2 lithium fines circuit and re-commissioning the existing tantalum circuits at Bald Hill.

The Bald Hill Project holds immense potential for further growth. We have undertaken drilling during the year, and now that the mine is in production, growing our resources and reserves will be the next step.

With so much achieved in 2017, it is a testament to the hard work and dedication of our senior management, including our Managing Director, Mark Calderwood, for keeping construction and commissioning of Bald Hill on track and within budget, and helping Tawana achieve the goal of transitioning from explorer to producer in such a short time. Mark's knowledge of pegmatites in Western Australia attracted him to the project, but he also brought years of experience in developing and building mines, and this has been invaluable to Tawana since he became involved. He has been well-supported by a terrific team of employees and contractors who have all worked hard to ensure Tawana could fulfil its ambitions.

I would also like to thank my fellow directors for their support through such a busy year.

We are looking forward to guiding Australia's newest lithium producer in 2018 through ramp up production at Bald Hill and look to expand our resources. I believe we have much more to achieve in the coming year and I hope you will share that journey with us.



A handwritten signature in black ink, appearing to read 'R Benussi', written over a light blue grid background.

**Robert Benussi**  
Non-Executive Chairman  
Tawana Resources NL

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**THE BALD HILL PROJECT  
HOLDS IMMENSE POTENTIAL  
FOR FURTHER GROWTH. WE  
HAVE UNDERTAKEN DRILLING  
DURING THE YEAR, AND NOW  
THE MINE IS IN PRODUCTION,  
GROWING OUR RESOURCES  
AND RESERVES WILL BE THE  
NEXT STEP.**

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# DIRECTORS' REPORT

## 01. DIRECTORS

**THE FOLLOWING PERSONS WERE DIRECTORS OF TAWANA RESOURCES NL DURING THE WHOLE OF THE FINANCIAL YEAR AND UP TO THE DATE OF THIS REPORT UNLESS OTHERWISE STATED.**

**NAME** Mr Robert Benussi - Appointed December 2015

**TITLE** Independent Non-Executive Chairman

**QUALIFICATIONS** MIPA

### EXPERIENCE AND EXPERTISE

Mr Benussi brings extensive experience in finance, corporate advisory, stockbroking and business development to the Tawana Board.

### OTHER CURRENT DIRECTORSHIPS

Non-Executive Director for ASX Listed Silver Heritage Group Limited (since August 2017).

### FORMER DIRECTORSHIPS (LAST 3 YEARS):

Bligh Resources Limited (from July 2011 to October 2015).

### SPECIAL RESPONSIBILITIES

Member of the Audit and Risk Management Committee and the Nomination and Remuneration Committee.

### INTERESTS IN SHARES

2,650,000 fully paid ordinary shares.

### INTERESTS IN LONG-TERM INCENTIVES

1,000,000 share options expiring 30 June 2019.

Exercise price: \$0.06.

500,000 share options expiring 15 June 2020.

Exercise price: \$0.20.

**NAME** Mr Mark Calderwood - Appointed October 2016

**TITLE** Managing Director

### MEMBERSHIPS

Chartered Professional Member of the Australasian Institute of Mining and Metallurgy.

### EXPERIENCE AND EXPERTISE

Mr Calderwood was appointed Chief Executive Officer ("CEO") of the Company effective 11 July 2016 and Managing Director on 21 October 2016. He has extensive experience in mineral exploration (including 7 years in pegmatite minerals) and production management. Mr Calderwood retired as Managing Director of Perseus Mining Limited in January 2013 and was instrumental in the transition from an explorer to producer and a period which saw the junior explorer mature to an ASX100 company. He is also an authority on pegmatites and is a co-author of the publication 'A Guidebook to the Pegmatites of Western Australia'.

### OTHER CURRENT DIRECTORSHIPS

Non-Executive Chairman for ASX Listed Manas Resources Limited (since October 2017).

### FORMER DIRECTORSHIPS (LAST 3 YEARS)

Amani Gold Limited (from August 2014 to January 2018) and Explaurum Limited (from August 2013 to August 2016).

### SPECIAL RESPONSIBILITIES

None

### INTERESTS IN SHARES

21,880,000 fully paid ordinary shares.

### INTERESTS IN LONG-TERM INCENTIVES

3,000,000 share options expiring 30 June 2019.

Exercise price: \$0.06.

## DIRECTORS' REPORT

**NAME** Mr Robert (Bob) Vassie - Appointed 1 August 2017

**TITLE** Independent Non-Executive Director

**QUALIFICATIONS** B.MinTech (Hons) Otago NZ. GAICD

### EXPERIENCE AND EXPERTISE

Mr Vassie is a Mining Engineer with 30 years' international mining industry experience and 18 years' experience in a range of senior management roles with Rio Tinto. He is currently the Managing Director & CEO of St Barbara Limited and has particular experience in operations management, resource development strategy, mine planning, feasibility studies, business improvement, corporate restructuring and strategic procurement.

### OTHER CURRENT DIRECTORSHIPS

Managing Director of ASX listed St Barbara Limited (since July 2014) and Board Member of the Minerals Council of Australia.

**FORMER DIRECTORSHIPS (LAST 3 YEARS)** None

### SPECIAL RESPONSIBILITIES

Chairman of the Audit and Risk Management Committee and member of the Nomination and Remuneration Committee.

**INTERESTS IN SHARES** None

### INTERESTS IN LONG-TERM INCENTIVES

1,000,000 share options expiring 20 December 2020.  
Exercise price: \$0.20.

**NAME** Mr Mark Turner – Appointed 1 August 2017

**TITLE** Independent Non-Executive Director

### QUALIFICATIONS

BE Min(Hons) – Bachelor of Engineering in Mining with Honors from University of New South Wales.

### EXPERIENCE AND EXPERTISE

Mr Turner is a Mining Engineer with more than 30 years of experience in the resources sector. He has been responsible for the start-up and operation of mines in Australia, Africa and Asia. He was previously General Manager Operations of Resolute Mining Ltd, one of Australia's largest gold producers and Chief Operating Officer ("COO") of CGA Mining, before its takeover by B2 Gold for C\$1.1 billion in 2013.

**OTHER CURRENT DIRECTORSHIPS** None

**FORMER DIRECTORSHIPS (LAST 3 YEARS)** None

### SPECIAL RESPONSIBILITIES

Chairman of the Nomination and Remuneration Committee and member of the Audit and Risk Management Committee.

**INTERESTS IN SHARES** None

### INTERESTS IN LONG-TERM INCENTIVES

1,000,000 share options expiring 20 December 2020.  
Exercise price: \$0.20.

**NAME** Ms Wei (Vickie) Xie – Appointed 22 November 2017

**TITLE** Non-Executive Director

**QUALIFICATIONS** Bachelor of Accounting

### EXPERIENCE AND EXPERTISE

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

**OTHER CURRENT DIRECTORSHIPS** None

**FORMER DIRECTORSHIPS (LAST 3 YEARS)** None

**SPECIAL RESPONSIBILITIES** None

**INTERESTS IN SHARES** None

**INTERESTS IN LONG-TERM INCENTIVES** None

### INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY:

As at the date of this report, the interests of the Directors in the shares and options of Tawana Resources NL were:

	Number of Ordinary Shares	Number of Share Options
R Benussi	2,650,000	1,500,000
M Calderwood	21,880,000	3,000,000
B Vassie	-	1,000,000
M Turner	-	1,000,000
V Xie	-	-

## DIRECTORS' REPORT

**NAME** Mr Michael Naylor – January 2015 to 31 October 2017

**TITLE** Executive Director

**QUALIFICATIONS:**

Chartered Accountant, Governance Institute of Australia.

**EXPERIENCE AND EXPERTISE**

Mr Naylor has 21 years' experience in corporate advisory and public company management since commencing his career and qualifying as a chartered accountant with Ernst & Young. Mr Naylor has been involved in the financial management of mineral and resource focused public companies serving on the board and in the executive management team focusing on advancing and developing mineral resource assets and business development.

**OTHER CURRENT DIRECTORSHIPS** None

**FORMER DIRECTORSHIPS (LAST 3 YEARS)**

Non-Executive Director for Equator Resources Limited (from 15 February 2016 to 15 February 2017). Helix Resources Limited (from 28 November 2016 to 16 February 2018).

**SPECIAL RESPONSIBILITIES** None

**INTERESTS IN SHARES**

2,250,000 ordinary fully paid shares <sup>1</sup>

**INTERESTS IN LONG-TERM INCENTIVES**

150,000 share options expiring 26 May 2018.<sup>1</sup>

Exercise price: \$0.178.

1,000,000 share options expiring 30 June 2019.<sup>1</sup>

Exercise price: \$0.06.

1,000,000 share options expiring 15 June 2020.<sup>1</sup>

Exercise price: \$0.20.

<sup>1</sup> Ordinary fully paid shares and share options held at the date of resignation.

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

**COMPANY SECRETARIES**

As at 31 December 2017 the Joint Company Secretaries were:

**Mr Craig Hasson**

Mr Hasson was appointed Joint Company Secretary on 24 May 2017. Mr Hasson is a Chartered Accountant with over 15 years of accounting and finance experience with several ASX-listed companies in company secretary and senior finance roles. Subsequent to year-end, Mr Hasson was appointed Chief Financial Officer, having acted in the role since 1 November 2017 and resigned as Joint Company Secretary on 06 March 2018.

**Ms Claire O'Brien**

Ms O'Brien was appointed as Joint Company Secretary on 21 November 2017. Ms O'Brien is an administrative and compliance professional with a background in the mining and finance industries. Ms O'Brien holds post-graduate qualifications in Tertiary Education (Murdoch University) and a Bachelor of Communications (Curtin University).

**Ms Melanie Li** resigned as Joint Company Secretary on 24 May 2017.

**Mr Michael Naylor** resigned as Joint Company Secretary and Chief Financial Officer on 31 October 2017.

**Ms Alexei Fedotov** was appointed as Joint Company Secretary on 06 March 2018 (subsequent to year-end).

**PRINCIPAL ACTIVITIES**

The principal activity of Tawana Resources NL during the financial year was mineral exploration, and development of the Bald Hill Lithium and Tantalum mine.

**DIVIDENDS**

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

An aerial photograph of a large-scale industrial facility, likely a lithium processing plant, situated in a dry, arid landscape. The foreground shows a long, elevated conveyor system with a metal framework and safety railings. To the left, there are large piles of dark, rocky material. In the background, several pieces of heavy machinery, including excavators and trucks, are visible on a dirt road. A large, semi-transparent yellow rectangular box is overlaid on the center of the image, containing white text. The text is framed by thin white horizontal lines at the top and bottom.

WE ARE LOOKING FORWARD  
TO GUIDING AUSTRALIA'S  
LATEST LITHIUM PRODUCER  
IN 2018 THROUGH RAMP UP  
PRODUCTION AT BALD HILL  
AND LOOK TO EXPAND OUR  
RESOURCES.

# DIRECTORS' REPORT

## REVIEW OF OPERATIONS

### BALD HILL MINE, WESTERN AUSTRALIA (TAWANA 50%)

The Bald Hill Project area is 50km southeast of Kambalda in the eastern Goldfields, about 75km south east of the Mt Marion Lithium project, and is adjacent to the Group's Cowan Lithium Project. The project comprises four mining leases, eight exploration licences, eight prospecting licences and two tenement applications totalling 774km<sup>2</sup>.

Tawana acquired an interest in the project through its acquisition of Lithco No. 2 Pty Ltd ("Lithco") in October 2016. Lithco had the rights to earn a 50% interest in the lithium rights at the Bald Hill Project in Western Australia, owned by Australia-incorporated, Singapore-listed Alliance Mineral Assets Limited ("AMAL"), and with additional expenditure, the right to earn 50% interest in all minerals and the processing plant and infrastructure at the mine.

Post year-end, Bald Hill became Australia's first producing lithium mine since 2016, with production of spodumene concentrate commencing on 14 March 2018.

### PRE-FEASIBILITY STUDY

Tawana commenced a Pre-Feasibility Study for the Bald Hill Lithium and Tantalum Mine in the March 2017 quarter, including capital costs to an accuracy of +/- 15% and operating costs to an accuracy of +/-25%. Experienced lithium processing plant engineer and builder Primero undertook the processing content of the Pre-Feasibility Study. Primero finalised the plant flow sheet and developed a detailed 3-D model of the plant and site infrastructure.

A Pre-Feasibility Study for lithium production at the Bald Hill Project released by Tawana in July 2017 confirmed the Group was on track to become a low capex producer of quality spodumene (lithium) concentrate in 2018.



Figure 1 | Bald Hill Mine Concentrate Stockpiles

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## DIRECTORS' REPORT

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### FARM-IN AGREEMENT

In February 2017, a farm-in agreement between Lithco and AMAL was finalised regarding joint exploration and exploitation of lithium and other minerals at Bald Hill. This reflected the Binding Terms Sheet which required Tawana to spend:

1. By 31 December 2017 (or such later date as may be agreed between the parties), a minimum of \$7,500,000 on exploration, evaluation and feasibility (including administrative and other overhead costs in relation thereto) ("Expenditure Commitment") for 50% of all rights to lithium minerals from the tenements comprising the Project; and
2. By 31 December 2019, \$12,500,000 in capital expenditure required for upgrading and converting the plant for processing ore derived from the Project, infrastructure costs, pre-stripping activities and other expenditures including operating costs ("Capital Expenditure"). Completion of the Expenditure Commitment and Capital Expenditure entitled Lithco to a 50% interest in the Project (being all minerals from the tenements and the processing plant and infrastructure at Bald Hill).

During the year, Tawana completed the expenditure requirements necessary to earn a 50% interest in the Bald Hill Project, being tenements, the processing plant and infrastructure, and entered a 50:50 Joint Venture with AMAL.

### MARKETING AND OFF-TAKE

#### LITHIUM OFF-TAKE AGREEMENT

In April 2017, Tawana announced it had signed a binding long-term exclusive lithium concentrate off-take agreement with a 100%-owned subsidiary of Burwill Holdings Ltd, a company listed on the Stock Exchange of Hong Kong Limited (stock code 0024).

The agreement is for the supply of lithium concentrate from the Bald Hill Project over an approximate initial five-year term at a fixed price in the first two years of US\$880 per tonne (6% Li<sub>2</sub>O).

Tawana received a A\$12,500,000 prepayment as part of the agreement, using funds towards the capital and operational costs of the Bald Hill Project. See page 22 of this report for further details.

#### TANTALUM OFF-TAKE AGREEMENT

Post year-end, in January 2018, Tawana announced that it had signed a non-binding in principle term sheet for the off-take of tantalum concentrate with a leading tantalum industry specialist.

The buyer agreed in principle to purchase a minimum of 600,000 pounds of tantalum concentrate in aggregate 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. The buyer may also purchase any other tantalum materials from Bald Hill, including low-grade concentrate and off spec material.

## DIRECTORS' REPORT

### PLANT CONSTRUCTION

Tawana commenced early works, including the ordering of long lead capital items, for the development of Bald Hill in the June quarter. Work on critical path items commenced to ensure that appropriate infrastructure, permits, access and logistics support were also in place.

Tawana conducted site clearing on existing disturbed areas ready for construction and early operations, including mobilisation of key construction personnel to site.

The Company secured the use of the 150-room Lanfranchi camp from Panoramic Resources Limited in addition to the 40-room camp at Bald Hill. Lafranchi is 40km from the Bald Hill Project and significantly reduces the Company's upfront capital costs.

The Company will assess the merits of expanding the 40-room camp at Bald Hill.

In August 2017, Tawana announced that construction of the lithium plant at the Bald Hill Project had commenced following the Company awarding an Engineering, Procurement and Construction (EPC) contract to Primero Group Limited ("Primero") to build a 1.2Mtpa Dense Media Separation (DMS) circuit. Tawana awarded the contract to Primero due to the contractor's expertise in lithium projects, having commissioned a DMS lithium plant in WA as well as being involved in several significant lithium projects internationally.



Figure 2 | DMS Plant Construction in December 2017

## DIRECTORS' REPORT

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### AT THE END OF THE REPORTING PERIOD, MAJOR COMPONENTS COMPLETED AT BALD HILL INCLUDED:

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- Construction of haul roads and laydown areas including mining laydown yard, ROM, COS and magazine pad completed;
- 23 pieces of heavy equipment and 5 Drill and Blast and Grade Control drill rigs on site;
- Fuel farm concrete pads completed and ready to receive fuel tanks;
- Mining, Drill & Blast contract has been awarded to SMS Innovative Mining Pty Ltd;
- Crushing contract awarded to Cape Crushing and Earthmoving Contractors Pty Ltd;
- Fuel and power contracts awarded to Puma Energy (Australia) Fuels Pty Ltd;
- Catering Services contract awarded to Cater Care Group Pty Ltd; and
- Concentrate transport, storage and ship loading awarded to Qube Bulk Pty Ltd.

Works completed at Bald Hill during 2017 remained on schedule and within budget.

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### IN FEBRUARY 2018, TAWANA AND AMAL ANNOUNCED COMMISSIONING OF THE DENSE MEDIA SEPARATION (DMS) CIRCUIT AT BALD HILL HAD COMMENCED. IN ADDITION:

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- Power plant operations commenced;
- Motor Control Centre/ Low Voltage (MCC/LV) switch room was commissioned;
- Dry commissioning commenced;
- Crushing and stockpiling of ore had commenced;
- Mining daily movements averaged ~20,000m<sup>3</sup> per day;
- Practical completion achieved;
- Ferrosilicon media introduced to the plant and stabilised; and
- Crushing commenced after commissioning, and 20,000 tonnes of crushed ore was stockpiled.

