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# Titanium Sands Limited

(ACN 009 131 533)

## Prospectus

### **Public Offer**

For an offer of 300,000,000 Shares at an issue price of \$0.02 each to raise \$6,000,000 before costs.

### **Re-compliance with Chapters 1 and 2**

In addition to the purpose of making the Offers, this Prospectus is issued for the purpose of re-complying with the admission requirements under Chapters 1 and 2 of the Listing Rules following a change to the nature and scale of the Company's activities.

### **Important notice**

This document is important and it should be read in its entirety. If you are in any doubt as to the contents of this Prospectus, you should consult your stockbroker, lawyer, accountant or other professional adviser without delay. The Shares offered by this Prospectus should be considered highly speculative.

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## IMPORTANT INFORMATION

### NOTICE

This Prospectus is issued by Titanium Sands Limited (ACN 009 131 533) (“**Company**”).

This Prospectus is dated 29 March 2018 and a copy of this Prospectus was lodged with ASIC on that date. Neither ASIC nor ASX take responsibility for the contents of this Prospectus.

Within 7 days of the date of this Prospectus, the Company will make an application to ASX for the Shares offered pursuant to this Prospectus to be admitted for quotation on ASX.

No Shares will be issued pursuant to this Prospectus later than 13 months after the date of this Prospectus.

Persons wishing to apply for Shares pursuant to the Offers must do so using the Application Form attached to or accompanying this Prospectus. Before applying for Shares investors should carefully read this Prospectus so that they can make an informed assessment of the rights and liabilities attaching to the Shares, the assets and liabilities of the Company, its financial position and performance, profits and losses, and prospects.

Any investment in the Company should be considered highly speculative. Applicants should read this Prospectus in its entirety and persons considering applying for Shares pursuant to this Prospectus should obtain professional advice.

No person is authorised to give any information or to make any representation in relation to the Offers which is not contained in this Prospectus. Any such information or representations may not be relied upon as having been authorised by the Directors.

### COMPETENT PERSON'S STATEMENT

Information contained in the Independent Geologist's Report that relates to exploration results and mineral resources of Srinel has been reviewed by John Doepel, who is a Member of the Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists.

John Doepel has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which Srinel is undertaking, to qualify as an expert and competent person as defined in the VALMIN Code and JORC Code.

John Doepel consents to the inclusion in this Prospectus of the matters based on his information in the form and context in which it appears.

This Prospectus also contains references to ASX announcements of exploration results and other technical comments which have been reviewed and compiled by James Searle BSc (hons), PhD, a Member of the Australian Institute

of Mining and Metallurgy, with over 34 years of experience in metallic and energy minerals exploration and development, and as such has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration 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 Searle is the Managing Director of Titanium Sands Limited and consents to the inclusion of this technical information in the format and context in which it appears.

### FOREIGN INVESTOR RESTRICTIONS

The offer of Shares under this Prospectus does not constitute an offer in any jurisdiction outside Australia. The Offers are not made to persons or places to which, or in which, it would not be lawful to make such an offer of securities. Any persons in such places who come into possession of this Prospectus should seek advice on and comply with any legal restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities laws. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any regulatory or other consents are required or whether any other formalities need to be considered and followed. See section 10.12 for information on selling restrictions that apply to the Shares in certain jurisdictions outside Australia.

### PROSPECTUS AVAILABILITY

The Corporations Act allows distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

A copy of this Prospectus can be downloaded from the Company's ASX announcement's platform at [www.asx.com.au](http://www.asx.com.au) or the Company's website at [www.titaniumsands.com.au](http://www.titaniumsands.com.au).

There is no facility for online applications. Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be an Australian resident and must only access this Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an Application Form unless it

is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. Any person may obtain a hard copy of this Prospectus free of charge by contacting the Company on +61 8 6211 5099.

#### **EXPOSURE PERIOD**

This Prospectus will be circulated during the Exposure Period. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. Investors should be aware that this examination may result in the identification of deficiencies in this Prospectus and, in those circumstances, any application that has been received may need to be dealt with in accordance with section 724 of the Corporations Act.

Applications for Shares under this Prospectus will not be processed by the Company until after the expiry of the Exposure Period. No preference will be conferred on persons who lodge applications prior to the expiry of the Exposure Period.

#### **NO COOLING OFF RIGHTS**

Applicants have no cooling off rights in relation to Shares for which they apply. This means that an applicant is not permitted or entitled to withdraw its application once submitted, other than in certain specified circumstances as detailed in the Corporations Act.

#### **RISKS**

Before deciding to invest in the Company, investors should read the entire Prospectus and in particular, in considering the prospects of the Company, investors should consider the risk factors that could affect the financial performance and assets of the Company. Investors should carefully consider these factors in light of personal circumstances (including financial and taxation issues). The Shares offered by this Prospectus should be considered highly speculative. Refer to section 4 for details relating to risk factors.

#### **DISCLAIMER**

This Prospectus includes information regarding the past performance of the Company. Investors should be aware that past performance is not indicative of future performance.

Certain statements in this Prospectus constitute forward looking statements. These forward looking statements are identified by words such as “may”, “could”, “believes”, “expects”, “intends”, and other similar words that involve risks and uncertainties. Investors should note that these statements are inherently subject to uncertainties in that they may be affected by a variety of known and unknown risks, variables and other factors which could cause actual values or results, performance or achievements to differ materially from anticipated

results, implied values, performance or achievements expressed, projected or implied in the statements.

This Prospectus uses market data and third party estimates and projections. There is no assurance that any of the third party estimates or projections contained in this information will be achieved. The Company has not independently verified this information but has taken reasonable care in reproducing it. The Directors have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. Estimates involve risks and uncertainties and are subject to change based on various factors, including those in section 4.

#### **FINANCIAL AMOUNTS**

All references in this Prospectus to “\$”, “AUD”, “dollars” or “cents” are references to Australian currency unless otherwise stated.

All references in this Prospectuses to “USD” or “\$US” are references to the currency of the United States of America.

Any discrepancies between the totals and sums of components in tables contained in this Prospectus are due to rounding.

#### **EXCHANGE RATE**

All amounts in USD that have been converted to AUD in the Investigating Accountant’s Report have been converted using Bloomberg’s exchange rate as at 30 September 2017 of A\$1 = US\$0.7834. The Company notes that exchange rates are subject to change. Investors are advised to take this into consideration when considering historical figures in USD that have been converted into AUD using an exchange rate as at a historical date.

#### **PHOTOGRAPHS AND DIAGRAMS**

Photographs used in this Prospectus which do not have descriptions are for illustration only and should not be interpreted to mean that any person shown endorsed this Prospectus or its contents, or that the assets shown in them are owned by the Company.

Diagrams used in this Prospectus are for illustration only and may not be to scale.

#### **DEFINITIONS AND TIME**

A number of terms and abbreviations used in this Prospectus have defined meanings which appear in section 12 or in the Independent Geologist’s Report.

All references to time relate to the time in Perth, Western Australia unless otherwise stated or implied.



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**GOVERNING LAW**

This Prospectus and the contracts that arise from the acceptance of the applications under this Prospectus are governed by the law applicable in Western Australia and each applicant submits to the exclusive jurisdiction of the courts of Western Australia.

# CORPORATE DIRECTORY

## DIRECTORS

Lee Christensen  
Non-Executive Chairman

James Searle  
Managing Director

Jason Ferris  
Non-Executive Director

## COMPANY SECRETARY

Nicki Farley

## REGISTERED OFFICE

Level 24  
44 St Georges Terrace  
PERTH WA 6000

Telephone: +61 8 6211 5099

## WEBSITE

[www.titaniumsands.com.au](http://www.titaniumsands.com.au)

## ASX CODE

TSL

## SHARE REGISTRY

Computershare Investor Services Pty Limited  
Level 11, 172 St Georges Terrace  
PERTH WA 6000

## CORPORATE ADVISER

Trident Capital Pty Ltd  
Level 24, 44 St Georges Terrace  
Perth WA 6000

## AUDITOR

BDO Audit (WA) Pty Ltd  
38 Station Street  
Subiaco WA 6008

## INVESTIGATING ACCOUNTANT

BDO Corporate Finance (WA) Pty Ltd  
38 Station Street  
Subiaco WA 6008

## AUSTRALIAN LEGAL ADVISER

Price Sierakowski Corporate  
Level 24, 44 St Georges Terrace  
Perth WA 6000

## SRI LANKAN LEGAL ADVISER

Sharm Fernando Associates  
141/2 Vajira Road  
Colombo 05, Sri Lanka

## INDEPENDENT GEOLOGIST

John Doepel  
Continental Resource Management  
10 Hehir Street  
Belmont WA 6104

## LETTER FROM THE CHAIRMAN

29 March 2018

Dear Investor

On behalf of the board of directors of Titanium Sands Limited ("**Company**"), I am pleased to present this Prospectus to you.

The Company has entered into an option agreement under which it has obtained the sole and exclusive option to acquire 100% of the issued share capital of Srinel Holdings Limited ("**Proposed Acquisition**"). Completion of the Proposed Acquisition will see the Company move away from its previous activities as a mineral exploration company in Western Australia to become a heavy mineral sands exploration company in Sri Lanka. The Proposed Acquisition was approved by Shareholders at the Company's Annual General Meeting on 24 January 2018.

Srinel is an unlisted company registered in Mauritius which, via its subsidiaries, holds exploration licenses and applications for exploration licenses in various coastal districts of Sri Lanka that are prospective for mineral sands. Further details on the Sri Lankan Project are set out in section 3.3, the Independent Geologist's Report in section 6, and the Legal Tenement Report in section 7.

In order to complete the Proposed Acquisition and fund further exploration and scoping studies in relation to the Sri Lankan Projects, the Company is undertaking an offer of Shares to the public under this Prospectus to raise \$6,000,000 before costs. The Public Offer is made subject to the conditions set out in section 1.3.

Funds raised under the Public Offer will be used to fund exploration on the Sri Lankan Project and fund general working capital expenses.

Investors should note that Srinel has not commenced mining operations and is still in its exploration stage. Accordingly, any investment made in the Company should be considered highly speculative. An investment in the Company is subject to risks, including Company specific risks and general risks. Information about certain risks is set out in section 4, which I encourage you to read carefully.

We would like to thank our existing Shareholders for all of their support to date, and we look forward to welcoming new Shareholders who would like to participate in the future of the Company and Srinel.

Yours faithfully



**Lee Christensen**  
Chairman

## KEY DETAILS OF THE OFFERS

| Key financial information  | Completion   |
|--|--------------|
| Existing Shares on issue   | 172,582,782  |
| Shares offered under the Public Offer  | 300,000,000  |
| Issue price per Share under the Public Offer                                     | \$0.02       |
| Amount to be raised under the Public Offer (before costs)                        | \$6,000,000  |
| Shares to be issued under the Seller Offer                                       | 58,095,239   |
| Shares to be issued to the Seller in lieu of the Cash Reimbursement <sup>1</sup> | 22,500,000   |
| Shares to be issued under Creditor Offer   | 5,034,057    |
| Shares to be issued to Trident Capital   | 20,000,000   |
| Shares on issue upon completion of the Offers <sup>2</sup>                       | 578,212,078  |
| Class A Options  | 14,285,714   |
| Class B Options to be issued to Directors  | 30,000,000   |
| Class A Performance Shares   | 66,666,667   |
| Class B Performance Shares   | 33,333,333   |
| Class C Performance Shares   | 133,333,333  |
| Indicative market capitalisation upon completion of the Offers <sup>3</sup>      | \$11,564,241 |

### Notes:

1. Assumes the full amount of the Cash Reimbursement is paid in Shares. Please refer to section 2.2 for further details.
2. Please refer to section 1.7 for further details relating to the proposed capital structure of the Company. Assumes the full amount of the Cash Reimbursement is paid in Shares. Please refer to section 2.2 for further details.
3. Market capitalisation is determined by multiplying the total number of Shares on issue by the price at which the Shares trade on the ASX from time to time. In the table above, the market capitalisation is calculated at the issue price of each Share under the Public Offer, being \$0.02. Please note that there is no guarantee that the Shares will be trading at \$0.02 upon the Company listing.

| Event   | Date            |
|---|-----------------|
| Annual General Meeting to approve the Resolutions   | 24 January 2018 |
| Prospectus lodged with ASIC   | 29 March 2018   |
| Public Offer opens  | 13 April 2018   |
| Public Offer closes   | 11 May 2018     |
| Completion of the Proposed Acquisition<br>Issue of Shares under the Offers<br>Issue of Shares to Trident Capital<br>Issue of Shares and Performance Shares to Seller<br>Issue of Class B Options to Directors | 21 May 2018     |
| Holding statements sent to Shareholders   | 22 May 2018     |
| Expected date for Shares to be reinstated to trading on ASX   | 25 May 2018     |

**Note:** The dates shown in the table above are indicative only and may vary subject to the Corporations Act, the Listing Rules and other applicable laws. In particular, the Company reserves the right to vary the Opening Date and the Closing Date without prior notice, which may have a consequential effect on the other dates. Applicants are therefore encouraged to lodge their Application Form as soon as possible after the Opening Date if they wish to invest in the Company.

## INVESTMENT OVERVIEW

This section is not intended to provide full information for investors intending to apply for Shares offered under this Prospectus. This Prospectus should be read and considered in its entirety. The Shares offered pursuant to this Prospectus carry no guarantee in respect of return of capital, return on investment, payment of dividends or the future value of the Shares.

| Topic  | Summary   | More information |
|--|---|------------------|
| <b>The Company</b>                                 |   |                  |
| Who is the issuer of this Prospectus?              | Titanium Sands Limited (ACN 009 131 533) (" <b>Company</b> ").  | Section 2.1      |
| Who is the Company and what does it do?            | Titanium Sands Limited was incorporated on 20 May 1985, and listed on the ASX on 22 December 1988 as a mineral exploration company. The Company has primarily focused on mineral exploration in Western Australia.  | Section 2.1      |
| What are the Company's key assets and liabilities? | The Company has no material assets or liabilities as at the date of this Prospectus.  | Section 2.1      |
| What is the Company's business strategy?           | The Company has entered into the Option Agreement to acquire 100% of the issued share capital in Srinel Holdings Limited (" <b>Srinel</b> "), completion of which is inter-conditional with the completion of the Offers (together with the matters described in section 2.2, the " <b>Proposed Acquisition</b> ").<br><br>Upon completion of the Proposed Acquisition, the Company's focus will become that of Srinel's, being the exploration and development of mineral sands in Sri Lanka.  | Section 2.2      |
| What are the Company's key objectives?             | The Company's key objectives are to: <ul style="list-style-type: none"> <li>• explore the Sri Lankan Project;</li> <li>• leverage off the experience and skills of the Directors and senior management who collectively have strong track records in corporate management and resource project acquisition, discovery and development;</li> <li>• use funds effectively with the goal of returning significant value to Shareholders; and</li> <li>• make acquisitions of, or investments in, assets that the Company considers are a strategic fit to its operations.</li> </ul> | Section 3.3      |
| What are the Company's business plans?             | The Company's initial business plans are to increase the definition and scale of the resources at the Sri Lankan Project. This will involve evaluating the major exploration potential and then undertaking a scoping study.  | Section 3.5.2    |