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### ON 14 MARCH 2018, TAWANA AND AMAL ANNOUNCED LITHIUM PRODUCTION HAD COMMENCED AT BALD HILL FOLLOWING THE SUCCESSFUL ORE COMMISSIONING THROUGH THE DMS CIRCUIT. THE DMS WILL RAMP UP TO FULL PRODUCTION RUN RATE IN THE FOLLOWING MONTHS.

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First lithium concentrate product will be available for shipment in April 2018.

Tawana and AMAL will work to achieve steady production from the Stage 1 DMS and optimise lithium yields while also working on design for the Stage 2 lithium fines circuit and re-commissioning of existing tantalum circuit at Bald Hill in 2018.

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## DIRECTORS' REPORT

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### EXPLORATION

Infill drilling was completed for a maiden lithium Resource Estimate at Bald Hill during the March 2017 quarter (refer ASX announcement 03 March 2017).

Drilling clearly defined continuous, near-surface spodumene pegmatites located 800m from the process plant site and within the current fully permitted pit limit. Additional extensional step-out drilling was also completed on a 40m x 40m drill spacing to the south proving the continuity, thickness and grade of the mineralised pegmatites. Significant lithium and tantalum results included:

- 35m at 1.35% Li<sub>2</sub>O from 71m, incl. 10m at 1.62% Li<sub>2</sub>O, 6m at 1.61% Li<sub>2</sub>O and 6m at 1.75% Li<sub>2</sub>O;
- 28m at 1.34% Li<sub>2</sub>O and 343ppm Ta<sub>2</sub>O<sub>5</sub> from 92m incl. 12m at 2.06% Li<sub>2</sub>O and 464ppm Ta<sub>2</sub>O<sub>5</sub>;
- 26m at 1.13% Li<sub>2</sub>O and 309ppm Ta<sub>2</sub>O<sub>5</sub> from 17m including 5m at 1.99% Li<sub>2</sub>O; and
- 3m at 1.74% Li<sub>2</sub>O and 318ppm Ta<sub>2</sub>O<sub>5</sub> from 19m.

Drilling during the June 2017 quarter comprised 96 reverse circulation (RC) and diamond drill holes totalling 14,819 metres aimed at extending the zone of mineralisation at Bald Hill, successfully trebling the size of the target area originally defined in January 2017 (refer ASX announcement 25 May 2017).

Significant results from the extensional drilling included:

- 57m at 1.62% Li<sub>2</sub>O from 161m, including 47m at 1.77% Li<sub>2</sub>O;
- 38m at 1.48% Li<sub>2</sub>O from 134m;
- 28m at 1.49% Li<sub>2</sub>O from 129m including 25m at 1.63% Li<sub>2</sub>O; and
- 24m at 1.29% Li<sub>2</sub>O and 239ppm Ta<sub>2</sub>O<sub>5</sub> from 135m.

Mineralisation remained open to the east, west and south.

In the September 2017 quarter, a new zone of high-grade pegmatites was discovered south of Bore Line pits, starting close to surface (refer ASX announcement 2 August 2017) The mineralised pegmatites remain open to the south east. Significant results included:

- 15m at 1.52% Li<sub>2</sub>O from 87m incl. 8m at 1.79% Li<sub>2</sub>O; and
- 13m at 1.24% Li<sub>2</sub>O from 56m.

Extensional drilling during the period expanded the existing Resource footprint, while infill drilling returned significant intercepts as expected. Significant intercepts included:

- 35m at 0.9% Li<sub>2</sub>O from 97m including 22m at 1.09% Li<sub>2</sub>O;
  - 23m at 1.00% Li<sub>2</sub>O from 140m incl. 8m at 1.36% Li<sub>2</sub>O;
  - 21m at 1.12% Li<sub>2</sub>O from 109m incl. 8m at 1.72% Li<sub>2</sub>O; and
  - 20m at 1.27% Li<sub>2</sub>O from 93m incl. 1m at 3.00% Li<sub>2</sub>O and 6m at 1.99% Li<sub>2</sub>O.
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## DIRECTORS' REPORT

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These results were incorporated into the Mineral Resource update announced in October 2017 (refer ASX announcement 11 October 2017).

Between August and October 2017 Tawana completed 87 RC holes totalling 12,222m and seven core holes totalling 750m (refer ASX announcement 6 December 2017). Drilling focused on infill of the Resource area and extension of the Eastern high-grade zone and Boreline South. Significant results included:

- 35m at 1.74% Li<sub>2</sub>O from 146m including 15m at 2.11% Li<sub>2</sub>O;
- 31m at 1.50% Li<sub>2</sub>O from 134m;
- 31m at 1.46% Li<sub>2</sub>O from 143m, including 18m at 1.88% Li<sub>2</sub>O;
- 28m at 1.48% Li<sub>2</sub>O from 110m including 12m at 2.04% Li<sub>2</sub>O from 124m; and
- 23m at 1.31% Li<sub>2</sub>O from 115m.

During November and December 2017, Tawana's exploration focused on initial grade control, water bore installation and water exploration drilling. A water exploration hole (LRC0706) drilled 700m west of the current proposed starter pit intercepted four pegmatites at shallow depths, three of which contained visible spodumene.

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

## DIRECTORS' REPORT

### MINERAL RESOURCES AND ORE RESERVES

In June 2017, Tawana announced a Maiden Indicated and Inferred lithium Mineral Resource (refer ASX announcement 14 June 2017) of:

- **12.8 million tonnes at 1.18% Li<sub>2</sub>O and 158ppm Ta<sub>2</sub>O<sub>5</sub>** at a 0.5% Li<sub>2</sub>O cut-off (high grade).

High-grade tantalum Mineral Resources increased 250% to 8.9 million tonnes at 304ppm Ta<sub>2</sub>O<sub>5</sub> containing 6 million pounds of tantalum pentoxide. This statement of Mineral Resources included a high-grade portion of 5.7 million tonnes at 311ppm Ta<sub>2</sub>O<sub>5</sub> and is reported exclusive of the +0.5% Li<sub>2</sub>O lithium Mineral Resource.

The Maiden Mineral Resource covered only 20% of the known southern swarm of lithium pegmatites. Ongoing drilling continued to expand the Mineral Resource footprint.

In October 2017, Tawana announced an updated Indicated and Inferred lithium Mineral Resource for Bald Hill (refer ASX announcement 11 October 2017).

High-grade lithium resources increased to:

- **18.9Mt at 1.18% Li<sub>2</sub>O and 149ppm Ta<sub>2</sub>O<sub>5</sub>** at a 0.5% Li<sub>2</sub>O cut-off.

This represented a 47% increase in total contained lithium.

Ore Reserves were estimated at **4.3Mt at 1.18% Li<sub>2</sub>O and 208ppm Ta<sub>2</sub>O<sub>5</sub>**, representing a 94% conversion of the June 2017 Indicated Mineral Resources above 0.5% Li<sub>2</sub>O cut-off, with further exploration potential as the updated Minerals Resource covered only 25% of the known southern swarm of lithium pegmatites.



Figure 3 | Spodumene Concentrate

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## DIRECTORS' REPORT

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### METALLURGICAL TEST WORK AND FLOWSHEET

Larger scale metallurgical test work completed in the March 2017 quarter (refer ASX announcement 13 February 2017). delivered exceptional results allowing for a simple, low-capital, low-risk startup operation and a short construction period. The test work demonstrated:

- Ability to consistently produce grades well in excess 6%  $\text{Li}_2\text{O}$  at good mass yields and acceptably low iron content; and
- Ability to reject 60-70% of the feed mass after a first pass Dense Media Separation (DMS), reducing processing costs.

The larger scale tests were completed on a 160kg composite of core used in the variability tests, crushed to 10mm and screened at 1mm.

The results demonstrated that the amount of -1mm fines produced was limited to 17% by coarse crushing at 10mm and that more than 80% of the contained lithium was available for processing via the cheaper gravity DMS route.

The product grade obtained in the coarser -10+1mm fraction using a density of 2.9 was more than 7%  $\text{Li}_2\text{O}$  which is generally higher than market requirements. Hence a lower medium density of 2.8 was adopted to increase the mass yield, which resulted in a mass yield of 17% at a grade of 6.3%  $\text{Li}_2\text{O}$ .

The middlings fraction, or 2.8 floats, still had a grade of 2.56%  $\text{Li}_2\text{O}$  and this was re-crushed to 3.35mm to determine additional DMS recovery. This test resulted in a further mass yield of 4% at a grade of 6.14%  $\text{Li}_2\text{O}$ .

Based on this result, a middlings recrush circuit was included in the final phase one plant design.

Phase two test work is still ongoing to determine the most practical method of processing the -1mm fines from the lithium plant. This work is focussing on the use of ultra-fines DMS which can process a size range down to 0.3mm. The use of flotation has also been considered with preliminary tests having been done. The work on fines processing will be accelerated once the quantity and grade of fines being produced by the phase one DMS plant is known with more certainty and is expected to be completed in Q3 2018.

Phase two DMS concentrate production would have a relatively low incremental unit cost given most costs are carried by phase one operating costs, including mining, primary crushing and the bulk of the labour and general and administration costs.

## DIRECTORS' REPORT

### COWAN LITHIUM PROJECT, WESTERN AUSTRALIA (100%)

**THE COWAN LITHIUM PROJECT IS LOCATED 50KM SOUTH-EAST OF KAMBALDA IN THE EASTERN GOLDFIELDS OF WESTERN AUSTRALIA. IT IS 75KM SOUTH-EAST OF THE MT MARION LITHIUM PROJECT AND IS ADJACENT TO THE MORE ADVANCED BALD HILL PROJECT.**



Figure 4 | Cowan Lithium Project

The Cowan Project, acquired in March 2017, comprises three granted exploration licences totalling 159km<sup>2</sup> located 55km south-east of Kambalda.

The Cowan Project covers about 10km strike of the 15-25 kilometre-long Mt Belches-Bald Hill pegmatite belt that hosts the Bald Hill Project and numerous other LCT pegmatites. The Project also covers a significant portion of the Claypan Dam-Madoonia pegmatite belt that extends for at least 22km.

In March 2017, Tawana exercised its option to acquire 100% of the four tenements forming part of the Cowan Project, all which are highly prospective for lithium. The Company paid the vendors of the Cowan and Yallari Lithium Projects (refer ASX announcement 28 March 2017) \$1,000,000 in cash and \$1,000,000 in Tawana shares (50% escrowed for 12 months).

In October 2017, Tawana announced its subsidiary, Mt Belches Pty Ltd, had entered into a binding agreement with Metalicity Energy Pty Ltd (Metalicity), a 100% subsidiary of Metalicity Limited (ASX: MCT) to acquire its Lake Cowan Project bordering to the south of Tawana's Cowan Lithium Project.

The Lake Cowan Project comprises two approved Exploration Licences (ELs) totalling 410km<sup>2</sup> and one application comprising 152km<sup>2</sup>. Tawana considers the acquisition to be highly strategic as the Mt Belches-Bald Hill pegmatite belt may extend into the tenements.

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

The addition of the three tenements to Tawana's Cowan Lithium Project will increase the total area from 159km<sup>2</sup> to 721km<sup>2</sup>. The adjoining Bald Hill Project totals 774km<sup>2</sup> meaning together, the Bald Hill and Cowan projects represent nearly 1,500km<sup>2</sup>.

Tawana did not undertake any significant exploration at Cowan during the year as the Group concentrated on development of the Bald Hill Project.

## DIRECTORS' REPORT

### YALLARI PROJECT, WESTERN AUSTRALIA (100%)

The Yallari Project is located 25km southeast of Coolgardie, 6km west of the Mt Marion lithium mine and 75km northwest of the Bald Hill and Cowan Projects.

Tawana exercised its option to acquire the Yallari Project in the March 2017 quarter.

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

### MOFE CREEK IRON ORE PROJECT, LIBERIA

Tawana's 100%-owned Mofe Creek Iron Ore Project is in the heart of Liberia's historic iron ore district, located 20km from the coast and 85km from the country's capital city and major port, Monrovia.

The Mofe Creek project covers 475km<sup>2</sup> of highly prospective tenements in Grand Cape Mount County, with all options open for consideration including potential joint venture or royalty positions with third parties. The Project hosts DSO and high-grade friable itabirite mineralisation which can be upgraded to a superior quality iron ore product in the 64-68% Fe grade range.

The Project's proximity to existing infrastructure, recently commissioned mines and an operational deep-water iron ore port in Monrovia, along with the confirmation that the mineralisation is coarse-grained, friable itabirite with exceptionally low contaminants, sets it apart from other West African iron ore projects.



Figure 5 | Mofe Creek project location map

#### Mineral Development Agreement

To obtain a Class A mining licence in Liberia, it is necessary for the applicant to conclude a Mineral Development Agreement (MDA) with the Government outlining the technical, commercial and social/environmental commitments to be undertaken to build, operate and sustain a project within Liberia; the terms of which are no more than 25 years and are subject to periodic review every five years. Once approved, the MDA is a legislative document passed as a bill in parliament.

During the year, Tawana continued to negotiate with the Liberian government on an MDA for Mofe Creek.

#### RESTRUCTURE OF COMPANY'S COWAN, YALLARI AND MOFE CREEK ASSETS

On 22 March 2018 (subsequent to year end), the Group announced that it intends to divest its interest in the Cowan Lithium Project, the Yallari Project and the Mofe Creek Iron Ore Project, by way of a capital reduction and distributing in specie to its shareholders 85% of the shares in its wholly owned public company that will directly or indirectly hold the assets comprising these projects.

## DIRECTORS' REPORT

### UIS LITHIUM PROJECT, NAMIBIA

In the June 2017 quarter, Tawana decided not to proceed with the Uis lithium project in Namibia, as initial metallurgical test work results were not sufficiently encouraging and due to the significant time commitments associated with developing the Bald Hill Lithium and Tantalum Mine. The Company sold the holding company that held the rights to the Uis stockpiles back to the original vendors for \$1.

- The parties may extend the agreement beyond 31 December 2022 each year provided a price and quantity can be agreed by both parties.

Burwill agreed to advance Lithco A\$12,500,000 in early payments, with no interest payable. The advance payments were used for the development and operational costs of the Bald Hill Project.

Lithco will repay the outstanding advance payment Amount through 15% of the value of each shipment of lithium concentrate until Burwill is reimbursed in full for the aggregate amount of the payments.

### CORPORATE

#### *Off-take Agreement and Pre-Payment*

In April 2017, Lithco signed a binding long-term exclusive lithium concentrate off-take 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).

The Agreement is for the supply of lithium concentrate from the Bald Hill Project in Western Australia over an approximate initial five-year term.

Lithco has pre-sold the 2018 and 2019 lithium ore concentrate that comes from the Bald Hill Project. The key terms of the offtake are as follows:

- A fixed price for all production for 2018 and 2019 of US\$880/t (FOB Esperance) for 6% Li<sub>2</sub>O with price adjustment increment/decrement of US\$/15t based on grade variation of 0.1%. The minimum accepted grade is 5.5%;
- From 2020 to 2023, the sales price and volumes are to be negotiated and will be agreed based upon prevailing market conditions at the time; and

## DIRECTORS' REPORT

### CAPITAL RAISINGS

In April 2017, Tawana received commitments to raise A\$15,000,000 (before costs) via the issue of 60 million new fully paid ordinary shares in the Company at an issue price of A\$0.25 per share ("Placement"). The Placement was strongly supported by domestic and offshore institutional investors. The Placement was completed in two tranches:

- Tranche 1 - comprising 35,900,000 shares, raising A\$8,975,000 (within the Company's 15% placement capacity), which were issued on 8 May 2017.
- Tranche 2 - comprising 24,100,000 shares, raising A\$6,025,000, which were issued following shareholder approval received at a General Meeting held on 6 June 2017.

The funds raised under the Placement were used to advance the development of the Bald Hill Lithium and Tantalum Mine.

In October 2017, Tawana agreed a \$25,000,000 funding package to develop Bald Hill, which included a \$20,000,000 placement from Weier Antriebe und Energietechnik GmbH (Weier) and a \$5,000,000 loan facility. 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.

The placement to Weier was completed in two tranches:

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

The placement was within the Company's 15% placement capacity. Following completion of the placement, Weier held approximately 11.5% of the issued capital of Tawana. Weier also appointed a nominee to the Board of Directors of Tawana as part of the placement.

Post year-end in February 2018, Tawana executed a binding A\$5,000,000 loan agreement with Red Coast Investment Limited, an investment company nominated by Weier, as part of the funding package. The facility was fully drawn down in March 2018.

The key terms of the loan agreement are:

- Interest of 11% per annum payable quarterly in arrears;
- Maturity and single repayment date of 31 December 2019;
- Loan may be prepaid at any time before maturity without penalty;
- No facility fees; and
- Security over Lithco's 50% interest in the DMS plant.

The funds will be used for development at the Bald Hill Project and working capital.

### CORPORATE ADVISOR APPOINTMENT

In the March 2017 quarter, Tawana engaged Canaccord Genuity (Australia) Limited to provide it with corporate advisory services due to the level of interest in financing the development of the Bald Hill Project.

## DIRECTORS' REPORT

### BOARD CHANGES

**Mr Robert (Bob) Vassie** was appointed a Non-Executive Director of Tawana in August 2017. Mr Vassie's details are set out on page 9 of this report.

**Mr Mark Turner** was appointed a Non-Executive Director of Tawana in August 2017. Mr Turner's details are set out on page 9 of this report.

**Ms Wei (Vicki) Xie** was appointed a Non-Executive Director of Tawana in November 2017 as representative of Weier as part of an equity funding agreement between Tawana and Weier. Ms Xie's details are set out on page 9 of this report.

**Mr Michael Naylor** resigned as Executive Director, Chief Financial Officer and Company Secretary on 31 October 2017.

### MANAGEMENT CHANGES

**Mr Noel O'Brien** was appointed Chief Technical Officer - Metallurgy and Processing. Mr O'Brien, is a metallurgist and processing expert with experience in multiple lithium projects in Australia and internationally. Mr O'Brien was recently appointed a Non-Executive Director of Birimian Ltd., and is a technical adviser to Kidman Resources Limited, having previously consulted to Galaxy Resources and the Bikita Minerals Lithium Project.

**Mr Craig Hasson** was appointed Joint Company Secretary of the Company effective 24 May 2017 after his appointment as Tawana's Commercial Manager in March 2017.

**Ms Claire O'Brien** was appointed Joint Company Secretary of Tawana in November 2017.

**Mr Alexei Fedotov** was appointed General Manager Commercial and Legal and Joint Company Secretary of the Company in March 2018. Mr Fedotov has more than 14 years of combined private law practice and ASX Top 20 in-house experience.

**Mr Tim Thomas** was appointed Chief Technical Officer - Mining, in March 2018. Mr Thomas has 27 years' experience in mine planning, development and operations, including 10 years in senior management positions.

**Ms Melanie Li** resigned as Joint Company Secretary in May 2017.

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## DIRECTORS' REPORT

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### Change of Address

From 1 July 2017, Tawana's registered office and principal place of business changed to Level 3, 20 Parkland Rd, Osborne Park WA 6017. The Company's telephone numbers were unchanged.

### Cash Position

As at 31 December 2017, Tawana held \$16,375,096 in cash.

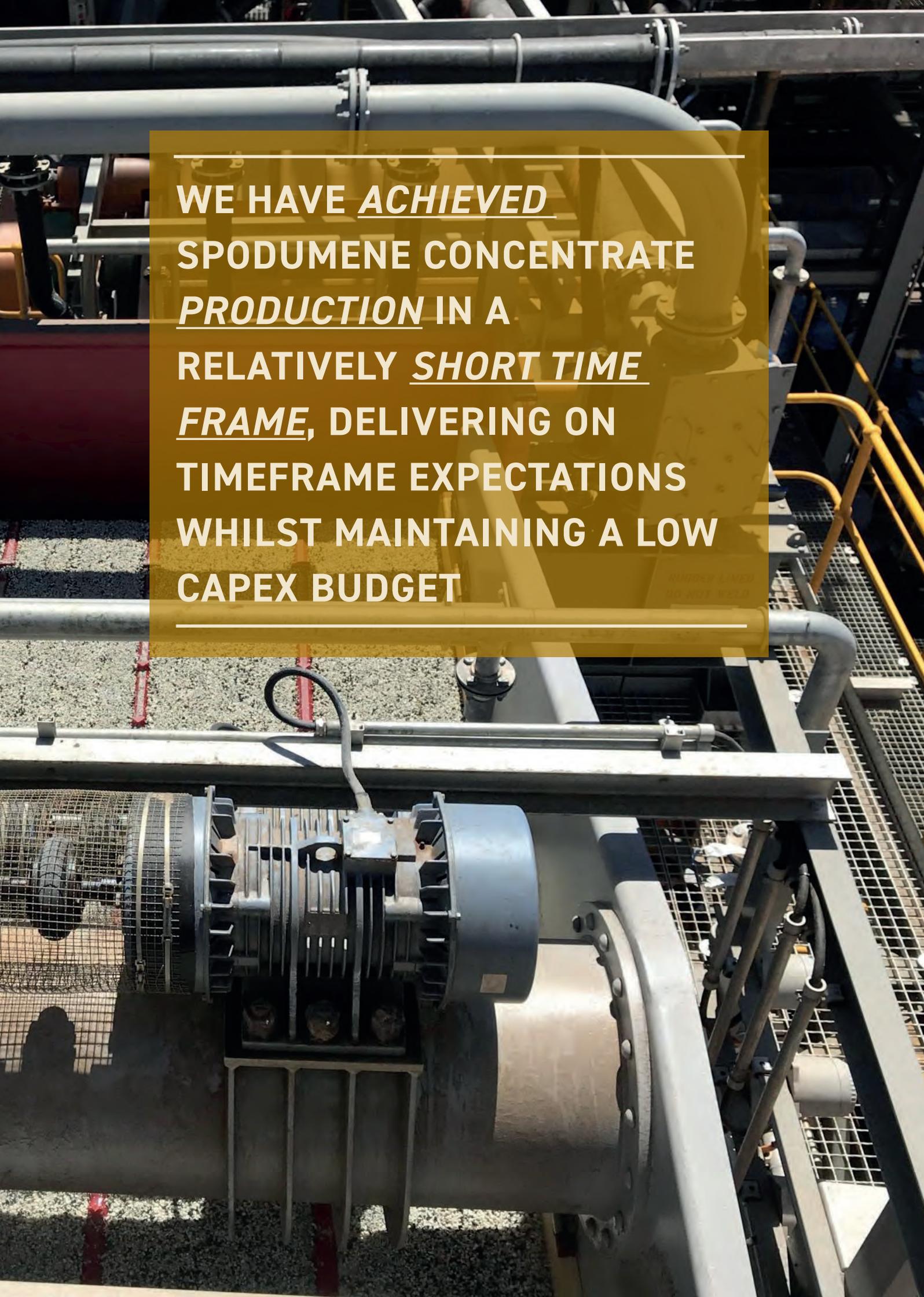
### Operating Results

The loss of the Group for the year ended 31 December 2017 after providing for income tax amounted to \$8,139,652 (2016: \$1,759,935). Within this balance \$4,334,079 related to the share-based payments. These non-cash incentives provided to directors, staff and advisors allowed the Group to focus cash expenditure on project development and operational expenditure. A further \$1,559,111 related to the impairment of costs capitalised in the acquisition of the Uis stockpile in Namibia. Remaining losses related to normal operational expenditure.

### Review of Financial Position

The net assets of the Group as at 31 December 2017 were \$49,579,835 (2016: \$18,573,113). In addition to cash stated above this balance includes a carrying value of Bald Hill Project lithium plant assets under construction of \$22,169,433; capitalised mine property assets of \$18,045,441; and capitalised exploration assets of \$7,465,047 in relation to the Cowan Project and \$194,467 in relation to the Bald Hill Project. Major liabilities include \$12,500,000 in deferred revenue received during the year and \$9,373,051 in current payables and accruals.

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The background image shows a complex industrial facility with various pipes, valves, and machinery. A prominent feature is a large, horizontal cylindrical component, possibly a filter or separator, with a metal mesh covering its front. The scene is brightly lit, suggesting an outdoor or well-lit indoor environment. A semi-transparent yellow rectangular box is overlaid on the upper portion of the image, containing white text. The text is centered and reads: "WE HAVE ACHIEVED SPODUMENE CONCENTRATE PRODUCTION IN A RELATIVELY SHORT TIME FRAME, DELIVERING ON TIMEFRAME EXPECTATIONS WHILST MAINTAINING A LOW CAPEX BUDGET". The text is in all caps, with the words "ACHIEVED", "PRODUCTION", "SHORT TIME", and "FRAME" underlined. The overall tone is professional and celebratory, highlighting a significant engineering or operational achievement.

WE HAVE ACHIEVED  
SPODUMENE CONCENTRATE  
PRODUCTION IN A  
RELATIVELY SHORT TIME  
FRAME, DELIVERING ON  
TIMEFRAME EXPECTATIONS  
WHILST MAINTAINING A LOW  
CAPEX BUDGET

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# AUDITED REMUNERATION REPORT

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# AUDITED REMUNERATION REPORT

## A. INTRODUCTION

The Directors of Tawana Resources NL present the Remuneration Report (the Report) for the Company and its controlled entities for the year ended 31 December 2017 (FY17). This Report forms part of the Directors' Report and has been audited in accordance with section 300A of the *Corporations Act 2001*. The Report details the remuneration arrangements for Tawana's key management personnel (KMP):

- Non-Executive Directors (NEDs)
- Executive Directors and Senior Executives (collectively the Executives)

KMP are those persons who, directly, or indirectly, have authority and responsibility for planning, directing and controlling the major activities of the Company and Group.

The table below outlines the KMP of the Group and their movements during FY17:

Name	Position	Term as KMP
<b>Non-executive directors</b>		
R. Benussi	Non-Executive Chair	Full financial year
M. Turner	Non-Executive Director	Appointed 1 August 2017
B. Vassie	Non-Executive Director	Appointed 1 August 2017
V. Xie	Non-Executive Director	Appointed 22 November 2017
<b>Executive directors</b>		
M. Calderwood	Managing Director (MD)	Full financial year
M. Naylor	Executive Director & CFO	Ceased 31 October 2017
<b>Senior executives</b>		
C. Hasson	Chief Financial Officer	Appointed 31 October 2017

Following reporting date and before the financial report was authorised for issue Alexei Fedotov was appointed as General Manager Commercial & legal and Company Secretary effective 6 March 2018.

There were no other changes to KMP after reporting date and before the date the financial report was authorised for issue.

## B. REMUNERATION GOVERNANCE

The Company has established a Nomination & Remuneration Committee under a formal charter which is comprised of a majority of independent directors.

The Nomination & Remuneration Committee is responsible for reviewing and recommending the remuneration arrangements for the Executive and Non-Executive Directors and KMP each year in accordance with the Company's remuneration policy approved by the Board.

This includes an annual remuneration review and performance appraisal for the Managing Director and other executives, including their base salary, short-term and long-term incentives, superannuation, termination payments and service contracts.

Further information relating to the role of the Nomination & Remuneration Committee can be found within the Corporate Governance Statement provided on the Company's website.

## AUDITED REMUNERATION REPORT

### C. REMUNERATION FRAMEWORK

The Board recognises that the Company's performance and ultimate success in project delivery depends very much on its ability to attract and retain highly skilled, qualified and motivated people in an increasingly competitive remuneration market. At the same time, remuneration practices must be transparent to shareholders and be fair and competitive taking into account the nature and size of the organisation and its current stage of development.

The approach to remuneration has been structured with the following objectives:

- To attract and retain a highly skilled executive team at a critical stage in the Company's development of the Bald Hill Project and other exploration projects;
- To link remuneration with performance, based on long-term objectives and shareholder return, as well as critical short-term objectives which are aligned with the Company's business strategy;
- To set clear goals and reward performance for successful project development in a way which is sustainable, including in respect of health and safety, environment and community-based objectives, production levels and cost management;
- To be fair and competitive against the market;
- To preserve cash where necessary for exploration and project development, by having the flexibility to attract, reward or remunerate executives with an appropriate mix of equity-based incentives;
- To reward individual performance and Company performance thus promoting a balance of individual performance and teamwork across the executive management team and the organisation; and
- To have flexibility in the mix of remuneration, including offering a balance of conservative long-term incentive instruments such as options to ensure executives are rewarded for their efforts, but also share in the upside of the Company's growth and are not adversely affected by tax consequences.

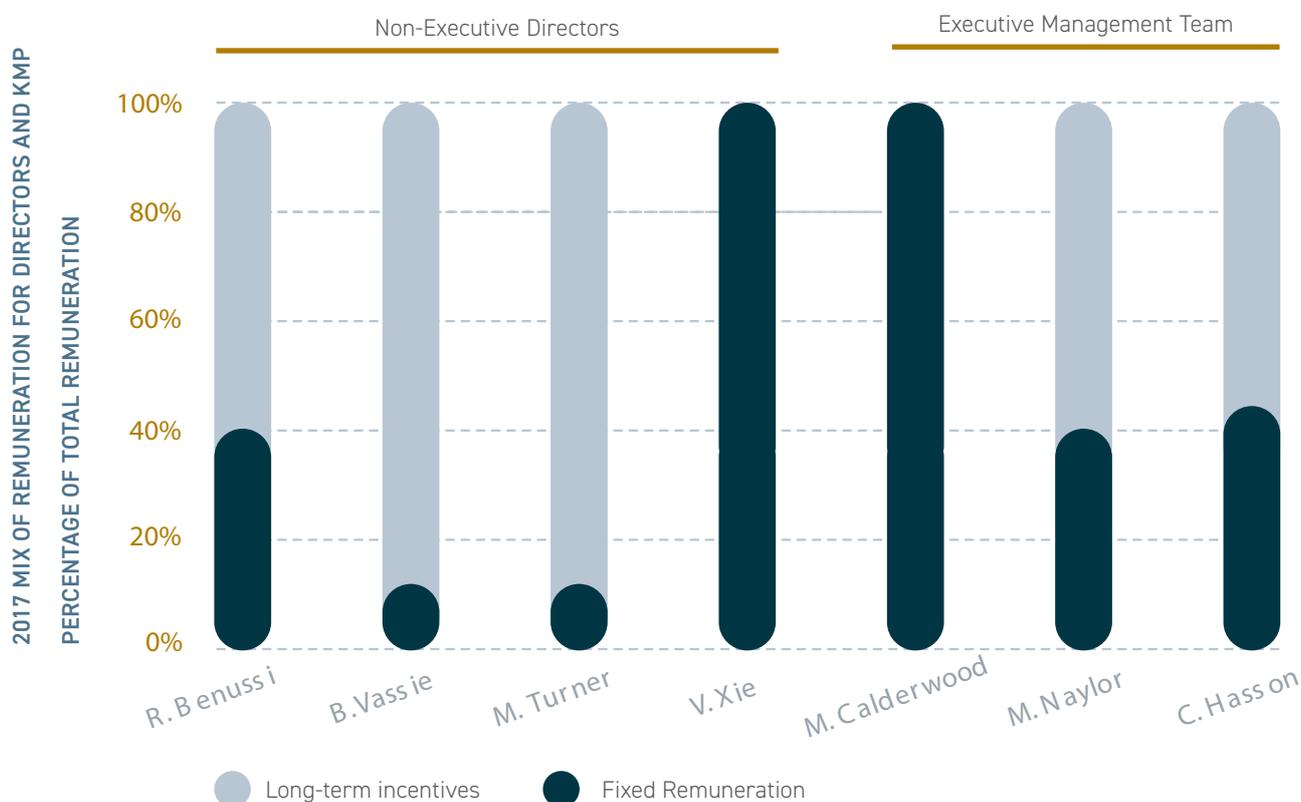
The remuneration framework provides a mix of fixed and variable "at risk" remuneration and a blend of short and long-term incentives.

The remuneration for executives has three components:

- Fixed remuneration, inclusive of superannuation and allowances;
- Short Term Incentives ("STI") under a performance-based cash bonus incentive plan; and
- Long Term Incentives ("LTI") through participation in the Company's shareholder approved equity incentive plans.

These three components comprise each executive's total annual remuneration. To link executive remuneration with the Company's performance, the Company's policy is to endeavour to provide an appropriate portion of each executive's total remuneration as "at risk". The following graph sets out the mix of remuneration for all KMP between fixed, short-term incentives and long-term incentives for the 2017 financial year.

## AUDITED REMUNERATION REPORT



### D. NON-EXECUTIVE DIRECTOR REMUNERATION

Non-executive directors' fees are paid within an aggregate limit which is approved by the shareholders from time to time. Retirement payments, if any, are determined in accordance with the rules set out in the Company's Constitution and the *Corporations Act 2001* at the time of the director's retirement or termination. Non-executive directors' remuneration may include an incentive portion consisting of bonuses and/or options, as considered appropriate by the Board, which is subject to shareholder approval in accordance with the ASX Listing Rules.

The aggregate remuneration, and the manner in which it is apportioned amongst non-executive directors, is reviewed annually. The Board considers the amount of director fees being paid by comparable companies with similar responsibilities and levels of experience of the non-executive directors when undertaking the annual review process.

The current maximum amount of non-executive directors' fees payable is fixed at \$300,000 in total, for each 12-month period commencing 1 January each year, until varied by ordinary resolution of shareholders.

Non-executive directors are not entitled to any termination payments.

**The following table sets out the number of share options granted to non-executive directors during the year:**

	Options Issued
M. Turner	1,000,000 <sup>1</sup>
B. Vassie	1,000,000 <sup>1</sup>
R. Benussi	500,000 <sup>2</sup>

<sup>1</sup> 100% of options issued vested immediately following shareholder approval at the General Meeting held on 12 December 2017.

<sup>2</sup> 100% of options issued vested immediately following shareholder approval at the Annual General Meeting held on 23 May 2017.

## AUDITED REMUNERATION REPORT

### D. NON-EXECUTIVE DIRECTOR REMUNERATION (continued)

Except for directors receiving a benefit as a result of the issue of share options to non-executive directors, each of the directors recommended that Shareholders vote in favour of the grant of share options to M. Turner, B. Vassie and R. Benussi for the following reasons:

- The grant of share options to the non-executive directors would align the interests of the non-executive directors with those of Shareholders;
- The grant of share options was a reasonable and appropriate method to provide cost effective remuneration as the non-cash form of this benefit would allow the Company to spend a greater proportion of its cash reserves on its operations than it would if alternative cash forms of remuneration were given to the non-executive directors; and
- It was not considered that there were any significant opportunity costs to the Company or benefits foregone by the Company in granting the share options.

In forming their recommendations, each director considered the experience of each non-executive director, the current market practices when determining the number of share options to be granted as well as the exercise price and expiry date of those share options.