| Topic   | Summary  | More information |
|---|--|------------------|
| <b>Srinel</b>   |  |                  |
| Who is Srinel and what does it do?                        | Srinel is an unlisted heavy mineral sands exploration company registered in Mauritius focused on the exploration and development of mineral sands projects in Sri Lanka.   | Section 3.1      |
| What are Srinel's key assets?                             | Srinel's key assets, which are held via its various subsidiaries, are its exploration licenses in Sri Lanka that are prospective for heavy mineral sands.  | Section 3.4      |
| What is the Sri Lankan Project?                           | The Sri Lankan Project is located on Mannar island in Sri Lanka having a delineated Inferred JORC Resource. The Sri Lankan Project comprises 5 exploration licences covering up to 166 km <sup>2</sup> and is prospective for heavy mineral sands.   | Section 3.5.1    |
| What is the financial position and performance of Srinel? | <p>As at 30 September 2017, Srinel had:</p> <ul style="list-style-type: none"> <li>total assets of \$217,466;</li> <li>total liabilities of \$600,158; and</li> <li>total equity of (\$382,692).</li> </ul> <p>As a mineral exploration company, Srinel has only made losses to date. Srinel's losses for the following periods are as follows:</p> <ul style="list-style-type: none"> <li>\$150,304 for the half year ended 30 September 2017;</li> <li>\$190,912 for the year ended 31 March 2017; and</li> <li>\$81,589 for the year ended 31 March 2016.</li> </ul> <p>Further financial information regarding the Company and Srinel is set out in the Investigating Accountant's Report at section 5.</p> <p>Applicants should note that past performance is not a reliable indicator of future performance.</p> | Section 5        |
| <b>Proposed Acquisition</b>                               |  |                  |
| What is the Proposed Acquisition?                         | Under the Proposed Acquisition, the Company will acquire 100% of the issued share capital in Srinel from the Seller under the Option Agreement, and undertake associated transactions such as the Offers.  | Section 9.1      |
| What are the key terms of the Option Agreement?           | <p>Under the Option Agreement, the Company will obtain all of the issued share capital in Srinel in consideration of issuing the following to the Seller (and/or its nominees):</p> <ul style="list-style-type: none"> <li>80,595,239 Shares;</li> <li>66,666,667 Class A Performance Shares;</li> <li>33,333,333 Class B Performance Shares; and</li> <li>133,333,333 Class C Performance Shares.</li> </ul>  | Section 9.1      |

| Topic   | Summary   | More information |
|---|---|------------------|
|   | Completion of the Option Agreement is subject to, among other things, the Company raising \$6,000,000 and the Company being able to satisfy ASX's conditions to re-quotation.   |                  |
| Have Shareholders approved the Proposed Acquisition?                                | Shareholders approved the Proposed Acquisition and associated transactions, including the Public Offer, at the Annual General Meeting of the Company on 24 January 2018.  | Section 2.2      |
| Why is the Company required to re-comply with Chapters 1 and 2 of the Listing Rules | Completion of the Proposed Acquisition will constitute a significant change to the nature (a mineral exploration company to become a mineral sands exploration company) and scale of the Company's activities and, accordingly, the Company is required to re-comply with Chapters 1 and 2 of the Listing Rules in order to complete the Proposed Acquisition.  | Section 2.3      |
| <b>The Offers</b>   |   |                  |
| What is the Public Offer?   | The Company is offering 300,000,000 Shares at an issue price of \$0.02 each to raise \$6,000,000 before costs (" <b>Public Offer</b> " or " <b>Offer</b> ").  | Section 1.1      |
| What are the Additional Offers and why are they being undertaken?                   | <p>In addition, the Company is offering:</p> <ul style="list-style-type: none"> <li>• up to 80,595,239 Shares to the Seller (and/or its nominees) under the Seller Offer;</li> <li>• approximately 5,034,057 Shares to the Creditors under the Creditor Offer.</li> </ul> <p>The Additional Offers are being made to remove any on-sale restrictions that might otherwise apply to the Shares to be issued to the Additional Offerees.</p>  | Section 1.1      |
| What are the conditions of the Public Offer?  | <p>The Public Offer is conditional upon the following events occurring:</p> <ul style="list-style-type: none"> <li>• the Company achieving the Minimum Subscription;</li> <li>• completion of the Proposed Acquisition; and</li> <li>• the Company's being able to re-comply with the admission requirements under Chapters 1 and 2 of the Listing Rules.</li> </ul> <p>If any of the conditions are not satisfied then the Public Offer will not proceed, and any Shares issued under this Prospectus will be deemed void and the Company will repay all Application Monies.</p> | Section 1.3      |
| Why is the Public Offer being conducted?  | <p>The principal purposes of the Public Offer is to:</p> <ul style="list-style-type: none"> <li>• re-comply with Chapters 1 and 2 of the Listing Rules;</li> <li>• complete the Proposed Acquisition;</li> <li>• provide funding for the purposes set out in section</li> </ul>   | Section 1.5      |



| Topic  | Summary   | More information |
|--|---|------------------|
|  | 1.6; <ul style="list-style-type: none"> <li>• provide the Company with access to equity capital markets for future funding needs; and</li> <li>• enhance the public and financial profile of the Company to facilitate further growth of its business.</li> </ul>   |                  |
| How will funds raised under the Public Offer be used?  | It is proposed that funds raised under the Public Offer will be applied towards: <ul style="list-style-type: none"> <li>• expenses of the Public Offer;</li> <li>• exploration and other geological work on the Sri Lankan Project;</li> <li>• creditor repayments; and</li> <li>• general working capital.</li> </ul>  | Section 1.6      |
| What is the effect of the Public Offer on the capital structure of the Company?  | The effect of the Public Offer on the capital structure of the Company will depend on the amount raised under the Public Offer as summarised in section 1.7.  | Section 1.7      |
| <b>Key risk factors</b>  |   |                  |
| <p>Investors should be aware that subscribing for Shares in the Company involves a number of risks. The risk factors set out in section 4, and other general risks applicable to all investments in listed shares, may affect the value of the Shares in the future. Accordingly, an investment in the Company should be considered highly speculative. This section summarises only some of the risks which apply to an investment in the Company and investors should refer to section 4 for a more detailed summary of the risks.</p> |   |                  |
| Reinstatement to the official list of ASX  | Due to the Company's change in nature and scale of activities which will result from completion of the Proposed Acquisition, ASX requires the Company to re-comply with Chapters 1 and 2 of the Listing Rules. There is a risk that the Company will not be able to satisfy one or more of these requirements and that its securities will consequently remain suspended from quotation.  | Section 4.1.1    |
| Exploration and development  | <p>The exploration and development of heavy mineral sands is a speculative and high-risk undertaking that may be impeded by circumstances and factors beyond the control of the Company.</p> <p>There can be no assurance that exploration on the Sri Lankan Project, or any other exploration properties that may be acquired in the future, will result in the discovery of an economic mineral resource. Even if an apparently viable mineral resource is identified, there is no guarantee that it can be economically exploited.</p> | Section 4.1.2    |
| Future profitability   | Srinel is in the growth stage of its development and is currently making losses. The Company's profitability will be impacted by, among other things, the success of its exploration and mining activities, economic conditions in the markets in which it operates, competition factors and any regulatory developments. Accordingly, the extent of  | Section 4.1.3    |

| Topic                   | Summary   | More information |
|-------------------------|---|------------------|
|                         | future profits (if any) and the time required to achieve sustained profitability are uncertain and cannot be reliably predicted   |                  |
| Sri Lankan Country Risk | <p>The Projects are located in Sri Lanka and, following completion of the Proposed Acquisition, the Company will be subject to the risks associated with operating in that country, including various levels of political, sovereign, economic and other risks and uncertainties.</p> <p>Any material adverse changes in government policies, legislation, political, legal and social environments in Sri Lanka or any other country that the Company has economic interests in that affect mineral exploration activities, may affect the viability and profitability of the Company.</p> | Section 4.1.4    |
| Operational risks       | <p>The operations of the Company may be affected by various factors, including:</p> <ul style="list-style-type: none"> <li>• failure to locate or identify mineral deposits;</li> <li>• failure to achieve predicted grades in exploration and mining; and</li> <li>• operational and technical difficulties encountered in mining.</li> </ul> <p>In the event that any of these potential risks eventuate, the Company's operational and financial performance may be adversely affected.</p>  | Section 4.1.9    |
| Commodity prices        | <p>The value of the Company's assets and potential earnings may be affected by fluctuations in commodity prices and exchange rates, such as the USD and AUD denominated prices for mineral sands and the AUD / USD exchange rate.</p> <p>These prices can significantly fluctuate, and are exposed to numerous factors beyond the control of the Company such as world demand for precious and other metals, forward selling by producers, and production cost levels in major metal producing regions.</p>   | Section 4.1.11   |
| Environmental risk      | <p>The Company's activities are subject to the environmental laws inherent in the mining industry and those specific to Sri Lanka. The Company intends to conduct its activities in an environmentally responsible manner and in compliance with all applicable laws. However, the Company may be the subject of accidents or unforeseen circumstances that could subject the Company to extensive liability.</p>   | Section 4.1.15   |
| Future funding needs    | <p>The funds raised under the Public Offer are considered sufficient to meet the immediate objectives of the Company. Further funding may be required by the Company in the event costs exceed estimates or revenues do not meet estimates, to support its ongoing operations and implement its strategies.</p>   | Section 4.1.20   |

| Topic  | Summary  | More information     |  |   |                 |                             |               |                    |               |                     |             |   |             |                         |             |                      |             |                           |
|--|--|----------------------|--|---|-----------------|-----------------------------|---------------|--------------------|---------------|---------------------|-------------|---|-------------|-------------------------|-------------|----------------------|-------------|---------------------------|
| Liquidity and expiry of escrow   | ASX may determine that the securities issued to the Seller, seed investors, the Directors and Trident Capital are required to be held in escrow for a period of 12 or 24 months. Following the end of these escrow periods a significant portion of Shares will become tradable on ASX. This may result in an increase in the number of Shares being offered for sale on market which may in turn put downward pressure on the Company's Share price.  | Section 4.1.23       |  |   |                 |                             |               |                    |               |                     |             |   |             |                         |             |                      |             |                           |
| <b>Other key details of the Public Offer</b>                             |  |                      |  |   |                 |                             |               |                    |               |                     |             |   |             |                         |             |                      |             |                           |
| What are the important dates of the Public Offer?                        | <table border="1"> <thead> <tr> <th colspan="2" data-bbox="496 723 1157 790">Important dates</th> </tr> </thead> <tbody> <tr> <td data-bbox="496 790 927 882">Annual General Meeting to approve the Resolutions</td> <td data-bbox="927 790 1157 882">24 January 2018</td> </tr> <tr> <td data-bbox="496 882 927 949">Prospectus lodged with ASIC</td> <td data-bbox="927 882 1157 949">29 March 2018</td> </tr> <tr> <td data-bbox="496 949 927 1016">Public Offer opens</td> <td data-bbox="927 949 1157 1016">13 April 2018</td> </tr> <tr> <td data-bbox="496 1016 927 1084">Public Offer closes</td> <td data-bbox="927 1016 1157 1084">11 May 2018</td> </tr> <tr> <td data-bbox="496 1084 927 1218">Completion of the Proposed Acquisition<br/>New Shares issued</td> <td data-bbox="927 1084 1157 1218">21 May 2018</td> </tr> <tr> <td data-bbox="496 1218 927 1285">Holding statements sent</td> <td data-bbox="927 1218 1157 1285">22 May 2018</td> </tr> <tr> <td data-bbox="496 1285 927 1352">Trading re-commences</td> <td data-bbox="927 1285 1157 1352">25 May 2018</td> </tr> </tbody> </table> <p data-bbox="496 1352 1157 1435">The above dates are indicative only and may change without notice.</p> | Important dates      |  | Annual General Meeting to approve the Resolutions | 24 January 2018 | Prospectus lodged with ASIC | 29 March 2018 | Public Offer opens | 13 April 2018 | Public Offer closes | 11 May 2018 | Completion of the Proposed Acquisition<br>New Shares issued | 21 May 2018 | Holding statements sent | 22 May 2018 | Trading re-commences | 25 May 2018 | Key Details of the Offers |
| Important dates  |  |                      |  |   |                 |                             |               |                    |               |                     |             |   |             |                         |             |                      |             |                           |
| Annual General Meeting to approve the Resolutions                        | 24 January 2018  |                      |  |   |                 |                             |               |                    |               |                     |             |   |             |                         |             |                      |             |                           |
| Prospectus lodged with ASIC  | 29 March 2018  |                      |  |   |                 |                             |               |                    |               |                     |             |   |             |                         |             |                      |             |                           |
| Public Offer opens   | 13 April 2018  |                      |  |   |                 |                             |               |                    |               |                     |             |   |             |                         |             |                      |             |                           |
| Public Offer closes  | 11 May 2018  |                      |  |   |                 |                             |               |                    |               |                     |             |   |             |                         |             |                      |             |                           |
| Completion of the Proposed Acquisition<br>New Shares issued              | 21 May 2018  |                      |  |   |                 |                             |               |                    |               |                     |             |   |             |                         |             |                      |             |                           |
| Holding statements sent  | 22 May 2018  |                      |  |   |                 |                             |               |                    |               |                     |             |   |             |                         |             |                      |             |                           |
| Trading re-commences   | 25 May 2018  |                      |  |   |                 |                             |               |                    |               |                     |             |   |             |                         |             |                      |             |                           |
| What rights and liabilities attach to the Shares being offered?          | Certain key rights and liabilities attaching to the Shares are described in section 10.1   | Section 10.1         |  |   |                 |                             |               |                    |               |                     |             |   |             |                         |             |                      |             |                           |
| Is the Public Offer underwritten?  | No, the Public Offer is not underwritten.  | Section 1.9          |  |   |                 |                             |               |                    |               |                     |             |   |             |                         |             |                      |             |                           |
| Will any capital raising fees be payable in respect of the Public Offer? | <p data-bbox="496 1675 1176 1800">Trident Capital has been engaged to provide corporate advisory services to the Company. The Company will pay Trident Capital a fee of 6% of the funds it raises under the Offer as well as other benefits.</p> <p data-bbox="496 1809 1176 1966">The Company reserves the right to pay a fee of up to 6% (excl. GST) of amounts subscribed to any licenced securities dealer or Australian Financial Services licensee who has procured investment under the Public Offer.</p>   | Section 1.10 and 9.3 |  |   |                 |                             |               |                    |               |                     |             |   |             |                         |             |                      |             |                           |
| Will the Shares issued under the Offers be                               | The Company will apply to ASX no later than 7 days from the date of this Prospectus for re-admission of the  | Section 1.16         |  |   |                 |                             |               |                    |               |                     |             |   |             |                         |             |                      |             |                           |

| Topic  | Summary  | More information                           |
|--|--|--|
| quoted?  | Company to the official list of ASX, and official quotation of the Shares offered under this Prospectus.   |  |
| How do I apply for Shares under the Offers?              | All Application Forms must be completed in accordance with their instructions and, for the Public Offer, must be accompanied by a cheque in Australia dollars for the full amount of the application being \$0.02 per Share. Cheques must be made to "Titanium Sands Limited" and should be crossed "Not Negotiable".<br><br>Applications under the Public Offer must be for a minimum of 100,000 Shares (\$2,000).  | Section 1.2                                |
| When will I know if my application was successful?       | Holding statements confirming allocations under the Offers will be sent to successful applicants as required by ASX. Holding statements are expected to be issued to Shareholders on or about 22 May 2018.   | Section 1.15 and Key Details of the Offers |
| Can I speak to a representative about the Offers?        | Questions relating to the Offers and completion of Application Forms can be directed to the Company on +61 (8) 6211 5099.  | Section 1.21                               |
| <b>Key persons</b>                                       |  |  |
| Who are the Company's Directors?                         | The Directors of the Company are: <ul style="list-style-type: none"> <li>• Lee Christensen - Non-Executive Chairman;</li> <li>• James Searle – Managing Director; and</li> <li>• Jason Ferris – Non-Executive Director.</li> </ul>   | Section 8.1                                |
| Who comprises the senior management team of the Company? | The Board has delegated responsibility for the business operations of the Company to James Searle, the Managing Director of the Company.   | Section 8.4                                |
| What are the significant interests of the Directors?     | From completion of the Proposed Acquisition, the Directors will be remunerated as follows: <ul style="list-style-type: none"> <li>• Lee Christensen - \$150,000 per annum (plus GST);</li> <li>• James Searle - \$156,000 per annum (plus GST); and</li> <li>• Jason Ferris - \$120,000 per annum (plus GST).</li> </ul> The Directors are also to be paid outstanding Director's fees upon completion of the Proposed Acquisition and other benefits as consideration for consultancy services to be provided to the Company. More information on the security holdings, interests and remuneration of the Directors is set out in section 8.5. | Section 8.5                                |
| <b>Miscellaneous matters</b>                             |  |  |
| What material contracts is the Company a party to?       | The material contracts of the Company include: <ul style="list-style-type: none"> <li>• the Option Agreement;</li> <li>• the Royalty Deed;</li> </ul>  | Section 9                                  |

| Topic  | Summary   | More information     |
|--|---|----------------------|
|  | <ul style="list-style-type: none"> <li>• the corporate advisory mandate entered into with Trident Capital;</li> <li>• executive agreements;</li> <li>• deeds of access, indemnity and insurance for each Director; and</li> <li>• escrow agreements to be entered into prior to listing.</li> </ul> |                      |
| <p>Will any Shares be subject to escrow?</p>                                 | <p>No Shares issued under the Public Offer will be subject to escrow. The Company expects that ASX will impose mandatory escrow on certain securities to be issued to the Seller, seed investors, the Directors and Trident Capital.</p>  | <p>Section 1.8</p>   |
| <p>Will the Company pay dividends?</p>                                       | <p>The Board can provide no guarantee as to the extent of future dividends, as these will depend on, among other things, the actual levels of profitability and the financial and taxation position of the Company at the relevant time.</p>  | <p>Section 1.20</p>  |
| <p>What are the tax implications of investing in Shares under the Offer?</p> | <p>The tax consequences of any investment in Shares will depend upon each applicant's particular circumstances. Investors should obtain their own tax advice before deciding to invest.</p>   | <p>Section 10.11</p> |

# 1. DETAILS OF THE OFFERS

## 1.1 OVERVIEW

### Public Offer

Under this Prospectus, the Company is offering 300,000,000 Shares at an issue price of \$0.02 each to raise \$6,000,000 before costs (“**Public Offer**” or “**Offer**”). The Public Offer has a minimum subscription requirement of \$6,000,000. There is no allowance for oversubscriptions.