### E. EXECUTIVE DIRECTOR REMUNERATION

#### FIXED REMUNERATION

Executives receive a fixed base cash salary and other associated benefits. Executives also receive a superannuation guarantee contribution required by Australian legislation which was 9.5% at 31 December 2017. No executives receive any other retirement benefits.

Fixed remuneration of executives will be set by the Board each year and is based on market relativity and individual performance. In setting fixed remuneration for executives, individual performance, skills, expertise and experience are also taken into account to determine where the executive's remuneration should sit within the market range. Where appropriate, external remuneration consultants will be engaged to assist the Board to ensure that fixed remuneration is set to be consistent with market practices for similar roles. Fixed remuneration for executives will be reviewed annually to ensure each executive's remuneration remains fair and competitive. However, there is no guarantee that fixed remuneration will be increased in any service contracts for executives.

#### SHORT TERM INCENTIVES

The executive directors and other executives were eligible to earn short-term cash bonuses upon achievement of significant performance based outcomes aligned with the Company's strategic objectives at that time and a satisfactory level of individual performance. These performance based outcomes are considered to be an appropriate link between executive remuneration and the potential for creation of shareholder wealth.

Under the Company's remuneration policy, the Managing Director and other executives were eligible to earn short-term cash bonuses upon achievement of significant performance based outcomes aligned with the Company's strategic objectives at that time. These performance based outcomes are considered to be an

## AUDITED REMUNERATION REPORT

appropriate link between executive remuneration and the potential for creation of shareholder wealth.

The objective of the STI Plan is to provide the opportunity to earn a cash bonus by rewarding those executives who successfully achieve in the opinion of the Board the critical short-term objectives of the Company over a 12 month period. Those short-term objectives for each executive are pre-determined and recommended by the Board each year and approved by the Board as being aligned with the Company's stated strategy to derive shareholder return.

STI's will generally consist of annual cash bonuses paid on the following basis:

- (i) Performance will be measured over a 12 month period each year;
- (ii) A maximum threshold will apply for each executive expressed as a % of their fixed remuneration depending on their role and seniority in the executive management team;
- (iii) STIs will be paid at the discretion of the Board, but must be demonstrably linked to performance against critical pre-determined short-term goals of the Company; and
- (iv) A combination of group and individual goals may apply for each executive with weightings for each goal recommended by the Board and approved by the Board - the number of short-term goals per participant will take into account the executive's role, responsibility and seniority - greater weighting is placed on more important goals.

If an executive resigns or is terminated for cause before the end of the financial year, no STI is awarded for that year. Similarly, any deferred STI awards are forfeited, unless otherwise determined by the Board.

If an executive ceases employment during the performance period by reason of redundancy, ill health, death, or other circumstances approved by the Board, the executive will be entitled to a pro-rata cash payment based on assessment of performance up to the date of ceasing employment for that year and any deferred STI

awards will be retained (subject to Board discretion). The treatment of vested and unexercised awards will be determined by the Board with reference to the circumstances of cessation.

There were no STIs awarded and earned during the year.

### LONG TERM INCENTIVES

The objective of the LTI plan is to reward executives and directors in a manner which aligns this element of remuneration with the creation of shareholder wealth. As such LTIs are made to executives and directors who are able to influence the generation of shareholder wealth and thus have an impact on the Company's performance.

LTI grants to executives and directors are delivered in the form of share options. Two types are options are issued to directors and executives being:

1. those with an exercise price at a premium to the average of the Company's ordinary share price at the date issued; and
2. those issued with predetermined conservative performance hurdles with an exercise price in line with prevailing market rates.

The Company prohibits directors or executives from entering into arrangements to protect the value of any Tawana shares or options that the director or executive has become entitled to as part of his/her remuneration package. This includes entering into contracts to hedge their exposure.

**The following table sets out the number of share options granted to the executive management team during the year:**

	Options Issued
M. Naylor	1,000,000 <sup>1</sup>
C. Hasson	1,500,000
M. Calderwood	-

<sup>1</sup> 100% of options issued vested immediately following shareholder approval at the Annual General Meeting held on 23 May 2017.



**THE *BALD HILL PROJECT*  
HOLDS *IMMENSE POTENTIAL*  
FOR FURTHER GROWTH. WE  
HAVE UNDERTAKEN DRILLING  
DURING THE YEAR, AND NOW  
THE MINE IS IN PRODUCTION,  
*GROWING OUR RESOURCES*  
AND RESERVES WILL BE THE  
NEXT STEP.**

## AUDITED REMUNERATION REPORT

### F. DETAILS OF REMUNERATION

Details of the remuneration of the KMP of Tawana Resources NL and its controlled entities are set out in the following tables.

	Short Term Benefits				Post Employment	Share Based Payments	Total	Performance Based
	Cash Salary	Incentives	Consulting Fee	Other Amounts	Superannuation	Options		
	\$	\$	\$	\$	\$	\$	\$	
<b>2017</b>								
<b>Non-Executive Directors</b>								
R. Benussi	54,120	-	48,000	6,653	-	94,777	203,550	47%
B. Vassie	22,080	-	-	2,778	1,196	240,664	266,718	90%
M. Turner	23,276	-	-	2,778	-	240,664	266,718	90%
V. Xie	5,250	-	-	841	499	-	6,590	0%
<b>Executive Directors</b>								
M. Calderwood	284,311	-	-	6,653	17,352	-	308,316	0%
M. Naylor	111,729	-	-	5,538	8,313	189,554	315,134	60%
<b>Senior Executives</b>								
C. Hasson	168,226	-	-	1,115	15,981	175,918	361,240	49%
<b>Total Remuneration</b>	<b>668,992</b>	<b>-</b>	<b>48,000</b>	<b>26,356</b>	<b>43,341</b>	<b>941,577</b>	<b>1,728,266</b>	
<b>2016</b>								
<b>Non-Executive Directors</b>								
R. Benussi	41,248	-	-	-	-	84,643	125,891	67%
M. Bohm	55,500	-	-	-	3,563	84,643	143,706	61%
<b>Executive Directors</b>								
M. Calderwood	94,620	30,000	-	-	-	71,926	196,546	52%
M. Naylor	136,526	-	-	-	-	84,643	221,169	38%
<b>Total Remuneration</b>	<b>327,894</b>	<b>30,000</b>	<b>-</b>	<b>-</b>	<b>3,563</b>	<b>325,855</b>	<b>687,312</b>	

## AUDITED REMUNERATION REPORT

### G. SHARE-BASED COMPENSATION

The following table discloses the number of share options granted, vested or lapsed during the year.

Share options do not carry any voting or dividend rights and can only be exercised once the vesting conditions have been met, until their expiry date.

	Financial year	Awarded during the year	Award date	Vesting date	Expiry date	Fair value of option at award date	Exercise price	No. vested during year	No. lapsed during year	Value of options granted during the year <sup>1</sup> (\$)	Value of options held on date of resignation <sup>2</sup> (\$)	Value of options exercised during the year <sup>3</sup> (\$)
C. Hasson	2017	500,000	27 Mar 17	27 Mar 17	15 Mar 20	0.1614	0.1600	500,000	-	80,681	-	80,681
C. Hasson	2017	500,000	27 Mar 17	15 Mar 18	15 Mar 20	0.1614	0.1600	-	-	80,681	-	-
C. Hasson	2017	500,000	27 Mar 17	15 Mar 19	15 Mar 20	0.1614	0.1600	-	-	80,681	-	-
M. Naylor	2017	1,000,000	16 Jun 17	16 Jun 17	15 Jun 20	0.1896	0.2000	1,000,000	-	189,554	189,554	-
R. Benussi	2017	500,000	16 Jun 17	16 Jun 17	15 Jun 20	0.1896	0.2000	500,000	-	94,777	-	-
B. Vassie	2017	1,000,000	20 Dec 17	20 Dec 17	20 Dec 20	0.2693	0.2000	1,000,000	-	240,664	-	-
M. Turner	2017	1,000,000	20 Dec 17	20 Dec 17	20 Dec 20	0.2693	0.2000	1,000,000	-	240,664	-	-

<sup>1</sup> Determined at the time of grant per AASB 2. For details on the valuation of the options, including models and assumptions used, please refer to Note 17.

<sup>2</sup> M.Naylor resigned effective 31 October 2017.

<sup>3</sup> Determined at the time of exercise at the intrinsic value.

## AUDITED REMUNERATION REPORT

### G. SHARE-BASED COMPENSATION

There were no alterations to the terms and conditions of options awarded as remuneration since their award date.

The following table discloses the number of options held directly, indirectly and beneficially by KMP during the year.

	Balance 1 January 2017	Granted as remuneration	Options exercised	Value of options held on date of resignation <sup>1</sup> (\$)	Balance 31 December 2017	Exercisable	Not exercisable
<b>Non-Executive Directors</b>							
R. Benussi	1,000,000	500,000	-	-	1,500,000	1,500,000	-
B. Vassie	-	1,000,000	-	-	1,000,000	1,000,000	-
M. Turner	-	1,000,000	-	-	1,000,000	1,000,000	-
V. Xie	-	-	-	-	-	-	-
<b>Executive Directors</b>							
M. Calderwood	3,000,000	-	-	-	3,000,000	3,000,000	-
M. Naylor	1,150,000	1,000,000	-	2,150,000	-	-	-
<b>Senior Executives</b>							
C. Hasson	-	1,500,000	500,000	-	1,000,000	-	1,000,000
	5,150,000	5,000,000	500,000	2,150,000	7,500,000	6,500,000	1,000,000

<sup>1</sup> M.Naylor resigned effective 31 October 2017.

The following table discloses the number of shares issued on the exercise of options during the year.

No.	Shares issued	Paid per share cents
C. Hasson	500,000	16

## AUDITED REMUNERATION REPORT

### G. SHARE-BASED COMPENSATION

The following table discloses the number of shareholdings held directly, indirectly and beneficially by KMP during the year.

	Balance 1 January 2017	On exercise of options	(Disposals)/ acquisitions	Held at date of resignation	Balance 31 December 2017
<b>Non-Executive Directors</b>					
R. Benussi	2,471,000	-	179,000	-	2,650,000
B. Vassie	-	-	-	-	-
M. Turner	-	-	-	-	-
V. Xie	-	-	-	-	-
<b>Executive Directors</b>					
M. Calderwood	21,880,000	-	-	-	21,880,000
M. Naylor <sup>1</sup>	2,080,000	-	170,000	(2,250,000)	-
<b>Senior Executives</b>					
C. Hasson	-	500,000	-	-	500,000
	26,431,000	500,000	349,000	(2,250,000)	25,030,000

<sup>1</sup> M Naylor ceased employment with the Company with effect from 31 October 2017.

Those KMP not mentioned above did not hold shares during the year.

## AUDITED REMUNERATION REPORT

### H. EXECUTIVE EMPLOYMENT AGREEMENTS

On 1 July 2017 the Company entered into a standard appointment agreement with Mr Calderwood which provides for a fixed remuneration of \$400,000 per annum. Mr Calderwood is required to give the Company three months' notice to terminate the agreement and the Company is required to give Mr Calderwood three months' notice to terminate the agreement or payment in lieu.

On 1 January 2015 the Company entered into an agreement with Mr Naylor for the provision of Chief Financial Officer, financial controller, accounts payable and company secretarial services. Mr Naylor was required to give the Company three months' notice to terminate the contract and the Company was required to give Mr Naylor three months' notice to terminate the contract or payment in lieu. Mr Naylor's agreement ended effective 31 October 2017.

On 1 July 2017 the Company entered into a standard appointment agreement with Mr Hasson which provides for a fixed remuneration of \$251,850 per annum, an issue of incentive options and short-term incentives. Mr Hasson is required to give the Company six weeks' notice to terminate the agreement and the Company is required to give Mr Hasson three months' notice to terminate the agreement or payment in lieu. Subsequent to year end Mr Hasson's fixed remuneration increased to \$290,175 per annum.

### I. REMUNERATION CONSULTANTS

During the year ended 31 December 2017 the Board did not engage the services of remuneration consultants.

### J. ADDITIONAL DISCLOSURES RELATING TO KEY MANAGEMENT PERSONNEL

Mr Naylor, an Executive Director of the Group until 31 October 2017, held a senior position with Teranga Gold (Australia) Pty Ltd, which received \$58,749 in fees from the Group for the provision of administration services and paid \$26,153 to the Group in exchange for administration services received during the current year to 31 October 2017.

Mr Naylor, an Executive Director of the Group until 31 October 2017, also held a senior position with Cygnus Gold Ltd, which paid \$14,756 to the Group in exchange for administration services received during the current year to 31 October 2017.

Mr Naylor, an Executive Director of the Group until 31 October 2017, also provided accounting and company secretarial services to the Group through a related company Blue Leaf Corporate Pty Ltd, which was paid \$81,040 by the Group in exchange for services received during the current year to 31 October 2017.

Payments were based on commercial terms and conditions.

### K. VOTING AND COMMENTS MADE AT THE COMPANY'S LAST ANNUAL GENERAL MEETING

Tawana received more than 98% approval of its 2016 Remuneration Report. No other feedback was received regarding the report.

The Company believes it has worked hard to improve transparency of the Remuneration Report and ensure that remuneration reflects the challenging conditions impacting entities involved in mineral exploration, evaluation and mine development.

## AUDITED REMUNERATION REPORT

### L. CONSEQUENCES OF PERFORMANCE ON SHAREHOLDER WEALTH

In considering the Group's performance and benefits for shareholder wealth, the Board has regard to the following indices in respect of the current financial year and the previous four financial years:

Item	2017 \$	2016 \$	2015 \$	2014 \$	2013 \$
Revenue \$	83,930	25,545	38,217	68,576	22,377
Net loss \$	8,139,652	1,759,934	9,402,364	2,299,246	3,315,988
<b>Share Price (cents)</b>	<b>0.460</b>	<b>0.120</b>	<b>0.002</b>	<b>0.007</b>	<b>0.033</b>

This is the end of the audited Remuneration Report

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## DIRECTORS' REPORT

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### MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 25 January 2018 the Group announced it had executed a non-binding in principle term sheet for the offtake of tantalum concentrate with the HC Starck Group, a leading tantalum industry specialist.

On 5 February 2018 the Group announced that it had executed a binding A\$5,000,000 loan agreement with Red Coast Investment Limited, an investment company nominated by Weier Antriebe und Energietechnik GmbH. The loan was drawn down in full in March 2018.

On 14 March 2018, Tawana and AMAL announced lithium production had commenced at Bald Hill following the successful ore commissioning through the DMS circuit. The DMS will ramp up to full production run rate in the following months.

On 22 March 2018 the Group announced its intention to restructure the Group's assets in order to focus on the Bald Hill Project. This will involve the transfer of the Cowan, Yallari and Mofe Creek assets to a wholly owned public company, before undertaking capital reduction and distribution by way of in-specie distribution of 85% of all shares in the new company to Tawana's shareholders. The impact of this restructure on the Group's future operations and state of affairs is expected to be limited to a reduction in capitalised exploration costs in relation to the transferred projects and a focus on operation and expansion of the Bald Hill Project.

No other matters or circumstances have arisen since 31 December 2017 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

### ENVIRONMENTAL REGULATION

The Group is aware of its environmental obligations with regards to its exploration and operational activities and ensures that it complies with all regulations when carrying out any exploration and operational activities on all project areas throughout the world. The directors have considered the National Greenhouse and Energy Reporting Act 2007 ('the NGER Act') and will ensure that at the current stage of each project's development and based on the locations of the Company's operations, that appropriate processes and procedures are in place to capture and determine the Group's emissions and ensure compliance with the NGER Act.

## DIRECTORS' REPORT

### MEETINGS OF DIRECTORS

The number of directors' meetings (including meetings of committees of directors) and the number of meetings attended by each of the directors of the Company during the financial year are as follows:

	Director's meetings (Attended/held*)	Meetings of Committees	
		Audit & Risk (Attended/held*)	Nomination & Remuneration (Attended/held*)
R Benussi	16/16	2/2	1/1
M Calderwood	16/16	-	-
B Vassie	12/12	2/2	1/1
M Turner	12/12	2/2	1/1
V Xie	1/1	-	-
M Naylor	13/14	-	-

\*Number of meetings held whilst each individual director was in office or a member of the Committee.  
 "-" denotes that the director was not a member of the Committee.

### SHARE OPTIONS

#### Unissued shares

As at the date of this report there were 29,823,470 unissued ordinary shares under options (30,520,000 at the reporting date). Refer to the remuneration report for further details of the options outstanding for Key Management Personnel (KMP).

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate.

#### Shares issued as a result of the exercise of options

During the financial year, employees and executives have exercised options to acquire 2,255,000 fully paid ordinary shares in Tawana Resources NL at a weighted average exercise price of \$0.154 per share.

### INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the Directors and officers liability and legal expenses under insurance contracts, as such disclosure is prohibited under the terms of the contract.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Group.

### INDEMNITY AND INSURANCE OF AUDITOR

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as a part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young Australia during or since the financial year.

## DIRECTORS' REPORT

### PROCEEDINGS OF BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

### AUDITOR'S INDEPENDENCE & NON-ASSURANCE SERVICES

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 47 and forms part of this Directors' Report.

### NON-AUDIT SERVICES

The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors ensure that:

- non-audit services are reviewed and approved by the Directors to ensure that the provision of such services does not adversely affect the integrity and objectivity of the auditor; and
- audit services do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

\$99,418 was paid or payable to Ernst & Young for non-audit services performed during the year ended 31 December 2017 (2016: \$26,000).

### ROUNDING OF AMOUNTS

The Company is of a kind referred to in the ASIC Legislative Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This Directors' Report incorporating the Remuneration Report is signed in accordance with a resolution of the Board of Directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

The following information forms part of this Directors' Report:

- Note 17 Share based payment, Note 22 Events occurring after the reporting period and Note 24 Remuneration of auditors to the financial statements on pages 76 to 78, 82 and 83, respectively;
- Additional Shareholder Information on pages 91 to 92; and
- Corporate Directory (inside front cover).

On behalf of the Directors



Mark Calderwood  
**Managing Director**

Perth, Western Australia, 28 March 2018

## DIRECTORS' REPORT

### ANNUAL MINERAL RESOURCE & ORE RESERVE STATEMENT | BALD HILL PROJECT

MINERAL RESOURCES AND ORE RESERVES ARE REPORTED IN 100% TERMS.

#### MINERAL RESOURCES

The updated Mineral Resource reported in Tawana's ASX announcement dated 11 October 2017 comprises one large, main, sub horizontal pegmatite body, striking north-south, with a strike length of 1,230 metres, and a width at its widest point of 1,080 metres. This main body is surrounded by several smaller discrete pegmatite bodies, sub-parallel to the main, which result in a total strike length for the whole deposit of 2,045 metres, and a total width of 1,800 metres. The Mineral Resource has a total vertical depth of 245 metres, beginning 20 metres below the natural surface and plunging gently to the south along its entire strike length.

The Mineral Resource has been classified as Indicated and Inferred in accordance with the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves", 2012 Edition (JORC Code) on a qualitative basis; taking into consideration numerous factors including drill holes spacing, estimation quality statistics (kriging slope of regression), number of informing samples, average distance to informing samples in comparison to the semi-variogram model ranges, and overall coherence and continuity of the modelled mineralisation wireframes.

The current Mineral Resource estimate for the Bald Hill Project are stated in the following tables:

#### BALD HILL PROJECT MINERAL RESOURCE ESTIMATE AT 31 DECEMBER 2017 (above 0.5% Li<sub>2</sub>O cut-off, 100% Project interest)

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

Tawana's share is 50% of the above values

#### BALD HILL PROJECT MINERAL RESOURCE ESTIMATE AT 31 DECEMBER 2017 (below 0.5% Li<sub>2</sub>O and above 200ppm Ta<sub>2</sub>O<sub>5</sub> cut-offs, 100% Project Interest)

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

Tawana's share is 50% of the above values

## DIRECTORS' REPORT

### ANNUAL MINERAL RESOURCE & ORE RESERVE STATEMENT | BALD HILL PROJECT

#### REVIEW OF MATERIAL CHANGES

There was no Mineral Resource Estimate at 31 December 2016.

#### GOVERNANCE CONTROLS

All Mineral Resource estimates are prepared by Competent Persons using data that they have reviewed and consider to have been collected using industry standard practices and which, to the most practical degree possible are representative, unbiased, and collected with appropriate QA/QC practices in place. All Mineral Resource estimates quoted above have been estimated or independently verified by CSA Global Pty Ltd.

#### ORE RESERVES

Tawana, with the assistance of consultants completed a mining study on the drill-defined mineralisation covering the Bald Hill Project prospects. To establish mineable quantities and grades a number of optimisations were completed on the Maiden Mineral Resource model completed by CSA Global in June 2017. These results were then analysed with a set of current price and cost assumptions to determine their respective value and an optimal shell was selected for the study based on both value and risk.

Using conceptual mine plans a number of mining contractors were requested to provide budgetary pricing for open pit mining, and these costs were used to build up mining costs included in cost assumptions for the mining study. Pit shells were used as stage designs and from these a mine production schedule was completed for the life of the mine.

Pit optimisations were undertaken by CSA Global using Whittle Four-X pit optimisation software (Whittle). The block model of the lithium and tantalite ores including the overburden and waste rocks was imported into Whittle. A number of optimisations were run and the case selected to be the base Whittle pit optimisation utilised only the Indicated lithium and tantalum Mineral Resource. An ultimate pit was designed using only Indicated Mineral Resources to create staged mine Ore Reserves for the mine schedule. The mine schedule was completed using Maptek Evolution scheduling software after importing the updated resource model from Vulcan. Using a cutoff grade of 0.39% Li<sub>2</sub>O for Indicated material only, iterations of the mining schedule were run to maximise early grade while minimising waste movement.

The current Ore Reserves estimate for the Bald Hill Project are stated in the following tables:

#### ORE RESERVES ESTIMATE FOR THE BALD HILL PROJECT AT 31 DECEMBER 2017 (above 0.39% Li<sub>2</sub>O, 100% Project Interest)

Reserve Category	Tonnes (Mt)	Grade Li <sub>2</sub> O %	Contained Li <sub>2</sub> O Tonnes	Grade Ta <sub>2</sub> O <sub>5</sub> ppm	Contained Ta <sub>2</sub> O <sub>5</sub> (,000) Lbs
Proven	-	-	-	-	-
Probable	4.3	1.18	50,800	208	2,000
<b>Total</b>	<b>4.3</b>	<b>1.18</b>	<b>50,800</b>	<b>208</b>	<b>2,000</b>

Tawana's share is 50% of the above values

## DIRECTORS' REPORT

### ORE RESERVES ESTIMATE FOR THE BALD HILL PROJECT AT 31 DECEMBER 2017 (below 0.39% Li<sub>2</sub>O and above 200ppm Ta<sub>2</sub>O<sub>5</sub> cut-offs, 100% Project Interest)

Reserve Category	Tonnes (Mt)	Grade Li <sub>2</sub> O %	Contained Li <sub>2</sub> O Tonnes	Grade Ta <sub>2</sub> O <sub>5</sub> ppm	Contained Ta <sub>2</sub> O <sub>5</sub> (,000) Lbs
Proven	-	-	-	-	-
Probable	1.4	0.21	3,000	317	1,000
<b>Total</b>	<b>1.4</b>	<b>0.21</b>	<b>3,000</b>	<b>317</b>	<b>1,000</b>

Tawana's share is 50% of the above values

### REVIEW OF MATERIAL CHANGES

There was no Ore Reserve Estimate at 31 December 2016.

### GOVERNANCE CONTROLS

The Ore Reserves for the Bald Hill Project have been prepared under supervision of Mr Mark Gell to a standard reportable in accordance with the JORC Code. The Ore Reserve estimate is based on the Mineral Resources classified as "indicated" after consideration of all mining, metallurgical, social, environmental and financial aspects of the operation. The Probable Ore Reserve has been derived from both the Indicated and Inferred Mineral Resource.

### NOTES

- 1: All material assumptions and technical parameters underpinning the Mineral Resource Estimates disclosed in the ASX announcement dated 11 October 2017 continue to apply and have not materially changed since it was last reported.
- 2: All material assumptions and technical parameters underpinning the Ore Reserve Estimates in the ASX announcement dated 11 July 2017 continue to apply and have not materially changed since it was last reported.
- 3: All material assumptions underpinning the Production Targets disclosed in the ASX announcement dated 11 July 2017 continue to apply and have not materially changed since they were last reported.

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## COMPETENT PERSONS STATEMENT

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

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

The information in this report that relates to Mineral Resource Estimates is based on and fairly represents information and supporting documentation compiled by Dr Matthew Cobb, an employee of CSA Global Pty Ltd. Dr Cobb is a member of both The Australasian Institute of Mining and Metallurgy and Australian Institute of Geoscientists. Dr Cobb has sufficient experience relevant to the style of mineralisation under consideration and to the activity which he is 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". Dr Cobb consents to the inclusion in this report of the matters based on their information in the form and context in which it appears.

The information in this report that relates to Ore Reserve Estimates is based on and fairly represents information and supporting documentation compiled by Mr Mark Gell. Mr Gell was an employee of the Company until December 2017 at the time the relevant information and supporting documents were compiled. Mr Gell is a member of the Australasian Institute of Mining and Metallurgy. Mr Gell has sufficient experience relevant to the style of mineralisation under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Gell consents to the inclusion in this report of the matters based on their information in the form and context in which it appears.

The information in this report that relates to metallurgy and metallurgical test work has been reviewed by Mr Noel O'Brien, FAusIMM, MBA, B. Met Eng. Mr O'Brien is contract consultant to the Company. Mr O'Brien is a Fellow of the Australasian Institute of Mining and Metallurgy, and he has sufficient experience with the style of processing response and type of deposit under consideration, and to the activities undertaken, to qualify as a competent person as defined in the JORC Code. Mr O'Brien consents to the inclusion in this report of the contained technical information in the form and context as it appears. Mr O'Brien and Tawana do not consider this to constitute a potential conflict of interest to his role as Competent Person.

## AUDITOR'S INDEPENDENCE DECLARATION



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### Auditor's Independence Declaration to the Directors of Tawana Resources NL

As lead auditor for the audit of Tawana Resources NL for the financial year ended 31 December 2017, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional code of professional conduct in relation to the audit.

This declaration is in respect of Tawana Resources NL and the entities it controlled during the year.

A handwritten signature in black ink that reads 'Ernst &amp; Young'.

Ernst & Young

A handwritten signature in black ink that reads 'R J Curtin'.

R J Curtin  
Partner  
28 March 2018

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# FINANCIAL REPORT

For the year ended 31 December 2017

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The financial report covers the consolidated entity consisting of Tawana Resources NL and its subsidiaries. The financial report is presented in Australian dollars.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

Tawana Resources NL is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Level 3, 20 Parkland Road  
Osborne Park, Western Australia 6017

A description of the nature of the consolidated entity's operations and its principal activities is included in the directors' report, which is not part of the financial report.

The financial report was authorised for issue, in accordance with a resolution of Directors, on 28 March 2018. The Directors have the power to amend and reissue the financial report.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 \$'000	2016 \$'000
<b>Revenue</b>			
Revenue from continuing operations	5	84	26
		84	26
<b>Expenses</b>			
Administration expense		(815)	(605)
Employee benefits expense		(995)	(399)
Share based payment expense		(4,334)	(326)
Compliance and regulatory expense		(318)	(192)
Depreciation expense		(39)	(25)
Exploration expenditure		(164)	(239)
Impairment of exploration and evaluation asset		(1,559)	-
		(8,224)	(1,786)
<b>Loss before income tax</b>		(8,140)	(1,760)
Income tax benefit/(expense)	9	-	-
<b>Loss after income tax for the year</b>		(8,140)	(1,760)
<b>Other comprehensive loss</b>			
<i>Items that will be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		(177)	(16)
<b>Total comprehensive loss for the year</b>		(8,317)	(1,776)
<b>Loss per share for the year attributable to the members of Tawana Resources NL:</b>			
Basic/diluted loss per share (cents)	23	(1.90)	(1.04)

The above consolidated statement of profit or loss & other comprehensive income should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 \$'000	2016 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		16,375	6,959
Trade and other receivables	7	5,190	322
Prepayments and deposits	8	1,116	-
Inventory		27	-
<b>Total current assets</b>		<b>22,708</b>	<b>7,281</b>
<b>Non-current assets</b>			
Mine properties	10	18,045	-
Exploration and evaluation expenditure	11	7,660	12,463
Property, plant and equipment	13	23,833	61
Deposits		73	-
<b>Total non-current assets</b>		<b>49,611</b>	<b>12,524</b>
<b>Total assets</b>		<b>72,319</b>	<b>19,805</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	12	9,373	1,212
Deferred revenue	14	9,595	-
Provisions		160	2
<b>Total current liabilities</b>		<b>19,128</b>	<b>1,214</b>
<b>Non-current liabilities</b>			
Deferred revenue	14	2,905	-
Provision for rehabilitation		706	18
<b>Total non-current liabilities</b>		<b>3,611</b>	<b>18</b>
<b>Total liabilities</b>		<b>22,739</b>	<b>1,232</b>
<b>Net assets</b>		<b>49,580</b>	<b>18,573</b>
<b>Equity</b>			
Contributed equity	15	108,024	73,034
Reserves		6,990	2,833
Accumulated losses		(65,434)	(57,294)
<b>Total equity</b>		<b>49,580</b>	<b>18,573</b>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Contributed equity \$'000	Share based payments Reserve \$'000	Foreign currency reserve \$'000	Asset revaluation reserve \$'000	Accumulated losses \$'000	Total equity \$'000
At 1 January 2016	54,420	411	1,732	23	(55,994)	592
<b>Comprehensive loss</b>						
Loss for the year	-	-	-	-	(1,760)	(1,760)
Exchange differences on foreign operations	-	-	(16)	-	-	(16)
<b>Total comprehensive loss for the year</b>	-	-	(16)	-	(1,760)	(1,776)
<i>Transactions with owners in their capacity as owners:</i>						
Shares issued, net of costs	18,614	-	-	-	-	18,614
Share options cancelled	-	(460)	-	-	460	-
Share options issued	-	1,143	-	-	-	1,143
	18,614	683	-	-	460	19,757
<b>At 31 December 2016</b>	<b>73,034</b>	<b>1,094</b>	<b>1,716</b>	<b>23</b>	<b>(57,294)</b>	<b>18,573</b>
At 1 January 2017	73,034	1,094	1,716	23	(57,294)	18,573
<b>Comprehensive loss</b>						
Loss for the year	-	-	-	-	(8,140)	(8,140)
Exchange differences on foreign operations	-	-	(177)	-	-	(177)
<b>Total comprehensive loss for the year</b>	-	-	(177)	-	(8,140)	(8,317)
<i>Transactions with owners in their capacity as owners:</i>						
Shares issued, net of costs	34,990	-	-	-	-	34,990
Share based payment transactions	-	4,334	-	-	-	4,334
	34,990	4,334	-	-	-	39,324
<b>At 31 December 2017</b>	<b>108,024</b>	<b>5,428</b>	<b>1,539</b>	<b>23</b>	<b>(65,434)</b>	<b>49,580</b>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	2017 \$'000	2016 \$'000
<b>Cash flows from operating activities</b>			
Payments to administration suppliers and employees		(3,715)	(1,097)
Revenue received in advance		12,500	-
Interest received		84	12
Other receipts		-	5
<b>Net cash provided by/(used in) operating activities</b>	6	<b>8,869</b>	<b>(1,080)</b>
<b>Cash flows from investing activities</b>			
Payments for mine properties		(3,516)	-
Payments for exploration and evaluation		(7,881)	(11,576)
Payments for property, plant and equipment		(21,715)	(26)
Proceeds from sale of exploration assets		-	71
Proceeds from sale of fixed assets		-	9
<b>Net cash used in investing activities</b>		<b>(33,112)</b>	<b>(11,522)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		35,819	19,047
Proceeds received in advance		-	195
Capital raising costs		(2,160)	(490)
<b>Net cash received from financing activities</b>		<b>33,659</b>	<b>18,752</b>
<b>Net increase in cash and cash equivalents</b>		<b>9,416</b>	<b>6,150</b>
Cash and cash equivalents at the beginning of the year		6,959	808
Exchange rate adjustment to cash		-	1
<b>Cash and cash equivalents at the end of the year</b>		<b>16,375</b>	<b>6,959</b>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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## 1. Significant accounting policies

The consolidated financial statements of Tawana Resources NL ("Tawana", "the Parent") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the Directors on 28 March 2018. The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated. The Group is a for-profit entity for financial reporting purposes.

### Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

### Historical cost convention

These financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss and derivative financial instruments.

### Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

### Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power of the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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Profit or loss and each component of other comprehensive income (“OCI”) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

## Going concern

The Group recorded a loss of \$8,139,652 (2016: loss \$1,759,935) and had cash outflows from operating and investing activities of \$24,242,990 (2016: \$12,602,187) for the year ended 31 December 2017. The Group had cash and cash equivalents at 31 December 2017 and 27 March 2018 of \$16,375,096 and \$9,838,423 respectively.

During the past 12 months, Tawana has worked with its Joint Operation partner, Alliance Mineral Assets Limited, to bring the Bald Hill Lithium Project into production, with the first spodumene (lithium) concentrate production announced on 14 March 2018. The Bald Hill Lithium Project has required significant capital expenditure to date and will require additional funding to enable the Group to complete development of the Project and to meet its general working capital requirements during the start-up phase.

The Directors recognise the need to raise further additional funds during the quarter ending 30 June 2018 via equity raisings or borrowing facilities in order to meet capital expenditure and working capital requirements. Subsequent to year end the Directors finalised a \$5,000,000 debt facility as discussed in note 22 which has been fully drawn down. The Directors are satisfied they will be able to raise additional capital as required and thus it is appropriate to prepare the financial statements on a going concern basis.

In the event that the Group is unable to obtain sufficient funding as required, there is material uncertainty whether it will continue as a going concern and therefore whether it will realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial statements do not include any adjustment relating to the recoverability or classification of recorded asset amounts or to the amounts or classification of liabilities that may be necessary should the consolidated entity not be able to continue as a going concern.

## Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The Group has recognised its share of jointly held assets, liabilities, revenues and expenses of joint operations.

## Operating segments

Operating segments are presented using the ‘management approach’, where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers (‘CODM’). The CODM is responsible for the allocation of resources to operating segments and assessing their performance. The CODM has been identified as the Board of Directors.

## Foreign currency translation

The financial statements are presented in Australian dollars, which is the Company’s functional and presentation currency.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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## *Foreign currency transactions*

Foreign currency transactions are translated into Australian Dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

## *Foreign operations*

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rate at the date of the transaction, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

## **Revenue recognition**

Revenue is recognised when it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised for the major business activities as follows:

### *Interest income*

Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of the financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

### *Other revenue*

Other revenue is recognised when it is received or when the right to receive payment is established.

### *Deferred revenue*

Revenue from long-term offtake agreements is a payment for future product to be delivered. Advance customer payments are deferred revenues at the time of receipt. When the product is delivered to the customer the deferred revenue will be released to the profit or loss on an undiscounted basis.