The Public Offer is open to the general public however non-Australian resident investors should consider the statements and restrictions set out in sections 1.11 and 10.12 before applying for Shares.

The Shares to be issued under the Public Offer are of the same class and will rank equally in all respects with existing Shares on issue. A summary of the rights and liabilities attaching to Shares can be found in section 10.1.

Applications for Shares under the Public Offer must be made on the Public Offer Application Form accompanying this Prospectus and received by the Company on or before the Closing Date. Persons wishing to apply for Shares should refer to section 1.2 and the Public Offer Application Form for further details and instructions.

### Additional Offers

In addition the Company is offering

- up to 80,595,239 Shares to the Seller (and/or its nominees) under the Seller Offer in accordance with the Option Agreement summarised in section 9.1;
- approximately 5,034,057 Shares to the Creditors under the Creditor Offer, being the amount owing the loans advanced by the Creditors, as adjusted by the interest amount accrued from time to time, to be repaid with Shares with a deemed value of \$0.02 per Share at completion of the Proposed Acquisition.

The reason for issuing these Shares under this Prospectus is so that they are issued under a disclosure document and are therefore not subject to the 12 month on-sale restrictions in section 707(3) of the Corporations Act. The Company notes, however, that some of these Shares will be subject to ASX imposed escrow for 12 to 24 months from admission. See section 1.8 for further details on escrow arrangements.

The Company is not offering Shares under the Additional Offers for the purpose of the Additional Offerees selling or transferring their Shares. However, the Company considers that such persons should be entitled, if they wish, to on-sell their Shares prior to the expiry of 12 months, subject to any escrow restrictions.

The Shares to be issued under the Additional Offers are of the same class and will rank equally in all respects with existing Shares on issue. A summary of the rights and liabilities attaching to Shares can be found in section 10.1. Shares will be issued under the Additional Offers at the same time as Shares are issued under the Public Offer.

Applications for Shares under the Additional Offers must be made using the relevant Application Form accompanying this Prospectus and received by the Company on or before the Closing Date. Applications may only be made by the Additional Offerees (and/or their respective nominees) for the relevant number of Shares that are due to receive in accordance with the Option Agreement or repayment of the outstanding amounts owing under the loans (as applicable). Persons wishing to apply for Shares should refer to the relevant Application Form for further details and instructions. No additional funds or consideration are payable by applicants under the Additional Offers.

## 1.2 APPLICATIONS AND PAYMENT

Applications for Shares under the Offers can only be made using the relevant Application Form accompanying this Prospectus. The Application Form must be completed in accordance with the instructions set out on the back of the form.

Applications under the Public Offer must be for a minimum of 100,000 Shares (\$2,000). No brokerage, stamp duty or other costs are payable by applicants. Cheques must be made payable to "Titanium Sands Limited – Subscription Account" and should be crossed "Not Negotiable". All Application Monies will be paid into a trust account.

Completed Application Forms and accompanying cheques must be received by the Company before 5.00pm WST on the Closing Date by being posted to the following address:

| Post   | Delivery  |
|--|---|
| Titanium Sands Limited<br>c/- Trident Capital<br>P.O. Box Z5183<br>St Georges Terrace<br>PERTH WA 6831 | Titanium Sands Limited<br>c/- Trident Capital<br>Level 24, 44 St Georges Terrace<br>PERTH WA 6000 |

Applicants are urged to lodge their Application Forms as soon as possible as the Offers may close early without notice.

An original, completed and lodged Application Form together with a cheque for the Application Monies constitutes a binding and irrevocable offer to subscribe for the number of Shares specified in the Application Form. The Application Form does not need to be signed to be valid. If the Application Form is not completed correctly or if the accompanying payment is for the wrong amount, it may still be treated by the Company as valid. The Board's decision as to whether to treat an application as valid and how to construe, amend or complete the Application Form is final.

It is the responsibility of applicants outside Australia to obtain all necessary approvals in order to be issued Shares under the Offers. The return of an Application Form or otherwise applying for Shares under the Offers will be taken by the Company to constitute a representation by the applicant that it:

- has received a printed or electronic copy of this Prospectus accompanying the form and has read it in full;
- agrees to be bound by the terms of this Prospectus and the Constitution;
- makes the representations and warranties in section 1.11 (to the extent that they are applicable) and confirms its eligibility in respect of an offer of Shares under the Offers;
- declares that all details and statements in the Application Form are complete and accurate;
- declares that it is over 18 years of age and has full legal capacity and power to perform all of its rights and obligations under the Application Form;
- acknowledges that once the Application Form is returned or payment is made its acceptance may not be withdrawn;

- For personal use only
- agrees to being issued the number of new Shares it applies for at \$0.02 each (or such other number issued in accordance with this Prospectus);
  - authorises the Company to register it as the holder(s) of the Shares issued to it under the Offers;
  - acknowledges that the information contained in this Prospectus is not investment advice or a recommendation that the Shares are suitable for it, given its investment objectives, financial situation or particular needs; and
  - authorises the Company and its officers or agents to do anything on its behalf necessary for the new Shares to be issued to it, including correcting any errors in its Application Form or other form provided by it and acting on instructions received by the Share Registry using the contact details in the Application Form.

### 1.3 **CONDITIONAL OFFER**

The Public Offer under this Prospectus is conditional upon the following events occurring:

- the Company raising the minimum subscription amount of \$6,000,000 under the Public Offer (refer to section 1.4 for further information);
- completion of the Proposed Acquisition (refer to section 2.2 for further information); and
- the Board being reasonably satisfied of the Company's ability to re-comply with the admission requirements under Chapters 1 and 2 of the Listing Rules (refer to section 2.3 for further information).

If these conditions are not satisfied then the Public Offer will not proceed and the Company will repay all Application Monies without interest in accordance with the Corporations Act.

### 1.4 **MINIMUM SUBSCRIPTION**

The minimum subscription requirement for the Public Offer is \$6,000,000, representing the subscription of 300,000,000 Shares at an issue price of \$0.02 each ("**Minimum Subscription**"), and also representing Full Subscription. No Shares will be issued until the Public Offer has reached the Minimum Subscription. Subject to any extension, if the Minimum Subscription has not been achieved within 4 months of the date of this Prospectus, all Application Monies will be refunded without interest in accordance with the Corporations Act.

### 1.5 **PURPOSES OF THE PUBLIC OFFER**

The principal purposes of the Public Offer are to:

- facilitate the Company's re-compliance with the admission requirements in Chapters 1 and 2 of the Listing Rules;
- complete the Proposed Acquisition;
- provide funds for the purposes set out in section 1.6;
- provide the Company with access to equity capital markets for future funding needs; and
- enhance the public and financial profile of the Company to facilitate further growth of the Company's business.



## 1.6 PROPOSED USE OF FUNDS

The Company intends to use the funds raised under the Public Offer as follows:

| Use of funds   | Amount             | %           |
|--|--------------------|-------------|
| Expenses of the Public Offer <sup>1</sup>            | \$525,500          | 8.76%       |
| Exploration on the Sri Lankan Project <sup>2</sup>   | \$2,266,500        | 37.78%      |
| Scoping study on the Sri Lankan Project <sup>3</sup> | \$851,000          | 14.18%      |
| Cash reimbursement to Seller <sup>4</sup>            | \$450,000          | 7.5%        |
| Working capital <sup>5</sup>                         | \$1,907,000        | 31.78%      |
| <b>Total</b>   | <b>\$6,000,000</b> | <b>100%</b> |

**Notes:**

1. Additional expenses of the Public Offer have been paid using the Company's existing cash reserves. See section 10.9 for further information on the expenses of the Offer.
2. See section 3.5.2 for further information.
3. See section 3.5.2 for further information.
4. Cash Reimbursement payable to the Seller under the Option Agreement (subject to ASX's approval). See section 2.2(j) for further information.
5. General working capital may include wages, payments to contractors, rent and outgoings, insurance, accounting, audit, legal and listing fees, other items of a general administrative nature and cash reserves which may be used in connection with any project such as investments and acquisitions, or in connection with any other item in the table above, as determined by the Board at the relevant time.

The above table is a statement of current intentions as at the date of this Prospectus. Investors should note that, as with any budget, the allocation of funds set out in the above table may change depending on a number of factors including, but not limited to, the success of the Company's exploration and evaluation programs, as well as regulatory developments and market and general economic conditions. In light of this, the Board reserves the right to alter the way the funds are applied.

Additional funding through debt and/or equity may be considered by the Board where it is appropriate to accelerate a specific project or transaction.

If the Company decides to make any significant acquisitions such as competitor business or other assets, then it is possible that such acquisitions would be funded by additional financing through debt and/or equity (subject to any necessary Shareholder approvals).

The Board is satisfied that upon completion of the Public Offer, the Company will have sufficient capital to meet its objectives stated in this Prospectus.

## 1.7 CAPITAL STRUCTURE

The table below provides a summary of the capital structure of the Company at the date of this Prospectus and upon completion of the Offers.

| Capital structure                                 | Existing           | Completion         |
|---|--------------------|--------------------|
| Existing Shares <sup>1</sup>                      | 172,582,782        | 172,582,782        |
| Shares under the Public Offer <sup>2</sup>        | -                  | 300,000,000        |
| Shares under the Seller Offer <sup>3</sup>        | -                  | 58,095,239         |
| Shares in lieu of Cash Reimbursement <sup>4</sup> | -                  | 22,500,000         |
| Shares to Trident Capital <sup>5</sup>            | -                  | 20,000,000         |
| Shares under the Creditor Offer <sup>6</sup>      | -                  | 5,034,057          |
| <b>Total Shares</b>                               | <b>172,582,782</b> | <b>578,212,078</b> |
| Class A Options <sup>7</sup>                      | 14,285,714         | 14,285,714         |
| Class B Options to Directors <sup>8</sup>         | -                  | 30,000,000         |
| Class A Performance Shares <sup>9</sup>           | -                  | 66,666,667         |
| Class B Performance Shares <sup>10</sup>          | -                  | 33,333,333         |
| Class C Performance Shares <sup>11</sup>          | -                  | 133,333,333        |
| <b>Fully diluted share capital</b>                | <b>186,868,496</b> | <b>855,831,125</b> |

**Notes:**

- Assumes no additional Shares are issued between the date of this Notice and completion of the Offers.
- See section 1.1 for further information on the Public Offer.
- Shares to be issued to the Seller (and/or its nominees) under the Option Agreement as partial consideration for its shares in Srinel. See section 9.1 for a summary of the Option Agreement.
- Shares to be issued to the Seller in lieu of cash reimbursement of expenditure. Assumes the full amount of the Cash Reimbursement is paid in Shares. See section 2.2(j) for further information.
- Shares to be issued to Trident Capital (and/or its nominees) as partial consideration of services provided to the Company in connection with the Proposed Acquisition.
- The loans advanced to the Company by the Creditors and the accrued interest on these loans is to be repaid by the Company issuing Shares with a deemed value of \$0.02 per Share at completion of the Proposed Acquisition. As at the date of this Prospectus, \$100,681.15 owing under these loans is to be converted into 5,034,057 Shares.
- Class A Options on issue. Class A Options are exercisable at \$0.021 each and will expire on 25 January 2021. See section 10.2 for the full terms of the Class A Options.
- Class B Options to be issued to the Directors to incentivise their performance. Class B Options will be exercisable at \$0.05 each and will expire on 18 January 2021. See section 10.3 for the full terms of the Class B Options.
- Class A Performance Shares are to be issued to the Seller under the Agreement as partial consideration for its shares in Srinel. See section 9.1 for a summary of the Option Agreement. See section 10.4 for the full terms of the Performance Shares.
- Class B Performance Shares are to be issued to the Seller under the Agreement as partial consideration for its shares in Srinel. See section 9.1 for a summary of the Option Agreement. See section 10.4 for the full terms of the Performance Shares.

11. Class C Performance Shares are to be issued to the Seller under the Agreement as partial consideration for its shares in Srinel. See section 9.1 for a summary of the Option Agreement. See section 10.4 for the full terms of the Performance Shares.

## **1.8 ESCROW ARRANGEMENTS**

Under the Listing Rules, ASX may determine that securities issued to promoters, seed capital investors and sellers of classified assets have escrow restrictions placed on them. Such securities may be required to be held in escrow for up to 24 months from quotation of the Company's Shares, during which time they must not be transferred, assigned or otherwise disposed of.

No Shares issued under the Public Offer will be subject to escrow. However the Company does expect that certain Shares and Options held or to be issued to the Seller (and/or its nominees), seed investors, the Directors and Trident Capital will be subject to escrow. Prior to re-quotation of its Shares, the Company will enter into escrow agreements with the relevant holders in relation to the securities subject to mandatory escrow in accordance with the Listing Rules.

The Company will announce final escrow arrangements to ASX prior to re-quotation of its Shares.

## **1.9 UNDERWRITING**

The Public Offer is not underwritten.

## **1.10 CAPITAL RAISING FEES**

Trident Capital has been engaged to provide corporate advisory services to the Company. Trident capital will receive a capital raising fee of 6% (plus GST) in respect of funds it raises under the Public Offer as well as other benefits. See section 9.3 for a summary of the Company's agreement with Trident Capital.

The Company reserves the right to pay to any licensed securities dealer (including an Australian Financial Services licensee) a capital raising fee of up to 6% (plus GST) in respect of funds it raises under the Public Offer.

## **1.11 FOREIGN INVESTOR RESTRICTIONS**

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or to extend such an invitation. No action has been taken to register this Prospectus or otherwise to permit an offering of Shares in any jurisdiction outside Australia. It is the responsibility of non-Australian resident investors to obtain all necessary approvals for the issue to them of Shares offered pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by the applicant that all relevant approvals have been obtained. See section 10.12, for information on selling restrictions that apply to the Shares in certain jurisdictions outside Australia.

## **1.12 RISK FACTORS**

As with any share investment, there are risks associated with investing in the Company. The principal risks that could affect the financial and market performance of the Company are detailed in section 4. The Shares on offer under this Prospectus should be considered speculative. Accordingly, before deciding to invest in the Company, applicants should read this Prospectus in its entirety and should consider all factors in light of their individual circumstances and seek appropriate professional advice.

### **1.13 EXPOSURE PERIOD**

In accordance with Chapter 6D of the Corporations Act, this Prospectus is subject to an Exposure Period of 7 days from the date of lodgement with ASIC. The Exposure Period may be extended by ASIC by a further period of up to 7 days.

The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in this Prospectus. If deficiencies are detected, any application that has been received may need to be dealt with in accordance with section 724 of the Corporations Act. During the Exposure Period, this Prospectus can be viewed online on the Company's website at <http://titaniumsands.com.au/>, and hard copies of this Prospectus will be made available upon request to the Company. Applications received during the Exposure Period will not be processed until after expiration of the Exposure Period. No preference will be conferred on applications received during the Exposure Period and all such applications will be treated as if they were simultaneously received on the Opening Date.

### **1.14 APPLICATION MONIES HELD IN TRUST**

All Application Monies will be held in a separate subscription account on behalf of applicants until the Shares are issued pursuant to the Offers. If the Minimum Subscription is not achieved within a period of 4 months of the date of this Prospectus, all Application Monies will be refunded in full without interest, and no Shares will be issued under the Offers. Any interest earned on Application Monies (including those which do not result in the issue of Shares) will be retained by the Company.

### **1.15 ALLOCATION AND ISSUE OF SHARES**

The Board reserves the right to reject any application or to issue a lesser number of Shares than that applied for. If the number of Shares allocated is less than that applied for, or no issue is made, the surplus Application Monies will be promptly refunded without interest.

Subject to ASX granting approval for quotation of the Shares, the issue of Shares will occur as soon as practicable after the Public Offer closes. All Shares issued under the Offers will rank equally in all respects with existing Shares on issue. Holding statements will be sent to successful applicants as required by ASX. It is the responsibility of applicants to determine their allocation prior to trading in the Shares. Applicants who sell Shares before they receive their holding statement will do so at their own risk.

### **1.16 ASX LISTING AND QUOTATION**

The Company will apply to ASX no later than 7 days from the date of this Prospectus for admission of the Company to the official list of ASX, and official quotation of the Shares offered under the Offers. Subject to any extension, if the Shares are not admitted to quotation within 3 months of the date of this Prospectus, no Shares will be issued and Application Monies will be refunded in full without interest in accordance with the Corporations Act.

ASX takes no responsibility for the contents of this Prospectus. The fact that ASX may grant admission of the Company to the official list and official quotation of the Shares being offered is not to be taken in any way as an indication by ASX as to the merits of the Company or the Shares.

### **1.17 CHESS AND ISSUER SPONSORSHIP**

The Company will apply to CHESS. All trading on the ASX in existing Shares will be settled through CHESS. ASX Settlement, a wholly-owned subsidiary of the ASX, operates CHESS in accordance with the Listing Rules and the ASX Settlement Operating Rules. On behalf of the Company, the Share Registry will operate an electronic issuer sponsored sub-register and an

electronic CHESS sub-register. The 2 sub-registers together make up the Company's principal register of securities.

Under CHESS, the Company does not issue certificates to Shareholders. Rather, holding statements (similar to bank statements) will be sent to Shareholders as soon as practicable after Shares are issued. Holding statements will be sent either by CHESS (for Shareholders who elect to hold Shares on the CHESS sub-register) or by the Company's Share Registry (for Shareholders who elect to hold their Shares on the issuer sponsored sub-register). The statements will set out the number of existing Shares (where applicable) and the number of new Shares issued under this Prospectus and provide details of a Shareholder's Holder Identification Number (for Shareholders who elect to hold Shares on the CHESS sub-register) or Shareholder Reference Number (for Shareholders who elect to hold their Shares on the issuer sponsored sub-register). Updated holding statements will also be sent to each Shareholder at the end of each month in which there is a transaction on their holding, as required by the Listing Rules.

### **1.18 PRIVACY DISCLOSURE**

Persons who apply for Shares pursuant to this Prospectus are asked to provide personal information to the Company, either directly or through the Share Registry. The Company and the Share Registry collect, hold and use that personal information to assess applications for Shares, to provide facilities and services to shareholders, and to carry out various administrative functions. Access to the information collected may be provided to the Company's agents and service providers and to ASX, ASIC and other regulatory bodies on the basis that they deal with such information in accordance with the relevant privacy laws. If the information requested is not supplied, applications for Shares will not be processed. In accordance with privacy laws, information collected in relation to specific Shareholders can be obtained by that Shareholder through contacting the Company on +61 (8) 6211 5099, or the Share Registry, Computershare Investor Services Pty Limited, on 1300 850 505 (within Australia) or +61 8 9323 2000.

### **1.19 FINANCIAL FORECASTS**

After considering *ASIC Regulatory Guide 170*, the Directors do not believe that they have a reasonable basis to reliably forecast future earnings of the Company and, accordingly, financial forecasts are not included in this Prospectus.

### **1.20 DIVIDENDS**

The Board can provide no guarantee as to the extent of future dividends, as these will depend on, among other things, the actual levels of profitability and the financial and taxation position of the Company at the relevant time.

### **1.21 ENQUIRIES**

This Prospectus is important and should be read in its entirety. Persons who are in any doubt as to the course of action to be followed should consult their stockbroker, lawyer, accountant or other professional adviser without delay.

Questions relating to the Offers and completion of Application Forms can be directed to the Company on +61 (8) 6211 5099.

## 2. OVERVIEW OF THE COMPANY AND PROPOSED ACQUISITION

### 2.1 BACKGROUND

The Company was registered on 20 May 1985 and listed on the ASX on 22 December 1988. Since its incorporation, the Company has primarily operated as a mineral exploration company, engaged in the exploration of minerals in Western Australia.

The Company entered into an option agreement with the Seller on or about 19 March 2014 (“**Option Agreement**”) under which the Seller granted the Company the sole and exclusive option (“**Call Option**”) to acquire 100% of the issued share capital of Srinel Holdings Limited (“**Proposed Acquisition**”).

Srinel is an unlisted company registered in Mauritius which, via its subsidiaries, holds exploration licenses and applications for exploration licenses in various coastal districts of Sri Lanka that are prospective for mineral sands (“**Sri Lankan Project**”). The Company completed its due diligence on the Sri Lankan Project and exercised the Call Option on 29 December 2014.

The Company and the Seller subsequently amended the Option Agreement via deeds on 29 January 2016, 18 February 2016 and 27 July 2017, which had the effect of expanding the area of the Sri Lankan Project and adjusting the purchase price.

Other than its contractual right to acquire the Sri Lankan Project in accordance with the Option Agreement, the Company does not currently hold an interest in any mining projects.

The Company has no other material assets.

### 2.2 PROPOSED ACQUISITION

In connection with the Proposed Acquisition, the Company has:

- (a) consolidated its existing securities on a 1 for 3 basis;
- (b) raised \$180,000 by issuing 25,714,289 Shares to Exempt Investors at an issue price of \$0.007 each (on a pre-Consolidation basis);
- (c) raised \$300,000 by issuing 42,857,142 Shares to Exempt Investors at an issue price of \$0.007 each (on a pre-Consolidation basis), together with one free attaching Class A Option for each Share issued; and
- (d) paid to the Seller a fee of approximately A\$600,000 for the Call Option.

In addition, the Company intends to:

- (e) raise \$6,000,000 by issuing 300,000,000 Shares under this Prospectus at an issue price of \$0.02 each;
- (f) acquire 100% of the issued share capital of Srinel;
- (g) issue to the Seller:
  - (i) 58,095,239 Shares;
  - (ii) 66,666,667 Class A Performance Shares;
  - (iii) 33,333,333 Class B Performance Shares; and
  - (iv) 133,333,333 Class C Performance Shares;

- For personal use only
- (h) issue 20,000,000 Shares to Trident Capital (and/or its nominees) as partial consideration of services provided to the Company in connection with the Public Offer and Proposed Acquisition;
  - (i) issue 30,000,000 Class B Options to Directors to incentivise their performance;
  - (j) make a cash payment of \$450,000 to the Seller in reimbursement of expenditure in accordance with Listing Rule 1.1 (Condition 11(a)) or, to the extent the ASX does not permit the Company to pay the full amount in cash, issues Shares in lieu of cash at a deemed issue price of \$0.02 each (“**Cash Reimbursement**”); and
  - (k) re-commence trading on the ASX.

### **2.3 RE-COMPLIANCE WITH CHAPTERS 1 & 2**

Completion of the Proposed Acquisition will constitute a significant change to the nature (from a mineral exploration company to a mineral sands exploration company) and scale of the Company’s activities and, accordingly, the Company is required to re-comply with Chapters 1 and 2 of the Listing Rules in order to complete the Proposed Acquisition.

The Company obtained Shareholder approval for the change in nature and scale at the Annual General Meeting under Listing Rule 11.1.2 as well as other transactions contemplated by the Proposed Acquisition, and it will take all other necessary steps to meet the requirements of Chapters 1 and 2 as if it were applying for admission to the official list of ASX. A primary purpose of this Prospectus is to facilitate the Company in re-complying with the admission requirements under the Listing Rules.

The Company will remain suspended until it has re-complied with Chapters 1 and 2 of the Listing Rules. There is a risk that the Company may not be able to meet the requirements of Chapters 1 and 2. In the event that the conditions to the Public Offer are not satisfied or ASX does not otherwise approve the re-quotation of the Company’s Shares then the Company will not proceed with the Public Offer, and all Application Monies will be refunded without interest and any Shares issued will be deemed void in accordance with the Corporations Act.

### 3. SRINEL OVERVIEW

This section 3 contains a summary of the Sri Lankan Project. Investors should ensure they read the Independent Geologist's Report in section 6 where the Sri Lanka Project and proposed exploration programs are described in more detail. Investors should also ensure that they read the Legal Tenement Report in section 7 for further legal details of the Sri Lankan Project.

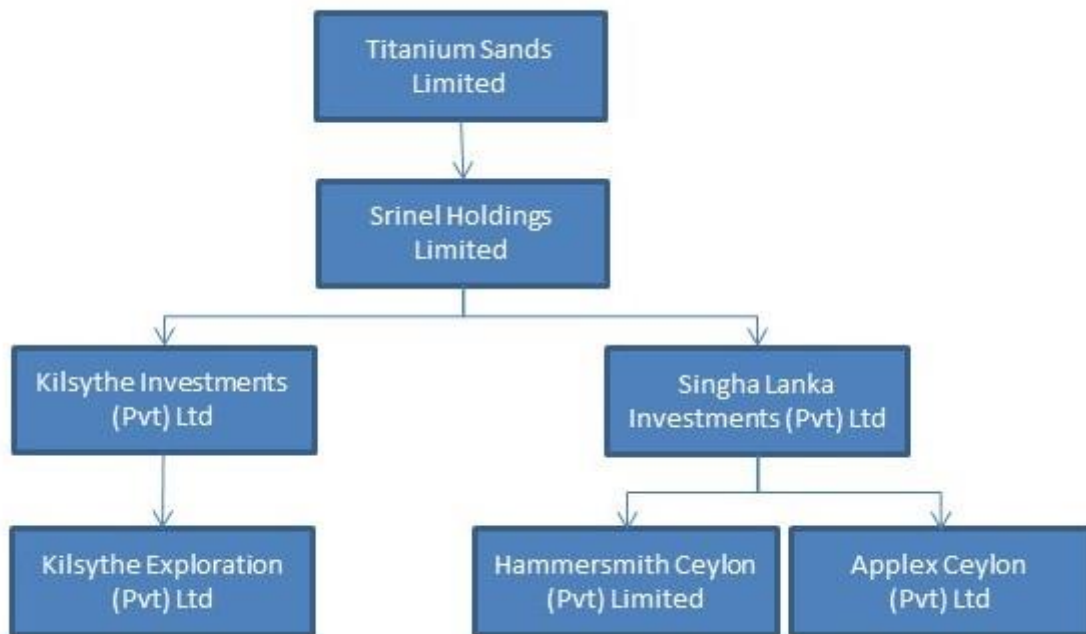
#### 3.1 BACKGROUND

Incorporated in June 2012, Srinel is a mineral sands exploration company focused on the development and commercialization of mineral sands projects located in Sri Lanka.

Srinel's interests in the Sri Lankan Projects are held via its wholly owned subsidiaries detailed in section 3.2.

#### 3.2 CORPORATE STRUCTURE

Assuming completion of the Proposed Acquisition, the corporate group structure of the Company and its wholly owned subsidiaries is set out below.





| Name   | Place and date of registration | Comments   |
|--|--------------------------------|--|
| Titanium Sands Limited (ACN 009 131 533)<br>("Company")                                | Australia<br>20 May 1985       | The Company has no material assets or liabilities and no subsidiaries as at the date of this Prospectus. If the Proposed Acquisition completes, Srinel will become a wholly owned subsidiary of the Company and the Company will become the ultimate parent company of the Srinel Group. |
| Srinel Holdings Limited (Company No. 110643C2/GBL)<br>("Srinel")                       | Mauritius<br>21 June 2012      | Holds 100% of the issued capital in Kilsythe Investments and Singha.   |
| Kilsythe Investments (Pvt) Ltd (Company No. PV 108081)<br>("Kilsythe Investments")     | Sri Lanka<br>1 September 2015  | Holds 100% of the issued capital in Kilsythe Exploration.  |
| Kilsythe Exploration (Pvt) Limited (Company No. PV 108135)<br>("Kilsythe Exploration") | Sri Lanka<br>3 September 2015  | Holds the Sri Lankan exploration license EL 370, forming part of the Sri Lankan Project.   |
| Singha Lanka Investments (Pvt) Ltd (Company No. PV 95981)<br>("Singha")                | Sri Lanka<br>10 December 2013  | Holds 100% of the issued capital in Hammersmith and Applex.  |
| Hammersmith Ceylon (Pvt) Ltd (Company No. PV 107392)<br>("Hammersmith")                | Sri Lanka<br>29 July 2015      | Holds the Sri Lankan exploration tenements EL 371 and E 372, which form part of the Sri Lankan Project.  |
| Applex Ceylon (Pvt) Ltd (Company No. PV 19731)<br>("Applex")                           | Sri Lanka<br>21 April 2003     | Holds the Sri Lankan exploration licenses EL 180 and EL 182, which form part of the Sri Lankan Project.  |

### 3.3 OBJECTIVES AND STRATEGIES

Following completion of the Proposed Acquisition, the primary objective of the Company will be to explore the Sri Lankan Project and deliver growth of the Company for the benefit of Shareholders, including by undertaking follow up drilling and working on exploration targets in Project areas that have not been effectively tested.

The results of the exploration programs will determine the economic viability and possible timing for the commencement of further testing leading into potential mining operations on the Project.

A key strategy of the Company will be to leverage off the experience and skills of the Directors and senior management who collectively have strong track records in corporate management and resource project acquisition, discovery and development.

In addition to its existing exploration activities, the Company may make acquisitions of, or investments in, assets that the Company considers are a strategic fit to its operations.

### 3.4 KEY MILESTONES

A brief description of some of the key milestones that Srinel has achieved over the years is set out below.

| Time         | Event   |
|--------------|---|
| 21 June 2012 | Incorporated in Mauritius as a private company limited by shares  |
| 2014 - 2016  | Acquires 100% of the issued share capital of Kilsythe Investments, Kilsythe Exploration, Singha, Hammersmith and Applex |
| April 2015   | GeoActive (Pty) Ltd define an Inferred JORC Resource in licence areas EL 180, EL 182 and EL 371                         |
| 2016 – 2018  | Srinel's wholly owned subsidiaries are granted the exploration licences comprising the Sri Lankan Project               |

### 3.5 SRI LANKAN PROJECT

#### 3.5.1 OVERVIEW OF SRI LANKAN PROJECT

Srinel, through its wholly owned subsidiaries, holds a number of exploration licenses in Sri Lanka, covering areas prospective for heavy mineral sands. The tenure currently consist of 5 areas (Figure 1 and Table 2).