## **Income tax**

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and, where applicable, adjustments recognised for prior periods.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint operations, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only when there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Tawana Resources NL (the 'head entity') and its wholly-owned Australian controlled entities have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within the group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities within the tax consolidated group.

## Discontinued operations

A discontinued operation is a component of the Group that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

## Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquiree.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of 12 months from the date of the acquisition or when the acquirer receives all the information possible to determine fair value.

## Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

## Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or a cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in a normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

## Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of presentation in the statement of cash flows, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities in the consolidated statement of financial position.

## Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

## Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

## Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

### *Financial assets at fair value*

Financial assets at fair value are non-derivative financial assets.

Financial assets at fair value are measured initially at fair value which includes transaction costs directly attributable to the acquisition of the financial asset. They are measured subsequently at fair value with movements in fair value being recognised in the profit or loss, unless:

- The financial asset is an equity investment; and
- The Group has made an irrevocable election to present gains and losses on the financial asset in other comprehensive income. This election has been made on an individual equity basis.

Profit or loss arising on the sale of equity investments is recognised in the profit or loss unless the election has been made to recognise fair value movements in other comprehensive income.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Further increases in estimates of cash flows adjust effective interest rates prospectively. Effective interest rates for financial assets reclassified to the loans and receivables category are determined at the reclassification date.

### *Recognition and de-recognition*

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

On disposal the cumulative gains or losses recognised on investments held at fair value through equity over the period the Group held the financial asset are transferred directly to retained earnings/accumulated losses and are not permitted to be recognised in profit or loss.

At initial recognition the Group may make an irrevocable election (on an instance by instance basis) to recognise the changes in fair value of investments in equity instruments in other comprehensive income. This election is only permitted for equity instruments that are not held for trading purposes.

## *Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not held at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets held at fair value through profit or loss are expensed in profit or loss. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Financial assets held for trading are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets held for trading' category are presented in profit or loss within other income or other expenses in the period in which they arise. Dividend income from financial assets held for trading is recognised in profit or loss as part of revenue from continuing operations when the Group's right to receive payments is established.

Financial assets held at fair value through equity are subsequently carried at fair value. Gains and losses arising from changes in fair value are recognised in other comprehensive income.

Details on how the fair value of financial instruments is determined are disclosed in note 2.

## *Impairment of financial assets*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset classified as held for trading is impaired. A financial asset classified as held for trading is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Under AASB 9 financial assets held at fair value through equity are no longer required to be assessed for impairment.

## **Inventories**

Inventories held by the Group are in the form of materials or supplies to be consumed in the ordinary course of business. Inventories are stated at the lower of cost and net realisable value. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable. Items of inventory are written down if those inventories are damaged or if they become partially or wholly obsolete.

## **Property, plant and equipment**

Property, plant and equipment is stated at cost less accumulated depreciation and any write offs due to damage or obsolescence. Depreciation is calculated on a straight-line or units of production basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

- |   |                                  |
|---|----------------------------------|
| ▪ Land & buildings                              | 15 years / units of production   |
| ▪ Computer equipment, software & communications | 3 years                          |
| ▪ Plant, furniture & equipment                  | 5-10 years / units of production |
| ▪ Motor vehicles & mobile equipment             | 5-10 years                       |

The carrying value of all assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. The residual value, useful lives and depreciation methods are reviewed and

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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adjusted if appropriate, at the end of each reporting period. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the statement of profit or loss.

## Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. The costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable resources and further work is intended to be performed. Accumulated costs in relation to an abandoned area will be written off in full against the profit and loss in the year in which the decision to abandon the area is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

## Mine properties

Mine properties comprises of 'Mines under construction' and 'Producing mines'. Expenditure is transferred from 'Exploration and evaluation assets' to 'Mines under construction' once the work completed to date supports the future development of the property and such development receives appropriate approvals. After transfer of the exploration and evaluation assets, all subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalised in 'Mines under construction'. Any costs incurred in testing the assets to determine if they are functioning as intended are capitalised.

After production starts, all assets included in 'Mines under construction' are then transferred to 'Producing mines'. Mine properties are stated at cost less accumulated depreciation/amortisation.

Accumulated mine development costs are depreciated/amortised on a unit of production (UOP) basis over the economically recoverable resources/reserves of the mine concerned, except in the case of assets whose useful life is shorter than the life of the mine, in which case, the straight-line method is applied. The unit of account for run-of-mine (ROM) costs is tonnes of ore, whereas the unit of account for post-ROM costs are recoverable ounces of lithium and tantalum. Rights and concessions are depleted on the UOP basis over the economically recoverable resources/reserves of the relevant area. The UOP rate calculation for the depreciation/amortisation of mine development costs takes into account expenditures incurred to date, together with sanctioned future development expenditure. Economically recoverable reserves include proven and probable reserves. Economically recoverable resources include indicated and inferred resources.

The estimated fair value attributable to the mineral resources/reserves and the portion of mineral resources/reserves considered to be probable of economic extraction at the time of the acquisition is amortised on a UOP basis whereby the denominator is the resources/reserves which are expected to be extracted economically. Mineral resources are included in depreciation calculations where there is a high degree of confidence in their economic extraction. This would be the case when the other mineral resources do not yet have the status of reserves merely because the necessary detailed evaluation work has not yet been performed and the responsible technical personnel agree that inclusion of a proportion of measured and indicated resources is appropriate based on historic reserve conversion rates.

## Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and the amount can be reliably estimated. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting in the passage of time is recognised as a finance cost.

## Employee benefits

### *Short-term obligations*

Liabilities for wages and salaries and on costs, including non-monetary benefits, and annual leave are expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

### *Other long-term employee benefit obligations*

The liability for long service leave and annual leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

### *Share based payments*

Under the Group's Employee Incentive Option Plan the Group provides benefits to employees, contractors and consultants of the Group in the form of unlisted share options, whereby employees render services in exchange for rights over shares ('long-term incentives').

The cost of these long-term incentives is measured by reference to the fair value at the date at which they are granted. The fair value is determined using suitable valuation techniques that takes into account the exercise price, the term of the long-term incentive, the impact of dilution, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the long-term incentive.

If market conditions are taken into consideration when determining fair value, any awards subject to market conditions are considered to vest regardless of whether or not that market condition has been met, provided all other conditions are satisfied.

If a long-term incentive is modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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If a long-term incentive is cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement long-term incentive is substituted for the cancelled long-term incentive, the cancelled and new long-term incentives are treated as if they were a modification.

## *Termination benefits*

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

## **Fair value measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

## **Issued capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## **Dividends**

No dividends have been paid or recommended during the current or prior financial year or subsequent to reporting date.

## **Government grants**

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset it is offset against the capitalised amount.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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## Goods and Services Tax ('GST')

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the consolidated statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

## Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

### *Group as a lessee*

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease. Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

## Rounding of amounts

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding off'. Amounts in these financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

## New and amended standards and interpretations

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Although these new standards and amendments were applied for the first time in 2017, they did not have a material impact on the annual consolidated financial statements of the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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The nature and the impact of the new standards or amendments not yet effective are described below:

## **AASB 9 Financial Instruments**

### Nature of change

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement

Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs.

Debt instruments are subsequently measured at FVTPL, amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held.

There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss.

For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss.

All other AASB 139 classification and measurement requirements for financial liabilities have been carried forward into AASB 9, including the embedded derivative separation rules and the criteria for using the FVO.

The incurred credit loss model in AASB 139 has been replaced with an expected credit loss model in AASB 9. The requirements for hedge accounting have been amended to more closely align hedge accounting with risk management, establish a more principle-based approach to hedge accounting and address inconsistencies in the hedge accounting model in AASB 139.

### Application date

Annual reporting periods beginning on or after 1 January 2018.

### Impact on initial application

Items previously classified as loans and receivables under AASB 139 are now classified as financial assets at amortised cost or financial assets at fair value. There will be no impact to the Group's financial statement presentation. Based on historical and expected losses, the expected loss impairment model has an immaterial impact on the Group.

## **AASB 15 Revenue from Contracts with Customers**

### Nature of change

AASB 15 replaces all existing revenue requirements in Australian Accounting Standards (AASB 111 Construction Contracts, AASB 118 Revenue, AASB Interpretation 13 Customer Loyalty Programmes, AASB Interpretation 15 Agreements for the Construction of Real Estate, AASB Interpretation 18 Transfers of Assets from Customers and AASB Interpretation 131 Revenue – Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as AASB 117 Leases (or AASB 16 Leases, once applied).

The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

### Application date

Annual reporting periods beginning on or after 1 January 2018.

### Impact on initial application

Based on assessments undertaken to date, the Group has estimated that the transition to AASB 15 will not have a material impact to the financial statements of the Group.

### **AASB 16 Leases**

#### Nature of change

AASB 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117 Leases. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting is substantially unchanged from today's accounting under AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.

### Application date

Annual reporting periods beginning on or after 1 January 2019.

### Impact on initial application

To the extent that the entity, as lessee, has significant operating leases outstanding at the date of initial application, right-of-use assets will be recognised for the amount of the unamortised portion of the useful life, and lease liabilities will be recognised at the present value of the outstanding lease payments. Thereafter, earnings before interest, depreciation, amortisation and tax (EBITDA) will increase because operating lease expenses currently included in EBITDA will be recognised instead as amortisation of the right-of-use asset, and interest expense on the lease liability. However, there will be an overall reduction in net profit before tax in the early years of a lease because the amortisation and interest charges will exceed the current straight-line expense incurred under AASB 117 Leases. This trend will reverse in the later years. There will be no change to the accounting treatment for short-term leases less than 12 months and leases of low value items, which will continue to be expensed on a straight-line basis.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

## Parent entity financial information

Financial information for the parent entity, Tawana Resources NL, disclosed in note 21a has been prepared on the same basis as the consolidated financial statements, except as set out below.

### *Investments in subsidiaries, associates and joint venture entities*

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of the Group. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

### *Tax consolidation legislation*

Tawana Resources NL and its wholly owned Australian controlled entities have implemented the tax consolidation legislation from 1 January 2016.

The tax consolidated group has applied the 'separate taxpayer within the group' approach in determining the appropriate amount of current and deferred taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, Tawana Resources NL also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

### *Share based payments*

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

## 2. Financial instruments, risk management objectives and policies

The Group's principal financial instruments comprise cash and short-term deposits. The main purpose of the financial instruments is to earn the maximum amount of interest at a low risk to the Group. The Group also holds other financial instruments such as trade debtors and trade creditors which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate, foreign currency, credit and liquidity risk.

### Market risk

#### *Foreign currency risk*

The Group is exposed to fluctuations in foreign currencies arising from expenditure in currencies other than the Company's measurement currency.

The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures to the United States Dollar and South African Rand. The Group has not formalised a foreign currency risk management policy, however it monitors its foreign currency expenditure in light of exchange rate movements and retains the right to withdraw from the foreign exploration commitments after the minimum expenditure targets have been met.

The Group has no material exposure to foreign currency risk at the end of the reporting period (2016: None).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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## Interest rate risk

The Group was not exposed to material interest rate risk arising from cash held on deposit at the end of the current or prior reporting periods.

## Credit risk

Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted the policy of primarily dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults.

## Sensitivity

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics at the end of the reporting period. The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Group's maximum exposure to credit risk.

## Liquidity risk

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash and financial assets are available to meet the current and future commitments of the Group. The Board of Directors constantly monitor the state of debt and equity markets in conjunction with the Group's current and future funding requirements, with a view to initiating appropriate capital raisings or debt facilities as required.

The financial liabilities of the Group are confined to trade and other payables and deferred revenue as disclosed in the Consolidated Statement of Financial Position. All trade and other payables are non-interest bearing and due within 12 months of reporting date.

## Fair value measurement

The carrying amount of financial assets and financial liabilities recorded in the financial statements approximate their respective fair values. There have been no changes or transfers of financial assets or liabilities between levels 1, 2 or 3 by the Group during the current financial year.

### 3. Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires that the Group make judgements, estimates and assumptions that affect the reported amounts in the financial statements. The Group continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. The Group bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, believed to be reasonable under current circumstances.

The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### *Exploration and evaluation expenditure*

Acquisition related exploration and evaluation expenditure is capitalised on the basis that the Group will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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not to be recoverable in the future, they will be written off in the period in which this determination is made. Refer to note 11 for further details.

## *Units-of-production amortisation*

Estimated recoverable reserves are used in determining the amortisation of mine specific assets. This results in an amortisation charge proportional to the depletion of the anticipated remaining life of mine production. Each item's life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the mine property at which the asset is located.

These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure.

## *Site rehabilitation provisions*

In accordance with the Group's legal requirements, provision is made for anticipated cost of future restoration and rehabilitation of areas from which natural resources have been extracted. The provision includes costs associated with dismantling of assets, reclamation, plant closure, waste site closure, monitoring, demolition and decontamination.

The provision is based upon current costs and has been determined on a discounted basis with reference to current legal requirements and current technology. Each period the impact of unwinding of the discount is recognised in the statement of profit or loss as a financing cost.

Any change in the rehabilitation provision and the related asset, only to the extent that it is probable that future economic benefits associated with the restoration expenditure will flow to the entity, with the effect being recognised in the statement of profit or loss on a prospective basis over the remaining life of the relevant operation.

The rehabilitation provision is separated into current (estimated costs arising within 12 months) and non-current components based on the expected timing of these cash flows.

## *Share based payment transactions*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Black-Scholes option pricing model or another appropriate valuation methodology, using the assumptions detailed in note 17, and taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

## *Taxation*

Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of Directors pending an assessment by the Australian Taxation Office. These estimates take into account both the financial performance and position of the Group as they pertain to current income taxation legislation and the Directors understanding thereof. No adjustment has been made for pending or future taxation legislation.

Deferred tax assets are recognised for deductible temporary differences and tax losses only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Refer to note 9 for further details.

## *Estimation of useful lives of assets*

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and other mine specific assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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less than previously estimated, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down. Refer to note 13 for further details.

## *Recognition of deferred revenue*

The Group determines and discloses the current and non-current components of deferred revenue based on prevailing management expectations based on available information including current life of mine plans. The timing of the recognition of revenue currently classified as deferred could change significantly as a result of factors outside of management's control. Deferred revenue will be recognised as revenue in line with the requirements of *AASB 15 Revenue from Contracts with Customers*.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 4. Segment information

### Description of segments

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker that are used to make strategic decisions. For the purposes of segment reporting the chief operating decision maker has been determined as the Board of Directors.

Based upon the current operations of the Group, the Board has identified four operating segments; being Bald Hill, exploration within the Cowan tenement package, regional exploration in Liberia and South Africa and the Corporate function. Assets are allocated to a segment based on the operations of the segment and the physical location of the asset.

### Segment information provided to the Board of Directors

The segment information provided to the Board of Directors for the reportable segments is as follows:

	Bald Hill \$'000	Cowan \$'000	Regional \$'000	Corporate \$'000	Total \$'000
<b>Segment assets</b>					
<b>31 December 2017</b>					
Property, plant & equipment	23,673	-	21	139	23,833
Mine properties	18,045	-	-	-	18,045
Exploration & evaluation expenditure	194	7,466	-	-	7,660
Other assets	4,628	191	112	17,850	22,781
<b>Total</b>	<b>46,540</b>	<b>7,657</b>	<b>133</b>	<b>17,989</b>	<b>72,319</b>
<b>31 December 2016</b>					
Property, plant & equipment	-	-	36	25	61
Mine properties	-	-	-	-	-
Exploration & evaluation expenditure	6,175	4,810	1,478	-	12,463
Other assets	-	-	12	7,269	7,281
<b>Total</b>	<b>6,175</b>	<b>4,810</b>	<b>1,526</b>	<b>7,294</b>	<b>19,805</b>
<b>Total segment liabilities</b>					
31 December 2017	21,140	136	148	1,315	22,739
31 December 2016	-	-	35	1,197	1,232

### Measurement of segment information

All information presented above is measured in a manner consistent with that in the financial statements.

### Segment revenue

No inter-segment sales occurred during the current or previous financial year. The parent entity is domiciled in Australia. No revenue was derived from external customers in countries other than the country of domicile. Interest revenues of \$80,767 (2016: \$19,037) were derived from one Australian and one foreign financial institution during the year. These revenues are attributable to the corporate segment.

### Reconciliation of segment information

Total segment revenue, total segment profit/(loss) before income tax, total segment assets and total segment liabilities as presented above, equal total entity revenue, total entity profit/(loss) before income tax, total entity assets and total entity liabilities respectively, as reported within the financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 5. Revenue

	2017 \$'000	2016 \$'000
<b>Revenue from continuing operations</b>		
Interest revenue	81	19
Other income	3	7
<b>Total revenue from continuing operations</b>	<b>84</b>	<b>26</b>

## 6. Cash flow reconciliation

	2017 \$'000	2016 \$'000
Loss after income tax for the year	(8,140)	(1,760)
<b>Adjustments for:</b>		
Depreciation	39	25
Share based payments	4,334	326
Impairment of non-current assets	1,559	239
<b>Changes in assets and liabilities:</b>		
(Increase)/decrease in trade and other receivables	(1,564)	(270)
Increase/(decrease) in trade and other payables and deferred revenue	12,641	360
<b>Net cash (outflows)/inflows from operating activities</b>	<b>8,869</b>	<b>(1,080)</b>

## 7. Trade & other receivables

	2017 \$'000	2016 \$'000
<b>Current</b>		
Trade receivables	194	-
GST receivable	1,429	245
Receivable from Joint Operations participant	3,016	-
Other receivables	551	77
<b>Total current trade and other receivables</b>	<b>5,190</b>	<b>322</b>

Further information relating to credit risk and interest rate risk can be found at note 2. Carrying values shown above also constitutes fair value of all receivable amounts.