Previous exploration has defined a heavy mineral sand resource in license areas EL180, EL182 and EL 372 on Mannar Island. An initial JORC inferred mineral resource of 10.3 Mt with total heavy mineral (THM) of 11.7% (Table 1) was reported to the ASX on the 22 April 2015. This resource was based on an historical drill hole data base of 785 auger drill holes and from the 115 holes drilled in 2015. The drilling and the defined resource envelope were largely confined to within 150m of the Mannar Island shoreline.

**Table 1: JORC Inferred mineral resource Mannar Island Project**

| Tonnes  | %THM  | %Silt | %Oversize | %Ilm. | %Leuc. | %Rut. | %Zir |
|---------|-------|-------|-----------|-------|--------|-------|------|
| 10.33Mt | 11.71 | 2.08  | 8.69      | 5.54  | 1.34   | 0.18  | 0.26 |

**Notes:**

1. The information is extracted from the report entitled 'The Mineral Resource Estimation on the Mannar Mineral Sands Project, Srinel Holdings Limited, Sri Lanka' created on 20 April 2015 and is available to view on <http://titaniumsands.com.au/investors/asx-announcements/>. TSL confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. TSL confirms that the form and context in which GeoActiv's findings are presented have not been materially modified from the original market announcement.
2. Except where indicated, exploration results above have been compiled by James Searle BSc (hons), PhD, a Member of the Australian Institute of Mining and Metallurgy, with over 34 years of experience in metallic and energy minerals exploration and development, and as such has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration 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 Searle is the Managing Director of Titanium Sands Limited and consents to the inclusion of this technical information in the format and context in which it appears.

Figure 1 – Srinel controlled tenure

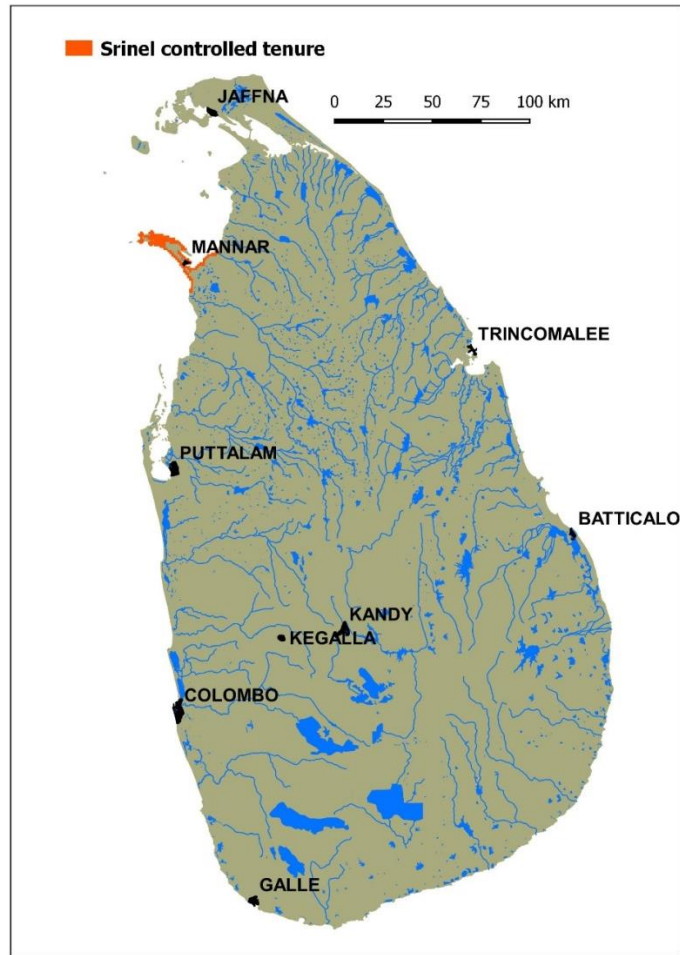


Table 2: Sri Lankan tenure

| Applex Tenements   |                    |          |          |            |            |  |
|--------------------|--------------------|----------|----------|------------|------------|--|
| Tenement           | Area               | Place    | District | Validity   |            |  |
|                    |                    |          |          | From       | To         |  |
| EL 180             | 45 km <sup>2</sup> | Vankalai | Mannar   | 28/06/2016 | 27/06/2018 |  |
| EL 182             | 26 km <sup>2</sup> | Pesalai  | Mannar   | 28/06/2016 | 27/06/2018 |  |
| Kilsythe Tenements |                    |          |          |            |            |  |
| Tenement           | Area               | Place    | District | Validity   |            |  |
|                    |                    |          |          | From       | To         |  |
| EL 370             | 40 km <sup>2</sup> | Mannar   | Mannar   | 14/12/2017 | 13/12/2019 |  |

| <b>Hammersmith Tenements</b> |                    |              |                 |                 |            |
|------------------------------|--------------------|--------------|-----------------|-----------------|------------|
| <b>Tenement</b>              | <b>Area</b>        | <b>Place</b> | <b>District</b> | <b>Validity</b> |            |
|                              |                    |              |                 | <b>From</b>     | <b>To</b>  |
| EL 371                       | 4 km <sup>2</sup>  | Talaimannar  | Mannar          | 26/02/2018      | 25/02/2020 |
| EL 372                       | 51 km <sup>2</sup> | Mantai       | Mannar          | 26/02/2018      | 25/02/2020 |

The Company has applied of the validity of exploration licenses EL 180 and EL 182 to be extended past 27 June 2018. The Company is not aware of any reason as to why such an extension would not be granted, however there is no guarantee that an extension will be granted.

### 3.5.2 PROPOSED EXPENDITURE

The Company intends to focus its initial exploration efforts at Mannar Island to increase the definition and scale of the resources. This will involve evaluating the major exploration potential of the Sri Lankan Project, both adjacent to the known mineralisation and immediately underlying beneath the water table. The evaluation will provide the basis for a scoping study which will evaluate development scenarios for the Sri Lankan Project, contemplating the resources, resource mineralogy, mining options, process metallurgy, process plant options, treatment and markets opportunities for the anticipated product stream.

The proposed expenditure on the Sri Lankan Project following completion of the Proposed Acquisition is as follows:

|               | <b>Year 1</b>      | <b>Year 2</b>      | <b>Total</b>       |
|---------------|--------------------|--------------------|--------------------|
| Exploration   | \$1,551,000        | \$715,500          | \$2,266,500        |
| Scoping study | \$421,000          | \$430,000          | \$851,000          |
| <b>Total</b>  | <b>\$1,972,000</b> | <b>\$1,145,500</b> | <b>\$3,117,500</b> |

The use of funds raised from the Public Offer may change depending on any intervening events or changes in the Company's circumstances. The Board reserves the right to change the way the funds are used and applied.

## 4. RISK FACTORS

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

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

### 4.1 SPECIFIC RISKS

#### 4.1.1 REINSTATEMENT TO THE OFFICIAL LIST OF ASX

Due to the Company's change in nature and scale of activities which will result from completion of the Proposed Acquisition, ASX requires the Company to re-comply with Chapters 1 and 2 of the Listing Rules. This Prospectus is issued to assist the Company in its re-compliance with these requirements. The Company's securities have been suspended since 20 March 2017 and it is anticipated that the Company's securities will remain suspended until completion of the Proposed Acquisition, Offers, re-compliance with Chapters 1 and 2 of the Listing Rules and satisfaction of any further conditions ASX imposes on re-quotations. There is a risk that the Company will not be able to satisfy one or more of those requirements and that its securities will consequently remain suspended from quotation.

In the event that the conditions of the Public Offer set out in section 1.3 are not satisfied or the Company does not otherwise obtain re-quotations on ASX, the Company will not proceed with the Public Offer and will repay all Application Monies received without interest.

#### 4.1.2 EXPLORATION AND DEVELOPMENT

Mineral exploration and development is a speculative and high-risk undertaking that may be impeded by circumstances and factors beyond the control of the Company. Success in this process involves (amongst other things):

- discovery and proving-up, or acquiring, an economically recoverable resource or reserve;
- access to adequate capital throughout the acquisition/discovery and project development phases;
- securing and maintaining title to mineral exploration projects;
- obtaining required development consents and approvals necessary for the acquisition, mineral exploration, development and production phases; and
- accessing the necessary experienced operational staff, the applicable financial management and recruiting skilled contractors, consultants and employees.

There can be no assurance that exploration of the Sri Lankan Project or any other exploration properties that may be acquired in the future will result in the discovery of an economic mineral resource. Even if an apparently viable mineral resource is identified, there is no guarantee that it can be economically exploited.

The exploration activities of the Company may be adversely affected by a range of factors including geological conditions, operational risks and changing government laws and regulations. Further, whether positive income flows result from projects on which the Company will expend

exploration and development capital is dependent on many factors including successful exploration, establishment of production facilities, cost control, commodity price movements, successful contract negotiations for production and stability in the local political environment.

In addition, significant expenditure may be required to establish necessary metallurgical and mining processes to develop and exploit any mineral reserves identified on the Sri Lankan Project. There is no assurance that the Company will have sufficient working capital or resources available to do this.

In the event that exploration programmes prove to be unsuccessful, the Sri Lankan Project may diminish in value, there will be a reduction in the cash reserves of the Company and relinquishment of part or all of the Sri Lankan Project may occur.

#### **4.1.3 FUTURE PROFITABILITY**

The Company's profitability will be impacted by, among other things, the success of its exploration and mining activities, economic conditions in the markets in which it operates, competition factors and any regulatory developments. Accordingly, the extent of future profits (if any) and the time required to achieve sustained profitability are uncertain and cannot be reliably predicted.

#### **4.1.4 SRI LANKAN COUNTRY RISK**

The Sri Lankan Project is located in Sri Lanka and, following completion of the Proposed Acquisition, the Company will be subject to the risks associated with operating in that country, including various levels of political, economic and other risks and uncertainties.

Sri Lanka had been subject to a 26 year civil war which concluded in May 2009. Since the end of this conflict the government has enacted an ambitious program of economic development projects. In addition to efforts to reconstruct the economy, the government has resettled more than 95% of those civilians displaced during the final phase of the conflict and released the vast majority of the Liberation Tigers of Tamil Eelam combatants captured by the Government Security Forces.

More general risks include economic, social or political instability or change, hyperinflation, currency non-convertibility or instability and changes of law affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, exploration licensing, export duties, repatriation of income or return of capital, environmental protection, mine safety, labour relations as well as government control over mineral properties or government regulations that require the employment of local staff or contractors or require other benefits to be provided to local residents.

Failure to comply strictly with applicable laws, regulations and local practices relating to mineral rights applications and tenure, could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.

Outcomes in courts in Sri Lanka may be less predictable than in Australia, which could affect the enforceability of contracts entered into by the Company or its subsidiaries in Sri Lanka.

The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the operations or profitability of the Company.

#### **4.1.5 ACCESS TO SRI LANKAN PROJECT**

The right of the holder of an exploration license to enter onto the license to explore for minerals is subject to the consent of the occupier of the land and, where the land is proximate to certain specified locations, the ministry responsible for the protection of such locations.

Under Sri Lankan legislation, the Company may be required to enter into an agreement with the relevant landowner or occupier for the purpose of securing this consent prior to commencing any exploration activities on the affected areas within the Sri Lankan Project.

#### **4.1.6 RESTRICTED AREAS WITHIN SRI LANKAN PROJECT**

Under the conditions of the Sri Lankan Project, the holder is not permitted to conduct exploration activities within forest boundaries (for certain licenses), nor any area specifically designated as ancient or protected monuments, archaeological reserves, national heritage wilderness areas, strict natural reserves, national parks, nature reserves, jungle corridors or botanical gardens.

Whilst the Company is not aware of the existence of any such restricted areas within the Sri Lankan Project, there is a risk that the Company's proposed exploration activities on the Sri Lankan Project may be affected if any areas within them fall within the above restricted categories.

#### **4.1.7 TENURE RISK**

The Sri Lankan Project are granted under and governed by the laws of Sri Lanka and are granted subject to conditions, including minimum annual expenditure commitments and reporting commitments. Similar conditions may be applied to future mining permits acquired by the Company or its subsidiaries. Failure to comply with these conditions may result in forfeiture of the Sri Lankan Project.

Further, the Sri Lankan Project (and any additional future mining permits held by the Company) are subject to periodic renewal. Whilst there is no reason to believe that such renewals will not be granted, the Company cannot guarantee that this will occur. New conditions may also be imposed on the Sri Lankan Project (and any additional future mining permits held by the Company) under the renewal process which may adversely affect the Company.

#### **4.1.8 GOVERNMENT AND REGULATORY RISK**

Operations by the Company may require approvals, consents or permits from government or regulatory authorities, including renewals of existing mining permits or title transfer to newly acquired mining permits, which may not be forthcoming or which may not be able to be obtained on terms acceptable to the Company.

Whilst there is no reason to believe that necessary government and regulatory approvals will not be forthcoming (other than as outlined above in respect of the Company's Sri Lankan operations), the Company cannot guarantee that those required approvals will be obtained. Failure to obtain any such approvals could mean the ability of the Company to prove-up, develop or operate any project or to acquire any project, may be inhibited or negated.

#### **4.1.9 OPERATIONAL RISKS**

The operations of the Company may be affected by various factors, including:

- failure to locate or identify mineral deposits;
- failure to achieve predicted grades in exploration and mining;
- operational and technical difficulties encountered in mining;
- insufficient or unreliable infrastructure, such as power, water and transport;
- political or civil unrest, including outbreaks of violence or other hostilities;
- difficulties in commissioning and operating plant and equipment;

- mechanical failure or plant breakdown;
- unanticipated metallurgical problems which may affect extraction costs;
- adverse weather conditions;
- industrial and environmental accidents;
- industrial disputes; and
- unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

In particular, Sri Lanka does not have well developed and reliable infrastructure and services. This may impede and delay the Company's operations which are likely to result in increased costs of exploration and development of the Sri Lankan Project. This increase in cost may have an adverse effect on the Company's operations.

#### **4.1.10 LIMITED OPERATING HISTORY**

The Sri Lankan Project has a very limited operating history. Although the Company's Directors have between them significant operational experience, the Company's ability to meet its objectives will be largely reliant upon the Company's ability to implement its current operational plans and take appropriate action to amend those plans in respect of any unforeseen circumstances that may arise.

Since the Company intends to continue investing in its exploration and development programme, the Directors anticipate making further losses in the foreseeable future. There can be no certainty that the Company will achieve or sustain profitability or achieve or sustain positive cash flow from its operating activities.

#### **4.1.11 COMMODITY PRICE AND CURRENCY EXCHANGE RISK**

As the Company's potential earnings will be largely derived from the sale of heavy mineral sands, the Company's future revenues and cash flows will be impacted by changes in the prices and available market of this commodity. Any substantial decline in the price of heavy mineral sands or in transport or distribution costs may have a material adverse effect on the Company and the value of its Shares.

Commodity prices fluctuate and are affected by numerous factors beyond the control of the Company. These factors include current and expected future supply and demand, forward selling by producers, production cost levels in major mineral producing centres as well as macroeconomic conditions such as inflation and interest rates.

Furthermore, the international prices of most commodities are denominated in United States dollars while the Company cost base will be in Australian dollars. Consequently, changes in the Australian dollar exchange rate will impact on the earnings of the Company. The exchange rate is affected by numerous factors beyond the control of the Company, including international markets, interest rates, inflation and the general economic outlook.

#### **4.1.12 RESOURCE AND RESERVE ESTIMATES**

Even though a JORC Code compliant mineral resource has been discovered at the Sri Lankan Project, estimates in respect of that resource are expressions of judgement based on knowledge, experience and industry practice. Estimates which were valid when originally made may change appreciably when further information becomes available. Such resource estimates are by nature imprecise, depending on interpretations which may, with further exploration, prove to be inaccurate. Moreover, should the Company encounter ore bodies or formations which differ from



those suggested by past sampling and analysis, resource estimates may have to be adjusted and any production plans altered accordingly which may adversely impact the Company's plans.

#### **4.1.13 RESULTS OF STUDIES**

Subject to the results of exploration and testing programs to be undertaken, the Company may progressively undertake a number of studies in respect to the Sri Lankan Project. These studies may include scoping, pre-feasibility, definitive feasibility and bankable feasibility studies.

These studies will be completed within parameters designed to determine the economic feasibility of the Sri Lankan Project within certain limits. There can be no guarantee that any of the studies will confirm the economic viability of the Sri Lankan Project or the results of other studies undertaken by the Company (e.g. the results of a feasibility study may materially differ to the results of a scoping study).

Even if a study confirms the economic viability of the Sri Lankan Project, there can be no guarantee that the Sri Lankan Project will be successfully brought into production as assumed or within the estimated parameters in the feasibility study (e.g. operational costs and commodity prices) once production commences. Further, the ability of the Company to complete a study may be dependent on the Company's ability to raise further funds to complete the study if required.

#### **4.1.14 AGENTS AND CONTRACTORS**

The Directors are unable to predict the risk of financial failure or default or the insolvency of any of the contractors which will be used by the Company in any of its activities or other managerial failure by any of the other service providers used by the Company for any activity. Any default or insolvency is outside the Company's control and may have an adverse effect on the Company's operations.

#### **4.1.15 ENVIRONMENTAL RISKS**

The Company's activities are subject to the environmental laws inherent in the mining industry and those specific to Sri Lanka. The Company intends to conduct its activities in an environmentally responsible manner and in compliance with all applicable laws. However, the Company may be the subject of accidents or unforeseen circumstances that could subject the Company to extensive liability.

In addition, environmental approvals may be required from relevant government or regulatory authorities before activities may be undertaken which are likely to impact the environment. Failure or delay in obtaining such approvals will prevent the Company from undertaking its planned activities. Further, the Company is unable to predict the impact of additional environmental laws and regulations that may be adopted in the future, including whether any such laws or regulations would materially increase the Company's cost of doing business or affect its operations in any area.

#### **4.1.16 REHABILITATION OF TENEMENTS**

In relation to the Company's proposed operations, issues could arise from time to time with respect to abandonment costs, consequential clean-up costs, environmental concerns and other liabilities. In these instances, the Company could become subject to liability if, for example, there is environmental pollution or damage from the Company's exploration activities and there are consequential clean-up costs at a later point in time.

#### **4.1.17 CLIMATE CHANGE REGULATION**

Mining of mineral resources is relatively energy intensive and is dependent on the consumption of fossil fuels. Increase regulation and government policy designed to mitigate climate change may adversely affect the Company's cost of operations and adversely impact the financial performance of the Company.

#### **4.1.18 COUNTERPARTY RISK**

The Call Option is granted under the Option Agreement. The ability of the Company to complete on the acquisition of the Sri Lankan Project will depend on the performance by the Seller of its obligations under the Option Agreement. If the Seller or defaults in the performance of its obligations, it may be necessary for the Company to institute court proceedings to seek a legal remedy. Legal action instituted in Australia or overseas can be costly.

#### **4.1.19 CONTRACT RISK**

The operations of the Company will require the involvement of a number of third parties, including suppliers, contractors and customers. With respect to these third parties, and despite applying best practice in terms of pre-contracting due diligence, the Directors are unable to completely avoid the risk of:

- financial failure or default by a participant in any joint venture to which the Company or its subsidiaries may become a party;
- insolvency, default on performance or delivery, or any managerial failure by any of the operators and contractors used by the Company or its subsidiaries in its exploration activities; or
- insolvency, default on performance or delivery, or any managerial failure by any other service providers used by the Company or its subsidiaries or operators for any activity.

Financial failure, insolvency, default on performance or delivery, or any managerial failure by such third parties may have a material impact on the Company's operations and performance. Whilst best practice pre-contracting due diligence is undertaken for all third parties engaged by the Company, it is not possible for the Company to predict or protect itself completely against all such contract risks.

#### **4.1.20 FUTURE FUNDING NEEDS**

The funds raised under the Public Offer are considered sufficient to meet the immediate objectives of the Company. Further funding may be required by the Company in the event costs exceed estimates or revenues do not meet estimates, to support its ongoing operations and implement its strategies. For example, funding may be needed undertake further exploration activities, or acquire complementary assets.

Accordingly, the Company may need to engage in equity or debt financings to secure additional funds. Any additional equity financing may be dilutive to Shareholders, may be undertaken at lower prices than the Public Offer price or may involve restrictive covenants that limit the Company's operations be business strategy.

There can be no assurance that such funding will be available on satisfactory terms or at all at the relevant time. Any inability to obtain sufficient financing for the Company's activities and future projects may result in the delay or cancellation of certain activities or projects, which would likely adversely affect the potential growth of the Company.

#### **4.1.21 INTERNATIONAL OPERATIONS**

The Company initially intends to operate in Sri Lanka. The Company may also consider expanding into other markets internationally in the future. Therefore, the Company will be exposed to risks relating to operating in those countries. Many of these risks are inherent in doing business internationally, and will include, but are not limited to:

- changes in the regulatory environment;
- trade barriers or the imposition of taxes;

- difficulties with staffing or managing any foreign operations;
- issues or restrictions on the free transfer of funds;
- technology export or import restrictions; and
- delays in dealing across borders caused by customers or regulatory authorities.

#### 4.1.22 DILUTION RISK

The consideration payable under the Option Agreement is a combination of Shares, Performance Shares and cash, subject to certain performance Milestones being satisfied. Upon completion of the Proposed Acquisition existing Shareholders will be diluted by approximately 70.15% if all Shares are issued, the Performance Shares do not convert into Shares and no Options are exercised.

If all Shares are issued, the Performance Shares convert into Shares and all Options are exercised, existing Shareholders will be diluted by approximately 79.83%.

The following table summarises the percentages by which the shareholdings of the existing Shareholders will be diluted in a number of different scenarios:

| Scenario  | Completion |
|---|------------|
| All Shares are issued, no Performance Shares convert into Shares and no Options are exercised   | 70.15%     |
| All Shares are issued, Milestone 1 Performance Shares convert into Shares, Milestone 2 and 3 Performance Shares do not convert into New Shares and no Options are exercised | 73.23%     |
| All Shares are issued, Milestone 1 and 2 Performance Shares convert into Shares and Milestone 3 Performance Shares do not convert and no Options are exercised              | 74.55%     |
| All Shares are issued, Milestone 1, 2 and 3 Performance Shares convert into Shares and no Options are exercised.  | 78.73%     |
| All Shares are issued, Milestone 1,2 and 3 Performance Shares convert into Shares and all Options are exercised.  | 79.83%     |

#### 4.1.23 LIQUIDITY AND EXPIRY OF ESCROW

ASX may determine that Shares to be held by the Seller (and/or its nominees) and Trident Capital are subject to escrow for a period of 12 or 24 months, resulting in up to 100,595,239 (representing 17.39% of the total number of Shares on issue upon completion of the Offers) not being tradeable for those periods. This may reduce the volume of trading in the Company's Shares on the ASX, which may in turn negatively impact a Shareholder's ability to sell Shares.

However, the Company notes that it intends to apply for "look through" and "cash formula" relief to minimise escrow imposed on the Seller and Trident Capital.

Following the end of these escrow periods, a significant portion of Shares will become tradable on ASX. This may result in an increase in the number of Shares being offered for sale on market which may in turn put downward pressure on the Company's Share price. Please see section 1.8 for further information on anticipated escrow arrangements.

## **4.2 GENERAL RISKS**

### **4.2.1 ACQUISITIONS**

The Company may make acquisitions of, or significant investments in, companies or assets that are complementary to its business. Any such future transactions are accompanied by the risks commonly encountered in making acquisitions of companies or assets, such as integrating cultures and systems of operation, relocation of operations, short term strain on working capital requirements, achieving mineral exploration success and retaining key staff.

### **4.2.2 SAFETY**

Safety is a fundamental risk for any exploration and production company in regards to personal injury, damage to property and equipment and other losses. The occurrence of any of these risks could result in legal proceedings against the Company and substantial losses to the Company due to injury or loss of life, damage or destruction of property, regulatory investigation, and penalties or suspension of operations. Damage occurring to third parties as a result of such risks may give rise to claims against the Company.

### **4.2.3 LITIGATION**

The Company may in the ordinary course of business become involved in litigation and disputes, for example with service providers, customers or third parties infringing the Company's intellectual property rights. Any such litigation or dispute could involve significant economic costs and damage to relationships with contractors, customers or other stakeholders. Such outcomes may have an adverse impact on the Company's business, reputation and financial performance.

### **4.2.4 INSURANCE COVERAGE**

The Company intends to take insurance over its operations within the ranges that the Company believes to be consistent with industry practice and having regard to the nature of activities being conducted. However, the Company may not be insured against all risks either because appropriate cover is not available or because the Directors consider the required premiums to be excessive having regard to the benefits that would accrue.

### **4.2.5 KEY MANAGEMENT**

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. The Company may be detrimentally affected if one or more of the key management or other personnel cease their engagement with the Company.

### **4.2.6 LIQUIDITY RISK**

Liquidity risk is the risk that the Company may encounter difficulties raising funds to meet commitments and financial obligations as and when they fall due. It is the Company's aim in managing its liquidity to ensure that there are sufficient funds to meet its liabilities as and when they fall due. The Company manages liquidity risk by continuously monitoring its actual cash flows and forecast cash flows.

There is no guarantee that there will be an ongoing liquid market for Shares. Accordingly, there is a risk that, should the market for Shares become illiquid, Shareholders will be unable to realise their investment in the Company.

### **4.2.7 CREDIT RISK**

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation, resulting in the Company incurring a financial loss. Credit risk arises from cash and cash equivalents (e.g. deposits and investments held with banks and financial institutions), favourable derivative contracts (derivative assets), loans and receivables, guarantees given on

behalf of others and loans and commitments granted but not drawn down at the end of the reporting period.

#### **4.2.8 COMMERCIAL RISK**

The mining industry is competitive and there is no assurance that, even if commercial quantities are discovered by the Company, a profitable market will exist for sales of such commodities. There can be no assurance that the quality of the commodity will be such that the properties in which the Company holds and interest can be mined at a profit.

#### **4.2.9 COMPETITION RISKS**

The industry in which the Company will be involved is subject to domestic and global competition. Although the Company will undertake all reasonable due diligence in its business decisions and operations, the Company will have no influence or control over the activities or actions of its competitors, which activities or actions may, positively or negatively, affect the operating and financial performance of the Company's projects and business.

#### **4.2.10 CHANGES TO LEGISLATION OR REGULATIONS**

The Company may be affected by changes to laws and regulations (in Australia, Sri Lanka and other countries in which the Company may operate) concerning property, the environment, superannuation, taxation trade practices and competition, government grants, incentive schemes, accounting standards and other matters. Such changes could have adverse impacts on the Company from a financial and operational perspective.

#### **4.2.11 INVESTMENT RISK**

The Shares to be issued under the Offers should be considered highly speculative. There is no guarantee as to the payment of dividends, return of capital or the market value of the Shares from time to time. The price at which an investor is able to trade the Shares may be above or below the price paid for Shares under the Public Offer. Whilst the Directors commend the Public Offer, investors must make their own assessment of the risks and determine whether an investment in the Company is appropriate in their own circumstances.

#### **4.2.12 SHARE MARKET**

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. The market price of the Shares may be subject to fluctuation and may be affected by many factors including but not limited to the following:

- the general economic outlook;
- interest rates and inflation rates;
- currency fluctuations;
- changes in investor sentiment toward particular market sectors;
- the demand for, and supply of, capital;
- terrorism and other hostilities; and
- other factors beyond the control of the Company.

#### **4.2.13 FORCE MAJEURE RISK**

Events may occur within or outside the markets in which the Company operates that could impact upon the global, Australian and Sri Lankan economies and the operations of the Company. These

events include acts of terrorism, outbreaks of international hostilities, fires, pandemics, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease, and other man-made or natural events or occurrences that can have an adverse effect on the demand for the Company's services and its ability to conduct business. Given the Company has only a limited ability to insure against some of these risks, its business, financial performance and operations may be materially adversely affected if any of the events described above occurs.

#### **4.2.14 TAXATION**

The acquisition and disposal of Shares may have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors of the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation point of view and generally.

### **4.3 OTHER RISKS**

This list of risk factors above is not an exhaustive list of the risks faced by the Company or by investors in the Company. The risk factors described in this section 4 as well as risk factors not specifically referred to above may in the future materially affect the financial performance of the Company and the value of its Shares. Therefore, the Shares offered under the Offers carry no guarantee with respect to the payment of dividends, return of capital or their market value.

Investors should consider that an investment in the Company is highly speculative and should consult their professional advisers before deciding whether to apply for Shares under the Offers.

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## 5. INVESTIGATING ACCOUNTANT'S REPORT

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# TITANIUM SANDS LIMITED Investigating Accountant's Report

28 March 2018



28 March 2018

The Directors

Titanium Sands Limited

Level 24, 44 St Georges Terrace

Perth WA 6000

Dear Directors

## INVESTIGATING ACCOUNTANT'S REPORT

### 1. Introduction

BDO Corporate Finance (WA) Pty Ltd ('BDO') has been engaged by Titanium Sands Limited ('TSL' or 'the Company') to prepare this Investigating Accountant's Report ('Report') in relation to the historical financial information and pro forma historical financial information of TSL, for inclusion in the Prospectus. The Prospectus is required under Australian Securities Exchange ('ASX') requirements for TSL to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

The re-compliance with Chapters 1 and 2 of the ASX Listing Rules is required as a result of TSL entering an Option Agreement with Cuprum Holdings Limited ('Cuprum') to acquire 100% of the issued share capital of Srinel Holdings Limited ('Srinel'), an unlisted company that holds exploration licences and applications in Sri Lanka that are prospective for mineral sands ('the Transaction').

Broadly, the Prospectus will offer up to 300 million Shares at an issue price of \$0.02 each to raise up to \$6 million before costs ('the Offer'). The Prospectus also contains:

- a) an offer of 58,095,239 shares at \$0.02 per share to Cuprum pursuant to the Transaction ('Consideration Shares');
- b) the payment of \$450,000 to Cuprum who had advanced the funds to Srinel to maintain the project area in Sri Lanka ('Cash Reimbursement');
- c) an offer of 66,666,667 Class A Performance Shares, 33,333,333 Class B Performance Shares and 133,333,333 Class C Performance Shares to Cuprum (together 'Performance Shares');

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- d) an offer of 20,000,000 shares to Trident Capital Pty Ltd (**'Trident'**) as consideration for services performed in connection with the Transaction;
- e) an offer of 5,034,057 shares as repayment for two loans (including interest accrued) (**'Creditor Offer'**); and
- f) an offer of 30,000,000 Class B Options with an exercise price of \$0.05 and an expiry date of 18 January 2021 to directors of TSL (**'Class B Options'**).

On 31 January 2018, the Company completed a consolidation of its existing share capital on a one for three base (**'Share Consolidation'**). All numbers of shares in this Report are expressed on a post-consolidation basis unless otherwise stated.

Expressions defined in the Prospectus have the same meaning in this Report. BDO Corporate Finance (WA) Pty Ltd (**'BDO'**) holds an Australian Financial Services Licence (AFS Licence Number 316158).

This Report has been prepared for inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this Report or on the Financial Information to which it relates for any purpose other than that for which it was prepared.