## 8. Prepayments and deposits

	2017 \$'000	2016 \$'000
<b>Current</b>		
Prepayments	262	-
Retention deposit <sup>1</sup>	829	-
Bond	25	-
<b>Total current prepayments and deposits</b>	<b>1,116</b>	<b>-</b>

<sup>1</sup> Under the terms of the EPC agreement for the construction of the Bald Hill lithium plant the Joint Venture Manager holds funds on retention as security for the works.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 9. Income tax

	2017 \$'000	2016 \$'000
<b>Loss before tax for the year</b>	(8,140)	(1,760)
Prima facie tax calculated at a tax rate of 27.5% (2016: 28.5%)	(2,238)	(502)
Expenses not deductible for tax purposes	1,597	188
Deferred tax assets not recognised	641	314
<i>Total income tax benefit recognised during the year relating to continuing operations</i>	-	-
<i>Deferred tax assets</i>		
Provisions and accruals	62	77
Capital raising costs	660	-
Tax losses	10,179	8,893
	10,901	8,970
<i>Deferred tax liabilities</i>		
Exploration and evaluation assets	639	662
	639	662
Deferred tax asset recognised to offset deferred tax liabilities	(639)	(662)
Net deferred tax liabilities	-	-
<b>Deferred tax assets not brought to account</b>	10,262	8,308
<b>Tax losses on which no deferred tax asset has been recognised (tax effected)</b>	10,179	8,308

The deferred tax asset attributable to tax losses does not exceed taxable amounts arising from the reversal of existing assessable non-permanent differences.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 10. Mine properties

	2017 \$'000	2016 \$'000
<b>Mine under construction</b>		
Opening balance	-	-
Reclassification from exploration & evaluation expenditure (refer note 11)	12,533	-
Expenditure incurred during the period	5,512	-
<b>Total non-current mine properties</b>	<b>18,045</b>	<b>-</b>

## 11. Exploration & evaluation expenditure

	2017 \$'000	2016 \$'000
<b>Non-current</b>		
Opening balance	12,463	-
Capitalised acquisition expenditure at cost	2,541	9,450
Amounts capitalised during the period	6,748	2,464
Deferred consideration on acquisition	-	788
Exploration expenditure written off	(1,559)	(239)
Reclassification to Mine Properties (refer note 10)	(12,533)	-
<b>Total non-current exploration &amp; evaluation expenditure</b>	<b>7,660</b>	<b>12,463</b>

The ongoing carrying value of the Group's interest in exploration and evaluation expenditure is dependent upon the continuance of the Group's rights to tenure of the areas of interest and the results of future exploration and the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

In June 2017, the Group decided not to proceed with the Uis Lithium project in Namibia, as initial metallurgical test work results were not sufficiently encouraging and due to the significant time commitments associated with developing the Bald Hill Project. As a result, the Group wrote off all capitalised exploration and evaluation expenditure in relation to the Uis Lithium project. Subsequently, on 5 July 2017 Tawana and the former shareholders of Lithium Africa no.1 Pty Ltd signed an agreement whereby Tawana sold back to the original vendors for \$1 the holding company Lithium Africa No.1 Pty Ltd who's wholly owned subsidiary held the rights to the Uis stockpiles.

## 12. Trade & other payables

	2017 \$'000	2016 \$'000
<b>Current</b>		
Trade payables	544	730
Accrued employee benefits	46	2
Accrued expenditure	6,195	268
Other payables	2,588	212
<b>Total current trade and other payables</b>	<b>9,373</b>	<b>1,212</b>

Amounts shown as current are on 30-day payment terms. Information relating to the Group's exposure to foreign exchange risk is provided in note 2.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 13. Property, plant & equipment

Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

	Land & buildings	Plant, furniture & equipment	Motor vehicles & mobile equipment	Computer equipment, software & communications	Assets under construction	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Cost</b>						
Opening balance at 1 January 2017	-	149	46	9	-	204
Additions during the period	1,090	1,059	67	188	22,887	25,291
Disposals during the period	-	(12)	-	(2)	-	(14)
Foreign currency translation	-	(6)	(4)	(1)	-	(11)
<b>Balance at 31 December 2017</b>	<b>1,090</b>	<b>1,190</b>	<b>109</b>	<b>194</b>	<b>22,887</b>	<b>25,470</b>
<b>Accumulated depreciation</b>						
Opening balance at 1 January 2017	-	88	46	9	-	143
Additions during the period <sup>1</sup>	251	424	12	-	718	1,405
Disposals during the period	-	(12)	-	(2)	-	(14)
Depreciation expensed during the period	-	-	39	-	-	39
Depreciation capitalised to mine properties during the period	18	28	1	14	-	61
Foreign currency translation	-	8	(4)	(1)	-	3
<b>Balance at 31 December 2017</b>	<b>269</b>	<b>536</b>	<b>94</b>	<b>20</b>	<b>718</b>	<b>1,637</b>
<b>Net book value at 31 December 2017</b>	<b>821</b>	<b>654</b>	<b>15</b>	<b>174</b>	<b>22,169</b>	<b>23,833</b>

<sup>1</sup> Additions of accumulated depreciation relate to assets brought to account on a gross cost and accumulated depreciation basis upon commencement of Joint Operations.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 14. Deferred revenue

	2017 \$'000	2016 \$'000
Deferred revenue expected to be recognised within one year	9,595	-
Deferred revenue expected to be recognised after one year but before 5 years	2,905	-
Deferred revenue expected to be recognised after five years	-	-
<b>Total deferred revenue</b>	<b>12,500</b>	<b>-</b>

Deferred revenue relates to the lithium concentrate offtake agreement signed with a subsidiary of Burwill Holdings Limited during the year. The prepayment is interest free and to be repaid from 15% of each lithium concentrate shipment until the prepayment has been repaid.

## 15. Contributed equity

	2017 Shares	2016 Shares	2017 \$'000	2016 \$'000
Ordinary shares – fully paid	504,280,941	371,854,502	108,024	73,034

### Ordinary shares

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held and in proportion to the amount paid up on the shares held. At shareholder meetings each ordinary share is entitled to one vote in proportion to the paid-up amount of the share when a poll is called, otherwise each shareholder has one vote on a show of hands.

### Equity incentives

Information relating to equity incentives including details of equity incentives exercised and lapsed during the financial year and equity incentives outstanding at the end of the financial year, is set out in note 17.

	Number of Shares	\$'000
<b>Opening balance 1 January 2016</b>	73,762,751	54,420
Shares issued during the year	297,091,751	18,988
Options exercised during the year	1,000,000	145
Transaction costs relating to share issues during the year	-	(519)
<b>Closing balance 31 December 2016</b>	<b>371,854,502</b>	<b>73,034</b>
Shares issued during the year	128,021,439	36,743
Options exercised during the year	4,405,000	634
Transaction costs relating to share issues during the year	-	(2,387)
<b>Closing balance 31 December 2017</b>	<b>504,280,941</b>	<b>108,024</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 16. Reserves

	2017 \$'000	2016 \$'000
Share based payment reserve	5,428	1,094
Foreign currency reserve	1,539	1,716
Asset revaluation reserve	23	23
<b>Total reserves</b>	<b>6,990</b>	<b>2,833</b>

The functional currency translation reserve records exchange difference arising on translation of the Company's foreign controlled subsidiaries. Amounts are recorded in other comprehensive income and are accumulated in a separate reserve within equity. Upon disposal of the foreign controlled operation the cumulative amount within the reserve is reclassified to profit or loss.

	2017 \$'000	2016 \$'000
<b>Share based payment reserve</b>		
Opening balance	1,094	411
Current year share-based payment expense	4,340	326
Options expense charged to the cost of equity	-	30
Options cancelled during the year	(6)	(460)
Deferred consideration on acquisition	-	787
<b>Closing balance</b>	<b>5,428</b>	<b>1,094</b>

The share-based payment reserve records items recognised on valuation of director, employee and contractor equity incentives. Information relating to the Group's Equity Incentive Option Plan, including details of equity incentives issued, exercised and lapsed during the financial year and share options outstanding at the end of the financial year, is set out in note 17.

## 17. Share-based payments

The Company's Employee Incentive Option Plan gives executives and employees of the Company an opportunity, in the form of unlisted share options ('share options'), to subscribe for ordinary shares in the Company.

The expense recognised for employee services received during the year was \$636,181 (2016: \$325,855). 250,000 share options were cancelled in 2017. There were no cancellations or modifications to the awards in 2017 or 2016.

The following table illustrates the number and weighted average exercise price (WAEP) of, and movements in, share options during the year:

	2017		2016	
	WAEP	Number	WAEP	Number
Outstanding at 1 January	\$0.081	8,050,000	\$0.240	1,275,000
Granted during the year	\$0.184	27,125,000	\$0.060	8,500,000
Exercised during the year	\$0.144	(4,405,000)	\$0.060	(1,000,000)
Cancelled during the year	\$0.130	(250,000)	\$0.344	(725,000)
<b>Outstanding at 31 December</b>	<b>\$0.206</b>	<b>30,520,000</b>	<b>\$0.081</b>	<b>8,050,000</b>
Vested and exercisable at 31 December	\$0.212	25,900,000	\$0.081	8,050,000

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

The assessed fair value at grant date of share options granted to individuals is allocated equally over the incentive's vesting period. Fair values at grant date are determined using a Black Scholes option pricing model that takes into account the exercise price, term of the share option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the share option.

Share options outstanding at the end of the year have the following expiry dates and exercise price:

Grant date	Expiry date	Exercise price	Number under option
12 Jun 2015	26 May 2018	\$0.178	400,000
16 Jun 2016	25 Jun 2018	\$0.035	2,500,000
18 Jul 2016	30 Jun 2019	\$0.060	3,000,000
24 Aug 2016	30 Jun 2019	\$0.060	1,000,000
6 Jan 2017	7 Jan 2020	\$0.130	1,500,000
27 Mar 2017	15 Mar 2020	\$0.160	1,000,000
27 Mar 2017	8 May 2020	\$0.180	620,000
27 Mar 2017	27 Mar 2020	\$0.230	500,000
16 Jun 2017	15 Jun 2020	\$0.200	500,000
12 Apr 2017	12 Apr 2020	\$0.200	3,000,000
12 Apr 2017	12 Apr 2020	\$0.250	3,000,000
12 Apr 2017	12 Apr 2020	\$0.300	3,000,000
19 Jul 2017	19 Jul 2020	\$0.306	8,000,000
22 Aug 2017	21 Aug 2020	\$0.220	250,000
22 Aug 2017	21 Aug 2020	\$0.240	250,000
12 Dec 2017	20 Dec 2020	\$0.200	2,000,000
<b>Total</b>			<b>30,520,000</b>

The weighted average remaining contractual life for the share options outstanding as at 31 December 2017 was 2 years (2016: 3 years). The range of exercise prices for options outstanding at the end of the year was \$0.035 to \$0.306 (2016: \$0.035 to \$0.06).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 17. Share-based payments (continued)

The following share options were issued during the year ended 31 December 2017:

Issue date	Grant date	Expiry date	Quantity	Exercise price	Fair value per share option	Total fair value	Share price at grant date	Expected volatility	Option life (years)	Grant date risk-free rate	Expected dividend yield
6 Jan 2017	3 Jan 2017	7 Jan 2020	2,625,000	\$0.1300	\$0.0812	\$213,208	\$0.1100	133%	3	1.94%	0%
27 Mar 2017	27 Mar 2017	1 Jan 2019	500,000	\$0.1600	\$0.1386	\$69,316	\$0.2050	134%	2	1.67%	0%
27 Mar 2017	27 Mar 2017	15 Mar 2020	1,500,000	\$0.1600	\$0.1614	\$242,045	\$0.2050	134%	3	1.90%	0%
27 Mar 2017	27 Mar 2017	8 May 2020	750,000	\$0.1800	\$0.1608	\$120,578	\$0.2050	134%	3	1.90%	0%
27 Mar 2017	27 Mar 2017	27 Mar 2020	500,000	\$0.2300	\$0.1530	\$76,483	\$0.2050	134%	3	1.90%	0%
12 Apr 2017	23 May 2017	12 Apr 2020	3,000,000	\$0.2000	\$0.1920	\$576,087	\$0.2450	134%	3	1.77%	0%
12 Apr 2017	23 May 2017	12 Apr 2020	3,000,000	\$0.2500	\$0.1856	\$556,717	\$0.2450	134%	3	1.77%	0%
12 Apr 2017	23 May 2017	12 Apr 2020	3,000,000	\$0.3000	\$0.1800	\$539,922	\$0.2450	134%	3	1.77%	0%
16 Jun 2017	23 May 2017	15 Jun 2020	1,500,000	\$0.2000	\$0.1896	\$284,331	\$0.2450	131%	3	1.78%	0%
19 Jul 2017	19 Jul 2017	15 Jun 2020	8,000,000	\$0.3063	\$0.1387	\$1,277,213	\$0.2000	100%	3	2.00%	0%
22 Aug 2017	22 Aug 2017	21 Aug 2020	250,000	\$0.2000	\$0.1598	\$33,273	\$0.2100	100%	3	1.94%	0%
22 Aug 2017	22 Aug 2017	21 Aug 2020	250,000	\$0.2200	\$0.1573	\$32,317	\$0.2100	100%	3	1.94%	0%
22 Aug 2017	22 Aug 2017	21 Aug 2020	250,000	\$0.2400	\$0.1550	\$31,428	\$0.2100	100%	3	1.94%	0%
20 Dec 2017	12 Dec 2017	20 Dec 2020	2,000,000	\$0.2000	\$0.2693	\$481,328	\$0.3350	100%	3	2.13%	0%

The weighted average fair value of share options granted during the year was \$0.1639 (2016: \$0.0551).

The following share options were issued during the year ended 31 December 2016:

Issue date	Grant date	Expiry date	Quantity	Exercise price	Fair value per share option	Total fair value	Share price at grant date	Expected volatility	Option life (years)	Grant date risk-free rate	Expected dividend yield
16 Jun 2016	16 Jun 2016	14 Jun 2018	2,500,000	\$0.0350	\$0.0260	\$29,588	\$0.026	100%	2	1.55%	0%
28 Jul 2016	18 Jul 2016	30 Jun 2019	3,000,000	\$0.0600	\$0.1238	\$76,664	\$0.031	176%	3	1.55%	0%
24 Aug 2016	24 Aug 2016	30 Jun 2019	3,000,000	\$0.0600	\$0.0894	\$253,929	\$0.095	174%	3	1.38%	0%

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the share options is indicative of future trends, which may not necessarily be the actual outcome.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 18. Contingent liabilities

There were no contingent liabilities requiring disclosure at the reporting date.

## 19. Commitments

	2017 \$'000	2016 \$'000
<b>Lease commitments</b>		
Not longer than one year	127	-
Longer than one year, but not longer than five years	154	-
Longer than five years	-	-
<b>Total lease commitments</b>	<b>281</b>	<b>-</b>
<b>Tenement expenditure commitments</b>		
Not longer than one year	599	643
Longer than one year, but not longer than five years	834	-
Longer than five years	806	-
<b>Total tenement expenditure commitments</b>	<b>2,239</b>	<b>643</b>
<b>Capital expenditure commitments</b>		
Not longer than one year	9,899	-
Longer than one year, but not longer than five years	583	-
Longer than five years	-	-
<b>Total capital expenditure commitments</b>	<b>10,482</b>	<b>-</b>

## 20. Key management personnel compensation

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	2017 \$	2016 \$
Short-term employee benefits	743,348	357,894
Post-employment benefits	43,341	3,563
Share-based payments	941,577	325,855
<b>Total key management personal remuneration</b>	<b>1,728,266</b>	<b>687,312</b>

Detailed remuneration disclosures are provided within the audited remuneration report which can be found on pages 27 to 39 of this annual report.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 21. Group structure

This section provides additional information that the directors consider is most relevant in understanding the structure of the Group, including:

- Group information (note 21a)
- Related party disclosures (note 21b)
- Interests in joint arrangements (note 21c)

### 21a. Group information

#### Information about subsidiaries

The consolidated financial statements of the Group include:

Name	Principal Activities	Country of incorporation	% equity interest	
			2017	2016
Mount Belches Pty Ltd	Mineral exploration	Australia	100	100
Lithco No.2 Pty Ltd	Mine development	Australia	100	100
Lithium Africa No.1 Pty Ltd	Holding company	Australia	0	100
Tawana Gold Pty Ltd	Dormant	Australia	100	100
Waba Holdings Pty Ltd	Holding company	Australia	100	100
Kenema-Man Holdings Liberia Pty Ltd	Holding company	Australia	100	100
Tawana Liberia Inc.	Mineral exploration	Liberia	100	100
Archean Holdings	Holding company	Liberia	100	100
Tawana Resources SA Pty Ltd	Mineral exploration	South Africa	100	100
Marck Investments 15 Pty Ltd	Mineral exploration	Namibia	0	95

#### Parent entity information

	2017 \$'000	2016 \$'000
Current assets	17,850	7,007
Total assets	50,943	19,568
Current liabilities	(1,315)	(949)
Total liabilities	(1,315)	(949)
Contributed equity	108,024	73,004
Accumulated losses	(63,845)	(55,504)
Share based payments reserve	5,426	1,095
Asset revaluation reserve	23	23
	<u>49,628</u>	<u>18,618</u>
Loss for the year	(8,341)	(1,851)
Total comprehensive loss for the year	(8,341)	(1,851)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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## *Other information*

During the year the parent entity entered into a cross guarantee in relation to the Bald Hill EPC construction contract. The parent did not enter into any guarantees in the previous financial year. The parent entity did not have contingent liabilities at the end of the current or prior financial year other than disclosed at note 18. The parent entity did not have contractual commitments at the end of the current or prior financial year other than disclosed in note 19.