## 2. Scope

You have requested BDO to perform a review engagement in relation to the historical and pro forma historical financial information described below and disclosed in the Prospectus.

The historical and pro forma historical financial information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

You have requested BDO to review the following historical financial information (together the **'Historical Financial Information'**) included in the Prospectus:

- the audited Statements of Financial Position, Performance and Cash Flows for TSL for the years ended 30 June 2016, 30 June 2017 and half year ended 31 December 2017; and
- the audited Statements of Financial Position, Performance and Cash Flows for Srinel for the years ended 31 March 2016, 31 March 2017 and for the half year ended 30 September 2017.

The Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and/or International Financial Reporting Standards and the company's adopted accounting policies.

The Historical Financial Information for TSL has been extracted from the financial report of TSL for the years ended 30 June 2016 and 30 June 2017 and half year ended 31 December 2017, which was audited by BDO Audit (WA) Pty Ltd (**'BDO Audit'**) in accordance with the Australian Auditing Standards. BDO Audit issued an unmodified audit opinion, however noted a material uncertainty related to going concern for each year.

The Historical Financial Information for Srinel has been extracted from the financial report of Srinel for the years ended 31 March 2016 and 31 March 2017, and for the half year ended 30 September 2017 which was audited by Ranwatta & Co. in accordance with the International Financial Reporting Standards. Ranwatta & Co. issued an unmodified audit opinion for each period.

### *Pro Forma Historical Financial Information*

You have requested BDO to review the following pro forma historical financial information (the 'Pro Forma Historical Financial Information') included as an appendix to this Report:

- the pro forma historical Statement of Financial Position as at 31 December 2017.

The Pro Forma Historical Financial Information has been derived from the Historical Financial Information, after adjusting for the effects of the subsequent events described in Section 6 of this Report and the pro forma adjustments described in Section 7 of this Report. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the events or transactions to which the pro forma adjustments relate, as described in Section 7 of this Report, as if those events or transactions had occurred as at the date of the historical financial information. Due to its nature, the Pro Forma Historical Financial Information does not represent the company's actual or prospective financial position or financial performance.

The Pro Forma Historical Financial Information has been compiled by TSL to illustrate the impact of the events or transactions described in Section 6 and Section 7 of the Report on the TSL's financial position as at 31 December 2017. As part of this process, information about the TSL's financial position has been extracted by TSL from its financial statements for the half year ended 31 December 2017.

### **3. Directors' responsibility**

The directors of TSL are responsible for the preparation and presentation of the Historical Financial Information and Pro Forma Historical Financial Information, including the selection and determination of pro forma adjustments made to the Historical Financial Information and included in the Pro Forma Historical Financial Information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of Historical Financial Information and Pro Forma Historical Financial Information are free from material misstatement, whether due to fraud or error.

### **4. Our responsibility**

Our responsibility is to express limited assurance conclusions on the Historical Financial Information and the Pro Forma Historical Financial Information. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

Our review procedures consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited assurance engagement is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or limited assurance reports on any financial information used as a source of the financial information.

### **5. Conclusion**

#### *Historical Financial Information*

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information, as described in the

Appendices to this Report, is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 2 of this Report.

#### *Pro Forma Historical Financial Information*

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information as described in the Appendices to this Report, is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 2 of this Report.

## **6. Subsequent Events**

The pro-forma statement of financial position reflects the following events that have occurred subsequent to the period ended 31 December 2017:

- TSL will satisfy the repayment of two loans (including interest accrued) through the issue of 5,034,057 shares at \$0.02 per share. Therefore, we have adjusted the balance of loan payable by \$1,588 to reflect interest accrued since 31 December 2017.

Apart from the matters dealt with in this Report, and having regard to the scope of this Report and the information provided by the Directors, to the best of our knowledge and belief no other material transaction or event outside of the ordinary business of TSL not described above, has come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

## **7. Assumptions Adopted in Compiling the Pro-Forma Statement of Financial Position**

The pro forma historical Statement of Financial Position is shown in Appendix 2. This has been prepared based on the financial statements as at 31 December 2017, and the following transactions and events relating to the issue of Shares under this Prospectus:

- TSL consolidated its share capital on a one for three basis on 31 January 2018;
- the issue of 300,000,000 shares at \$0.02 per share to raise \$6 million before costs;
- costs of the Offer are estimated to be \$525,500;
- the Company will issue 58,095,239 shares at \$0.02 per share pursuant to the Transaction;
- the issue of 66,666,667 Class A Performance Shares, 33,333,333 Class B Performance Shares and 133,333,333 Class C Performance Shares to Cuprum pursuant to the Transaction. Refer to Appendix 4 (Note 9) for the full terms of the Performance Shares;
- the payment of \$450,000 to Cuprum who advanced the funds to Srinel to maintain the project area in Sri Lanka;
- the issue of 20,000,000 shares at \$0.02 per share to Trident as consideration for services performed in connection with the Transaction;
- the issue of 5,034,057 shares under the Creditor Offer; and
- the issue of 30,000,000 Class B Options with an exercise price of \$0.05 and an expiry date of 18 January 2021 to directors of TSL.

## 8. Independence

BDO is a member of BDO International Ltd. BDO does not have any interest in the outcome of the Transaction other than in connection with the preparation of this Report and participation in due diligence procedures, for which professional fees will be received. BDO Audit is the auditor of TSL and from time to time, BDO provides TSL with certain other professional services for which normal professional fees are received.

## 9. Disclosures

This Report has been prepared, and included in the Prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to be a substitute for professional advice and potential investors should not make specific investment decisions in reliance on the information contained in this Report. Before acting or relying on any information, potential investors should consider whether it is appropriate for their objectives, financial situation or needs.

Without modifying our conclusions, we draw attention to Section 2 of this Report, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose.

BDO has consented to the inclusion of this Report in the Prospectus in the form and context in which it is included. At the date of this Report this consent has not been withdrawn. However, BDO has not authorised the issue of the Prospectus. Accordingly, BDO makes no representation regarding, and takes no responsibility for, any other statements or material in or omissions from the Prospectus.

Yours faithfully

**BDO Corporate Finance (WA) Pty Ltd**



**Adam Myers**

Director

APPENDIX 1

TITANIUM SANDS LIMITED

HISTORICAL STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| Statement of Comprehensive Income            | Reviewed for the<br>half-year ended<br>31-Dec-17<br>\$ | Audited for the<br>year ended<br>30-Jun-17<br>\$ | Audited for the<br>year ended<br>30-Jun-16<br>\$ |
|--|--|--|--|
| Administrative Expenses                      | (190,338)  | (331,565)  | (305,153)  |
| Director Fees                                | (84,000)   | (168,000)  | (174,800)  |
| Exploration & Consultancy Fees               | (36,000)   | (16,625)   | (141,812)  |
| Gain on Deed of Company Arrangement          | -  | -  | -  |
| Impairment                                   | -  | -  | (300,000)  |
| Debt forgiven                                | 307,029  | -  | -  |
| Other Expenses                               | (9,610)  | -  | (103,806)  |
| <b>Loss from operating activities</b>        | <b>(12,919)</b>  | <b>(516,190)</b>                                 | <b>(1,025,571)</b>                               |
| Net finance expense                          | (3,114)  | (2,286)  | (422)  |
| <b>Loss before income tax</b>                | <b>(16,033)</b>  | <b>(518,476)</b>                                 | <b>(1,025,993)</b>                               |
| Income tax expense                           | -  | -  | -  |
| <b>Total comprehensive loss for the year</b> | <b>(16,033)</b>  | <b>(518,476)</b>                                 | <b>(1,025,993)</b>                               |

This statement of profit or loss and other comprehensive income shows the historical financial performance of TSL and is to be read in conjunction with the notes to and forming part of the historical financial information set out in Appendix 4. Past performance is not a guide to future performance.

**APPENDIX 2**  
**TITANIUM SANDS LIMITED**

**PRO FORMA STATEMENT OF FINANCIAL POSITION**

|                                      |   | TSL<br>Reviewed as at<br>31-Dec-17<br>Notes | Srinel*<br>Audited as at<br>30-Sep-17<br>\$ | Subsequent<br>events<br>\$ | Pro-forma<br>adjustments<br>\$6m<br>\$ | Pro-forma<br>after Offer<br>\$6m<br>\$ |
|--------------------------------------|---|---|---|----------------------------|--|--|
| <b>CURRENT ASSETS</b>                |   |   |   |                            |  |  |
| Cash and cash equivalents            | 2 | 108,838                                     | 216   | -                          | 5,024,500                              | 5,133,554                              |
| Trade and other receivables          |   | 6,825                                       | 51,165                                      | -                          | -                                      | 57,990                                 |
| <b>TOTAL CURRENT ASSETS</b>          |   | <b>115,663</b>                              | <b>51,381</b>                               | <b>-</b>                   | <b>5,024,500</b>                       | <b>5,191,544</b>                       |
| <b>NON CURRENT ASSETS</b>            |   |   |   |                            |  |  |
| Investment in Srinel                 | 3 | 599,149                                     | -   | -                          | (599,149)                              | -                                      |
| Loan receivable                      |   | 65,000                                      | -   | -                          | -                                      | 65,000                                 |
| Exploration and evaluation           | 4 | -   | 56,156                                      | -                          | 2,215,329                              | 2,271,485                              |
| Intangible assets                    | 5 | -   | 71,583                                      | -                          | (71,583)                               | -                                      |
| Other investments                    |   | -   | 38,346                                      | -                          | -                                      | 38,346                                 |
| <b>TOTAL NON CURRENT ASSETS</b>      |   | <b>664,149</b>                              | <b>166,085</b>                              | <b>-</b>                   | <b>1,544,597</b>                       | <b>2,374,831</b>                       |
| <b>TOTAL ASSETS</b>                  |   | <b>779,812</b>                              | <b>217,466</b>                              | <b>-</b>                   | <b>6,569,097</b>                       | <b>7,566,375</b>                       |
| <b>CURRENT LIABILITIES</b>           |   |   |   |                            |  |  |
| Trade and other payables             |   | 594,556                                     | 372,336                                     | -                          | -                                      | 966,892                                |
| Loan payable                         | 6 | 99,093                                      | 52,974                                      | 1,588                      | (100,681)                              | 52,974                                 |
| <b>TOTAL CURRENT LIABILITIES</b>     |   | <b>693,649</b>                              | <b>425,310</b>                              | <b>1,588</b>               | <b>(100,681)</b>                       | <b>1,019,866</b>                       |
| <b>NON CURRENT LIABILITIES</b>       |   |   |   |                            |  |  |
| Loan from shareholders               |   | -   | 174,848                                     | -                          | -                                      | 174,848                                |
| <b>TOTAL NON CURRENT LIABILITIES</b> |   | <b>-</b>                                    | <b>174,848</b>                              | <b>-</b>                   | <b>-</b>                               | <b>174,848</b>                         |
| <b>TOTAL LIABILITIES</b>             |   | <b>693,649</b>                              | <b>600,158</b>                              | <b>1,588</b>               | <b>(100,681)</b>                       | <b>1,194,714</b>                       |
| <b>NET ASSETS/(LIABILITIES)</b>      |   | <b>86,163</b>                               | <b>(382,692)</b>                            | <b>(1,588)</b>             | <b>6,669,778</b>                       | <b>6,371,661</b>                       |
| <b>EQUITY</b>                        |   |   |   |                            |  |  |
| Share capital                        | 7 | 3,559,868                                   | 67,271                                      | -                          | 6,935,996                              | 10,563,135                             |
| Accumulated losses                   | 8 | (3,473,705)                                 | (453,892)                                   | (1,588)                    | (472,289)                              | (4,401,474)                            |
| Reserve                              | 9 | -   | 3,929                                       | -                          | 206,071                                | 210,000                                |
| <b>TOTAL EQUITY</b>                  |   | <b>86,163</b>                               | <b>(382,692)</b>                            | <b>(1,588)</b>             | <b>6,669,778</b>                       | <b>6,371,661</b>                       |

\*Srinel balances have been converted at a rate of A\$1:USD0.7834

The pro-forma statement of financial position after the Offer is as per the statement of financial position before the Offer adjusted for any subsequent events and the transactions relating to the issue of shares pursuant to this Prospectus. The statement of financial position is to be read in conjunction with the notes to and forming part of the historical financial information set out in Appendix 4.

APPENDIX 3

TITANIUM SANDS LIMITED

HISTORICAL STATEMENTS OF CASH FLOWS

| Statement of Cash Flows                                   | Reviewed for the<br>half year ended<br>31-Dec-17<br>\$ | Audited for the<br>year ended<br>30-Jun-17<br>\$ | Audited for the<br>year ended<br>30-Jun-16<br>\$ |
|---|--|--|--|
| <b>Cash flows from operating activities:</b>              |  |  |  |
| Cash paid to supplies and administrators                  | (195,242)  | (94,129)   | (125,045)  |
| Interest received   | 314  | -  | 2,238  |
| Interest paid   | (182)  | (2,176)  | (745)  |
| Exploration and evaluation outflows                       | -  | -  | (62,678)   |
| <b>Net cash outflows from operating activities</b>        | <b>(195,110)</b>                                       | <b>(96,305)</b>                                  | <b>(186,230)</b>                                 |
| <b>Cash flows from investing activities:</b>              |  |  |  |
| Loans to other entities                                   | -  | -  | -  |
| Payments for other assets                                 | -  | -  | (50,000)   |
| <b>Net cash outflows from investing activities</b>        | <b>-</b>   | <b>-</b>   | <b>(50,000)</b>                                  |
| <b>Cash flows from financing activities:</b>              |  |  |  |
| Proceeds from shares issued                               | 300,000  | -  | 180,000  |
| Loan from other entities                                  | -  | 92,000   | -  |
| Proceeds from/(repayment of) convertible notes            | -  | -  | -  |
| Proceeds from/(repayment of) borrowings                   | -  | -  | -  |
| <b>Net cash outflows from financing activities</b>        | <b>300,000</b>   | <b>92,000</b>                                    | <b>180,000</b>                                   |
| Net increase in cash and cash equivalents                 | 104,890  | (4,305)  | (56,230)   |
| Opening cash and cash equivalents at 1 July               | 3,948  | 8,253  | 64,483   |
| <b>Cash and cash equivalents at the end of the period</b> | <b>108,838</b>   | <b>3,948</b>                                     | <b>8,253</b>                                     |

The Historical Statements of Cash Flows show the historical cash flows of TSL and are to be read in conjunction with the notes to and forming part of the Historical Financial Information set out in Appendix 4.

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## APPENDIX 4

### TITANIUM SANDS LIMITED

#### NOTES TO AND FORMING PART OF THE HISTORICAL FINANCIAL INFORMATION

##### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the historical financial information included in this Report have been set out below.

###### a) Basis of preparation of historical financial information

The historical financial information has been prepared in accordance with the recognition and measurement, but not all the disclosure requirements of the Australian equivalents to International Financial Reporting Standards ('AIFRS'), other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the Corporations Act 2001.

The financial information has also been prepared on a historical cost basis, except for derivatives and available-for-sale financial assets that have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged are adjusted to record changes in the fair value attributable to the risks that are being hedged. Non-current assets and disposal group's held-for-sale are measured at the lower of carrying amounts and fair value less costs to sell.

###### b) Going Concern

The historical financial information has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The ability of the Company to continue as a going concern is dependent on the success of the fundraising under the Prospectus. The Directors believe that the Company will continue as a going concern. As a result the financial information has been prepared on a going concern basis. However should the fundraising under the Prospectus be unsuccessful, the entity may not be able to continue as a going concern. No adjustments have been made relating to the recoverability and classification of liabilities that might be necessary should the Company not continue as a going concern.