## **21b. Related party disclosures**

### *Parent entity*

The ultimate parent entity of the Group is Tawana Resources NL (see note 21a).

### *Subsidiaries*

Interests in other entities are set out in note 21a.

### *Key management personnel*

Mr Naylor, an Executive Director of the Group until 31 October 2017, held a senior position with Teranga Gold (Australia) Pty Ltd, which received \$58,749 in fees from the Group (2016: \$38,783) for the provision of administration services and paid \$26,153 to the Group in exchange for administration services received during the current year to 31 October 2017.

Mr Naylor, an Executive Director of the Group until 31 October 2017, also held a senior position with Cygnus Gold Ltd, which paid \$14,756 to the Group in exchange for administration services received during the current year to 31 October 2017.

Mr Naylor, an Executive Director of the Group until 31 October 2017, also provided accounting and company secretarial services to the Group through a related company Blue Leaf Corporate Pty Ltd, which was paid \$81,040 by the Group in exchange for services received during the current year to 31 October 2017.

Mr Calderwood, the Managing Director of the Group, also holds an executive position with Corporate & Resource Consultants Pty Ltd. In June 2017, the Group decided not to proceed with the Uis Lithium project in Namibia, as initial metallurgical test work results were not sufficiently encouraging and due to the significant time commitments associated with developing the Bald Hill Lithium and Tantalum Mine. As a result, the Group wrote off all capitalised exploration and evaluation expenditure in relation to the Uis Lithium project. Subsequently, on 5 July 2017 the Group and the former shareholders of Lithium Africa no.1 Pty Ltd, which included Corporate & Resource Consultants Pty Ltd, signed an agreement whereby the Group sold the holding company Lithium Africa No.1 Pty Ltd back to the original vendors for \$1.

### *Terms & conditions*

Transactions between related parties are on commercial terms and conditions, no more favourable than those available to other parties unless otherwise stated.

## **21c. Interests in joint arrangements**

A Joint arrangement is an arrangement over which two or more parties have joint control. Joint control is the contractually agreed sharing of control over an arrangement which exists only when the decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control.

For the Bald Hill Project, which is an unincorporated jointly controlled operation, the Group is deemed to have joint control over the lithium and tantalum production assets in Western Australia. The Group's share is 50%.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

A joint operation is a type of joint arrangement in which the parties with joint control of the arrangement have rights to the assets and obligations for the liabilities relating the arrangement. In relation to its interests in joint operations, the financial statements of the Group includes:

- Assets, including its share of any assets held jointly
- Liabilities, including its share of any liabilities incurred jointly
- Revenue from the sale of its share of output arising from the joint operation
- Expenses, including its share of any expenses incurred jointly

All such amounts are measured in accordance with the terms of the arrangement which are in proportion to the Group's interest in the joint operation.

## 22. Events occurring after the reporting period

On 25 January 2018 the Tawana announced it had executed a non-binding in principle term sheet for the offtake of tantalum concentrate with the HC Starck Group, a leading tantalum industry specialist.

On 5 February 2018 Tawana announced that it had executed a binding A\$5,000,000 loan agreement with Red Coast Investment Limited, an investment company nominated by Weier Antriebe und Energietechnik GmbH. The loan was drawn down in full in March 2018.

On 14 March 2018 Tawana announced the commencement of lithium production at the Bald Hill Lithium and Tantalum Mine.

On 22 March 2018 Tawana announced its intention to restructure the Group's assets in order to focus on the Bald Hill Project. This will involve the transfer of the Cowan, Yallari and Mofe Creek assets to a wholly owned public company, before undertaking capital reduction and distribution by way of in-specie distribution of 85% of all shares in the new company to Tawana's shareholders.

No other matters or circumstances have arisen since 31 December 2017 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

## 23. Earnings per share (EPS)

	2017	2016
<b>Loss for the period</b>		
Loss used in the calculation of basic EPS	\$8,139,652	\$1,759,935
<b>Weighted average number of ordinary shares ('WANOS')</b>		
WANOS used in calculation of basic earnings per share	428,141,066	169,816,555
<b>Basic loss per share (cents)</b>	1.90	1.04

Diluted earnings per share is not shown or calculated as the Company is in a loss position. The potential ordinary shares which are anti-dilutive in the period are disclosed in note 17.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 24. Remuneration of auditors

The following fees were paid or payable for services provided by the auditor of the Group, its related practices and non-related audit firms:

	2017 \$	2016 \$
<b>Ernst &amp; Young</b>		
Audit services	71,555	32,444
Non-audit services	99,418	-
	<u>170,973</u>	<u>32,444</u>
<b>PricewaterHouseCoopers</b>		
Subsidiary audit services	3,382	39,598
	<u>3,382</u>	<u>39,598</u>

This is the end of the Financial Report.

# DIRECTORS' DECLARATION

For the year ended 31 December 2017

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In accordance with a resolution of the Directors of Tawana Resources NL, I state that:

1. In the opinion of the Directors:

- (a) the financial statements and notes of Tawana Resources NL for the financial year ended 31 December 2017 are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the financial year ended on that date; and
  - (ii) complying with Accounting Standards and the *Corporations Regulations 2001*;
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 1; and
- (c) subject to the achievement of the matters set out in note 1, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the Directors by the Chief Executive Officer and Chief Financial Officer in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 31 December 2017.

On behalf of the board



**Mark Calderwood**  
Managing Director

28 March 2018

# INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2017



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## Independent auditor's report to the members of Tawana Resources NL

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of Tawana Resources NL (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Material uncertainty related to going concern

We draw attention to Note 1 in the financial report. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report. For each matter below, our description of how our audit addressed the matter is provided in that context.

# INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2017



We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

## 1. Carrying value of exploration and evaluation expenditure

### Why significant

As disclosed in Note 11, the Group had exploration and evaluation expenditure of \$7.660 million as at 31 December 2017.

The carrying value of exploration and evaluation assets can be subjective based on the Group's ability, and intention, to continue to explore the asset. The carrying value may also be impacted by the results of exploration work indicating that the mineral resources may not be commercially viable for extraction. This creates a risk that the amounts stated in the financial statements may not be recoverable.

### How our audit addressed the key audit matter

Our audit procedures included the following:

- ▶ considered the Group's right to explore in the relevant exploration area which included obtaining and assessing supporting documentation such as license agreements;
- ▶ assessed recent exploration activity in a given exploration licence area to determine if there are any negative indicators that would suggest a potential impairment of the capitalised exploration and evaluation expenditure; and
- ▶ considered the Group's intention to carry out significant exploration and evaluation activity in the relevant exploration area which included assessment of the Group's cash-flow forecast models, discussions with senior management and Directors as to the intentions and strategy of the Group.

# INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2017



## 2. Share based payments

### Why significant

Tawana Resources NL has granted share based payments (in the form of share options) for compensation of services received in the current year to directors, employees and consultants as detailed in Note 17. The Group has performed calculations to record the related share based payment expense in profit or loss for the year.

Due to the complex and judgmental estimates used in determining the valuation of the share based payments, we consider the Group's calculation of the share based payment expense to be a key audit matter.

The Group uses assumptions in respect of future market and economic conditions.

### How our audit addressed the key audit matter

We considered whether the Group used an appropriate model in valuing the options issued to directors, employees and consultants during the year.

We involved our valuation specialists to assess the assumptions used in the Group's calculation of fair value for the share options issued being the share price of the underlying equity, interest rate, volatility, dividend yield, time to maturity (expected life) and grant date.

We also determined the adequacy and completeness of the disclosure in Note 17.

## 3. Impairment of non-current assets

### Why significant

As disclosed in Note 10 and 13, the Group had mine properties of \$18.045 million and property plant and equipment of \$23.833 million as at 31 December 2017.

The carrying value of the non-current assets needs to be assessed for any indication that an asset may be impaired and if any such indication exists, the Group is required to estimate the recoverable amount.

This was considered to be a key audit matter as the review of the carrying value of non-current assets for impairment indicators and subsequent determination of recoverable amount (if indicators of impairment are identified) require use of significant estimates and judgment.

The directors concluded that no indicators for impairment existed and therefore a formal impairment test was not required to be performed.

### How our audit addressed the key audit matter

We assessed whether the Group considered all of the internal and external sources of indicators of impairment as detailed in AASB 136: *impairment of Assets* in reviewing the carrying value of mine properties and property, plant and equipment for indicators of impairment.

# INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2017

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## Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2017 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

# INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2017



- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the audit of the remuneration report

### Opinion on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2017.

In our opinion, the Remuneration Report of Tawana Resources NL for the year ended 31 December 2017, complies with section 300A of the *Corporations Act 2001*.

# INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2017

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## Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

The Ernst &amp; Young logo, featuring the company name in a stylized, handwritten font.

Ernst & Young

A handwritten signature in black ink, appearing to read 'R J Curtin'.

R J Curtin  
Partner  
Perth  
28 March 2018

# ADDITIONAL SHAREHOLDER INFORMATION

For the year ended 31 December 2017

## Corporate Governance Statement

In accordance with ASX Listing Rule 4.10.3 the Company's Corporate Governance Statement can be found on the Company's website.

Refer to <http://tawana.com.au/corporate-governance/>

The shareholder information set out below was applicable as at 9 March 2018.

### Distribution of Equity Securities

Analysis of numbers of holders of ordinary shares by size of holding as at 9 March 2018:

Holding	Number of holders
1 – 1,000	1,052
1,001 – 5,000	1,940
5,001 – 10,000	1,082
10,001 – 100,000	2,170
100,001 and over	404
	<u>6,648</u>

Analysis of numbers of holders of options by size of holding as at 9 March 2018:

Holding	Number of holders
1 – 1,000	-
1,001 – 5,000	-
5,001 – 10,000	-
10,001 – 100,000	-
100,001 and over	14
	<u>14</u>

As at 9 March 2018 there were 1,147 holders of less than a marketable parcel (\$500) of ordinary shares based on the closing price of \$0.41.

### Equity Security Holders

The names of the twenty largest ordinary fully paid shareholders as at 9 March 2018 are as follows:

Registered Holder	Number held	% of issued shares
J P Morgan Nominees Australia Limited	80,413,995	15.92
Citicorp Nominees Pty Limited	50,291,871	9.96
Merriwee Pty Ltd <Merriwee Super Fund A/C>	30,000,000	5.94
Chalmsbury Nominees Pty Ltd	26,435,900	5.24
UBS Nominees Pty Ltd	22,050,185	4.37
Corporate & Resource Consultants Pty Ltd	21,644,821	4.29
HSBC Custody Nominees (Australia) Limited	19,601,387	3.88
Mr Mark Calderwood	12,460,000	2.47
BNP Paribas Nominees Pty Ltd	11,702,073	2.32
Computershare Company Nominees Limited <SAF Register Control A/C>	8,225,286	1.63
BNP Paribas Noms Pty Ltd	3,754,361	0.74
Abeh Pty Ltd	3,546,099	0.70
Mr Ian James Miller + Dr Duncan Worthington <Reefgrove PL SF A/C>	3,305,498	0.65
National Nominees Limited	3,071,030	0.61
Mrs Smiti Shah	2,900,000	0.57
Jdad Pty Ltd	2,340,000	0.46
Dr Duncan Guy + Mrs Lauraine Elizabeth Worthington <DLWorthington Superfund A/C>	2,140,000	0.42
Mr Mark Calderwood <Family A/C>	1,800,000	0.36
Mr Duncan Guy Worthington	1,732,700	0.34
Intrepid Concepts Pty Ltd	1,650,000	0.32
	<u>309,065,206</u>	<u>61.19</u>

## ADDITIONAL SHAREHOLDER INFORMATION

For the year ended 31 December 2017

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### *Substantial Holders*

Substantial holders in the Company as at 9 March 2018 are set out below:

Ordinary Shares	Number held	% of issued shares
Weier Antriebe und Energietechnik GmbH	57,142,857	11.32
Tribeca Investment Partners Pty Ltd	40,636,077	8.05
Merriwee Pty Ltd	33,000,000	6.54
Chalmsbury Nominees Pty Ltd	26,435,900	5.24

### *Voting Rights*

In accordance with the Company's constitution, on a show of hands every member present in person or by proxy or attorney or duly appointed representative has one vote. On a poll every member present or by proxy or attorney or duly authorised representative has one vote for every fully paid share held. Shareholders may hold a beneficial entitlement to dematerialised ordinary shares through the Central Securities Depositories of Strate (Strate). Each share held dematerialised in Strate, entitles the holder to one vote. Option holders have no voting rights.

### *Restricted and Escrowed Securities*

As at 9 March 2018, Tawana Resources NL does not have any restricted securities or securities subject to voluntary escrow on issue.

### *Buy-back*

There is currently no on-market buy-back in respect of the Company's securities.

# SCHEDULE OF MINERAL TENEMENTS

## As at 31 December 2017

Tenement	Location	Registered Owner	Ownership
<b>Mofe Creek Iron Ore Project<sup>1</sup></b>			
MEL-12029 Mofe Creek	Liberia	Tawana Liberia Inc	100%
MEL-1223/14 Mofe Ck Sth	Liberia	Tawana Liberia Inc	100%
<b>Cowan Lithium Project</b>			
E15/1205	Western Australia	Mt Belches Pty Ltd	100%
E15/1377	Western Australia	Mt Belches Pty Ltd	100%
E15/1446	Western Australia	Mt Belches Pty Ltd	100%
E15/1502	Western Australia	Metalicity Energy Pty Ltd	100% <sup>2</sup>
E15/1503	Western Australia	Metalicity Energy Pty Ltd	100% <sup>2</sup>
E28/2702	Western Australia	Metalicity Energy Pty Ltd	100% <sup>2</sup>
L15/379 (application)	Western Australia	Mt Belches Pty Ltd	100%
<b>Yallari Project<sup>1</sup></b>			
E15/1401 (application)	Western Australia	ABEH Pty Ltd	100% <sup>3</sup>
E15/1526	Western Australia	Mt Belches Pty Ltd	100%
<b>Bald Hill Project<sup>4</sup></b>			
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%
L15/264	Western Australia	Alliance Mineral Assets Limited	50%
L15/265	Western Australia	Alliance Mineral Assets Limited	50%
L15/266	Western Australia	Alliance Mineral Assets Limited	50%
L15/267	Western Australia	Alliance Mineral Assets Limited	50%
L15/268	Western Australia	Alliance Mineral Assets Limited	50%
L15/269	Western Australia	Alliance Mineral Assets Limited	50%

<sup>1</sup> On 22 March 2018 the Company announced an intention to divest its interest in the Mofe Creek Iron Ore Project, Cowan Lithium Project and the Yallari Project by way of a capital reduction distributing in specie to its shareholders 85% of the shares in its wholly owned public company that will directly or indirectly hold the assets comprising these projects, including the relevant tenements listed above.

<sup>2</sup> Mt Belches Pty Ltd has a beneficial interest in these tenements pursuant to the acquisition described on page 20 of the Annual Report. Registrations in the name of Mt Belches Pty Ltd are pending.

<sup>3</sup> Mt Belches Pty Ltd has a beneficial interest in this tenement application pursuant to the acquisition described on pages 21 of the Annual Report. Tenement is required to be transferred to Mt Belches Pty Ltd following its grant.

<sup>4</sup> 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 Annual Report. Registrations in the name of Lithco No.2 Pty Ltd are pending.

# SCHEDULE OF MINERAL TENEMENTS

As at 31 December 2017

Tenement	Location	Registered Owner	Ownership
<b>Bald Hill Project (continued)</b>			
L15/270	Western Australia	Alliance Mineral Assets Limited	50%
L15/348	Western Australia	Alliance Mineral Assets Limited	50%
L15/365	Western Australia	Alliance Mineral Assets Limited	50%
L15/366	Western Australia	Alliance Mineral Assets Limited	50%
P15/5465	Western Australia	Alliance Mineral Assets Limited	50%
P15/5466	Western Australia	Alliance Mineral Assets Limited	50%
P15/5467	Western Australia	Alliance Mineral Assets Limited	50%
P15/5862	Western Australia	Alliance Mineral Assets Limited	50%
P15/5863	Western Australia	Alliance Mineral Assets Limited	50%
P15/5864	Western Australia	Alliance Mineral Assets Limited	50%
P15/5865	Western Australia	Alliance Mineral Assets Limited	50%
P15/5866	Western Australia	Alliance Mineral Assets Limited	50%
R15/1	Western Australia	Alliance Mineral Assets Limited	50%
E15/1058	Western Australia	Alliance Mineral Assets Limited	50%
E15/1212	Western Australia	Alliance Mineral Assets Limited	50%
E15/1161	Western Australia	Alliance Mineral Assets Limited	50%
E15/1162	Western Australia	Alliance Mineral Assets Limited	50%
E15/1166	Western Australia	Alliance Mineral Assets Limited	50%
E15/1353	Western Australia	Alliance Mineral Assets Limited	50%
E15/1066	Western Australia	Alliance Mineral Assets Limited	50%
E15/1067	Western Australia	Alliance Mineral Assets Limited	50%
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%
L15/380 (application)	Western Australia	Alliance Mineral Assets Limited	50%



**TAWANA**  
RESOURCES NL