###### c) Reporting Basis and Conventions

The report is also prepared on an accrual basis and is based on historic costs and does not take into account changing money values or, except where specifically stated, current valuations of non-current assets.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

#### d) Principles of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by the Company at the end of the reporting period. A controlled entity is any entity over which the Company has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the Equity section of the consolidated statement of financial position and statement of financial performance. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

##### *Business combinations*

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (i.e. parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of financial performance. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not re-measured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is re-measured each reporting period to fair value through the statement of financial performance unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of financial performance.

**e) Income Tax**

The income tax expense or benefit (revenue) for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

The charge for current income tax expenses is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognized from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

**f) Cash and Cash Equivalents**

Cash and cash equivalents includes cash at bank and in hand, deposits held at call with financial institutions, other short-term highly liquid deposits with an original maturity 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, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

**g) Trade and other receivables**

Trade receivables are recognised as the amount receivable and are due for settlement no more than 90 days from the date of recognition. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off against the receivable directly unless a provision for impairment has previously been recognised.

A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Loans granted are recognised at the amount of consideration given or the cost of services provided to be reimbursed.

#### **h) Revenue Recognition**

Revenues are recognised at fair value of the consideration received net of the amount of GST.

##### *Interest*

Revenue is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

#### **i) Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

#### **j) Trade and Other Payables**

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company. Trade accounts payable are normally settled within 30 days of recognition.

#### **k) Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between proceeds (net of transaction costs) and the redemption amount is recognised in the statement of financial performance over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

#### **l) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of GST except where GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flow on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authorities are classified as operating cash flows.

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

#### **m) Exploration and Evaluation Expenditure**

Exploration and evaluation expenditure, including costs of acquiring the licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Company has obtained the legal rights to explore the area are recognised in the statement of financial performance.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

- I. The expenditures are expected to be recouped through successful development and exploitation or from sale of the area of interest; or
- II. Activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the areas of interest are continuing.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purpose of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

When an area of interest is abandoned or the directors decide that it is not commercial, and accumulated costs in respect of that area are written off in the financial period the decision is made.

#### **n) Impairment of assets**

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

#### *Financial Assets*

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

### *Non-Financial Assets*

The carrying amounts of the non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the statement of financial performance. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

#### **o) Contributed Equity**

Ordinary shares are classified as equity.

Costs directly attributable to the issue of new shares or options are shown as a deduction from the equity proceeds, net of any income tax benefit. Costs directly attributable to the issue of new shares or options associated with the acquisition of a business are included as part of the purchase consideration.

#### **p) Financial Instruments**

##### *Recognition*

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

##### *Financial liabilities*

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

#### **q) Employee Benefits**

##### *Wages and Salaries, Annual Leave and Sick Leave*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the statement of financial position date are recognised in respect of employees' services rendered up to statement of financial position date and measured at amounts expected to be paid when the liabilities are settled.

Liabilities for non-accumulating sick leave are recognised when leave is taken and measured at the actual rates paid or payable. Liabilities for wages and salaries are included as part of Other Payables and liabilities for annual and sick leave are included as part of Employee Benefit Provisions.

#### *Long Service Leave*

Liabilities for long service leave are recognised as part of the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees to the statement of financial position date using the projected unit credit method. Consideration is given to expect future salaries and wages levels, experience of employee departures and periods of service. Expected future payments are discounted using national government bond rates at the statement of financial position date with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

#### *Share-based payments transactions*

The Company provides benefits to employees (including directors) of the Company in the form of share options. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employee becomes unconditionally entitled to the options. The fair value of the options granted is measured using Black-Scholes valuation model, taking into account the terms and conditions upon which the options were granted.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, on a straight line basis over the period from grant date to the date on which the relevant employees become fully entitled to the award (“vesting date”). The amount recognised as an expense is adjusted to reflect the actual number that vest.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

#### **r) Accounting estimates and judgements**

In the process of applying the accounting policies, management has made certain judgements or estimations which have an effect on the amounts recognised in the financial information.

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

#### *Valuation of share based payment transactions*

The valuation of share-based payment transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black Scholes model taking into account the terms and conditions upon which the instruments were granted.

#### *Options*

The fair value of options issued is determined using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted.

#### *Determination of fair values on exploration and evaluation assets acquired in business combinations*

On initial recognition, the assets and liabilities of the acquired business are included in the statement of financial position at their fair values. In measuring fair value of exploration

projects, management considers generally accepted technical valuation methodologies and comparable transactions in determining the fair value. Due to the subjective nature of valuation with respect to exploration projects with limited exploration results, management have determined the price paid to be indicative of its fair value.

*Recoverability of capitalised exploration and evaluation expenditure*

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the company decides to exploit the related lease itself, or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, costs of drilling and production, production rates, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

*Taxation*

The Company is subject to income taxes in Australia. Significant judgement is required when determining the Company's provision for income taxes. The Company estimates its tax liabilities based on the Company's understanding of the tax law.

|  | Reviewed as at<br>31-Dec-17<br>\$ | Pro-forma after Offer<br>\$6m<br>\$ |
|--|-----------------------------------|-------------------------------------|
| <b>NOTE 2. CASH AND CASH EQUIVALENTS</b>       |                                   |                                     |
| Cash and cash equivalents                      | 108,838                           | 5,133,554                           |
| Reviewed balance of TSL at 31 December 2017    |                                   | 108,838                             |
| Audited balance of Srinel at 30 September 2017 |                                   | 216                                 |
| <i>Pro-forma adjustments:</i>                  |                                   |                                     |
| Proceeds from Capital Raising                  |                                   | 6,000,000                           |
| Costs of the Offer                             |                                   | (525,500)                           |
| Cash Reimbursement*                            |                                   | (450,000)                           |
|  |                                   | 5,024,500                           |
| Pro-forma Balance                              |                                   | 5,133,554                           |

\*In the event that receipts in relation to the advance made by Cuprum to Srinel and the use of those funds to maintain the project area in Sri Lanka are not deemed adequate by ASX, TSL will issue 22,500,000 shares at \$0.02 per share in lieu of a cash payment (Refer to section 2.2 of this Prospectus).



|  | Reviewed as<br>at<br>31-Dec-17<br>\$ | Pro-forma after<br>Offer<br>\$6m<br>\$ |
|--|--------------------------------------|--|
| <b>NOTE 3. INVESTMENT IN SRINEL</b>            |                                      |  |
| Investment in Srinel                           | 599,149                              | -                                      |
| Reviewed balance of TSL at 31 December 2017    |                                      | 599,149                                |
| Audited balance of Srinel at 30 September 2017 |                                      | -                                      |
| <i>Pro-forma adjustments:</i>                  |                                      |  |
| Reclassify to Exploration and Evaluation       |                                      | (599,149)                              |
|  |                                      | (599,149)                              |
| Pro-forma Balance                              |                                      | -                                      |

|  | Reviewed as<br>at<br>31-Dec-17<br>\$ | Pro-forma after<br>Offer<br>\$6m<br>\$ |
|--|--------------------------------------|--|
| <b>NOTE 4. EXPLORATION AND EVALUATION</b>              |                                      |  |
| Exploration and evaluation                             | -                                    | 2,271,483                              |
| Reviewed balance of TSL at 31 December 2017            |                                      | -                                      |
| Audited balance of Srinel at 30 September 2017         |                                      | 56,156                                 |
| <i>Pro-forma adjustments:</i>                          |                                      |  |
| Acquisition adjustment following acquisition of Srinel |                                      | 1,544,594                              |
| Reclassification from Investment in Srinel             |                                      | 599,149                                |
| Reclassification from Intangible assets                |                                      | 71,583                                 |
|  |                                      | 2,215,326                              |
| Pro-forma Balance                                      |                                      | 2,271,483                              |

|  | Reviewed as<br>at<br>31-Dec-17<br>\$ | Pro-forma after<br>Offer<br>\$6m<br>\$ |
|--|--------------------------------------|--|
| <b>NOTE 5. INTANGIBLE ASSETS</b>               |                                      |  |
| Intangible assets                              | -                                    | -                                      |
| Reviewed balance of TSL at 31 December 2017    |                                      | -                                      |
| Audited balance of Srinel at 30 September 2017 |                                      | 71,583                                 |
| <i>Pro-forma adjustments:</i>                  |                                      |  |
| Reclassify to Exploration and Evaluation       |                                      | (71,583)                               |
|  |                                      | (71,583)                               |
| Pro-forma Balance                              |                                      | -                                      |

|  | Reviewed as at<br>31-Dec-17<br>\$ | Pro-forma after Offer<br>\$6m<br>\$ |
|--|-----------------------------------|-------------------------------------|
| <b>NOTE 6. LOAN PAYABLES</b>                   |                                   |                                     |
| Loan Payable                                   | 99,093                            | 52,974                              |
| Reviewed balance of TSL at 31 December 2017    |                                   | 99,093                              |
| Audited balance of Srinel at 30 September 2017 |                                   | 52,974                              |
| <i>Subsequent events:</i>                      |                                   |                                     |
| Interest accrued on loan payable               |                                   | 1,588                               |
|  |                                   | 1,588                               |
| <i>Pro-forma adjustments:</i>                  |                                   |                                     |
| Repayment under Creditor Offer                 |                                   | (100,681)                           |
|  |                                   | (100,681)                           |
| Pro-forma Balance                              |                                   | 52,974                              |

|  | Reviewed as at<br>31-Dec-17<br>\$ | Pro-forma after Offer<br>\$6m<br>\$ |
|--|-----------------------------------|-------------------------------------|
| <b>NOTE 6. SHARE CAPITAL</b>                         |                                   |                                     |
| Share capital  | 3,559,868                         | 10,563,135                          |
|  | <b>Number of shares (min)</b>     | <b>\$</b>                           |
| Reviewed balance of TSL at 31 December 2017*         | 517,750,797                       | 3,559,868                           |
| Audited balance of Srinel at 30 September 2017       | 100                               | 67,271                              |
| <i>Pro-forma adjustments:</i>                        |                                   |                                     |
| Share consolidation (1:3)                            | 172,583,599                       | -                                   |
| Elimination of Srinel's share capital on acquisition | -                                 | (67,271)                            |
| Issue of shares pursuant to Capital Raising          | 300,000,000                       | 6,000,000                           |
| Costs of the Offer                                   | -                                 | (360,000)                           |
| Issue of Consideration Shares                        | 58,095,239                        | 1,161,905                           |
| Issue of shares to Trident                           | 5,034,057                         | 100,681                             |
| Issue of shares under Creditor Offer                 | 5,034,057                         | 100,681                             |
|  | 540,746,952                       | 6,935,996                           |
| Pro-forma Balance**                                  | 540,746,952                       | 10,563,135                          |

\*Share numbers shown pre-consolidation

\*\*In the event that receipts in relation to the advance made by Cuprum to Srinel and the use of those funds to maintain the project area in Sri Lanka are not deemed adequate by ASX, TSL will issue 22,500,000 shares at \$0.02 per share in lieu of a cash payment (Refer to section 2.2 of this Prospectus).

|   | Reviewed as at<br>31-Dec-17<br>\$ | Pro-forma after Offer<br>\$6m<br>\$ |
|---|-----------------------------------|-------------------------------------|
| <b>NOTE 7. ACCUMULATED LOSSES</b>                         |                                   |                                     |
| Accumulated losses  | (3,473,705)                       | (4,401,474)                         |
| Reviewed balance of TSL at 31 December 2017               |                                   | (3,473,705)                         |
| Audited balance of Srinel at 30 September 2017            |                                   | (453,892)                           |
| <i>Subsequent events:</i>                                 |                                   |                                     |
| Interest accrued on loan payable                          |                                   | (1,588)                             |
|   |                                   | (1,588)                             |
| <i>Pro-forma adjustments:</i>                             |                                   |                                     |
| Elimination of Srinel's accumulated losses on acquisition |                                   | 453,892                             |
| Costs of the Offer  |                                   | (165,500)                           |
| Issue of shares to Trident                                |                                   | (100,681)                           |
| Cash Reimbursement  |                                   | (450,000)                           |
| Issue of Class B Options                                  |                                   | (210,000)                           |
|   |                                   | (472,289)                           |
| Pro-forma Balance   |                                   | (4,401,474)                         |

|   | Reviewed as at<br>31-Dec-17<br>\$ | Pro-forma after Offer<br>\$6m<br>\$ |
|---|-----------------------------------|-------------------------------------|
| <b>NOTE 8. RESERVES</b>                         |                                   |                                     |
| Reserves  | -                                 | 210,000                             |
| Reviewed balance of TSL at 31 December 2017     |                                   | -                                   |
| Audited balance of Srinel at 30 September 2017  |                                   | 3,929                               |
| <i>Pro-forma adjustments:</i>                   |                                   |                                     |
| Elimination of Srinel's reserves on acquisition |                                   | (3,929)                             |
| Issue of Class B Options                        |                                   | 210,000                             |
|   |                                   | 206,071                             |
| Pro-forma Balance                               |                                   | 210,000                             |

Following the Offer and the acquisition of Srinel, the Company will have the following performance shares on issue:

| Performance Shares                                    | Number             |
|---|--------------------|
| <b>Performance Share on issue prior to the Offer</b>  | -                  |
| Class A Performance Shares                            | 66,666,667         |
| Class B Performance Shares                            | 33,333,333         |
| Class C Performance Shares                            | 133,333,333        |
| <b>Performance Share on issue following the Offer</b> | <b>233,333,333</b> |

Refer to note 9 for further information regarding the Class A, Class B and Class C Performance Shares.

Following the Offer and the acquisition of Srinel, the Company will have the following options on issue:

| Options  | Number            |
|--|-------------------|
| <b>Options on issue prior to the Offer</b>     | 14,285,714        |
| Issue of Class B Options                       | 30,000,000        |
| <b>Options on issue following to the Offer</b> | <b>44,285,714</b> |

As part of the Share Placement, the Company issued 14,285,714 Class A Options exercisable at \$0.021 and expiring three years from grant date. There are no vesting conditions attached to the Class A Options. A valuation of the Class A Options and the inputs used is set out below.

| Class A Options                 |                 |
|---------------------------------|-----------------|
| Number of Class A Options       | 14,285,714      |
| Underlying share price          | \$ 0.020        |
| Exercise price                  | \$ 0.021        |
| Expected volatility             | 90%             |
| Expiry date (years)             | 3.0             |
| Expected dividends              | Nil             |
| Risk free rate                  | 2.13%           |
| <b>Value per Class A Option</b> | <b>\$ 0.011</b> |

The Company will issue 30,000,000 Class B Options exercisable at \$0.05 and expiring on 18 January 2021. There are no vesting conditions attached to the Class B Options. A valuation of the Class B Options and the inputs used is set out below.

| Class B Options                 |                 |
|---------------------------------|-----------------|
| Number of Class B Options       | 30,000,000      |
| Underlying share price          | \$ 0.020        |
| Exercise price                  | \$ 0.050        |
| Expected volatility             | 90%             |
| Expiry date (years)             | 2.9             |
| Expected dividends              | Nil             |
| Risk free rate                  | 2.13%           |
| <b>Value per Class B Option</b> | <b>\$ 0.007</b> |

**NOTE 9: PROVISIONAL ACCOUNTING FOR THE ACQUISITION OF SRINEL**

On 24 January 2018, shareholders of TSL approved the proposed acquisition of 100% of the issued capital of Srinel. The consideration will be satisfied by the issue of 58,095,239 Consideration Shares, 66,666,667 Class A Performance Shares, 33,333,333 Class B Performance Shares and 133,333,333 Class C Performance Shares. The Performance Shares will convert on a one for one basis on satisfaction of the following performance milestones:

**Class A Performance Shares**

66,666,667 performance shares will convert to 66,666,667 shares in TSL upon:

- a) a total Mineral Resources of 20 million tonnes of heavy mineral content of not less than 5% discovered; or
- b) any metal equivalent independently valued by a qualified technical person.

**Class B Performance Shares**

33,333,333 performance shares will convert to 33,333,333 shares in TSL upon:

- a) the Company obtaining a grant of one or more mining licences in respect of all or part of the land subject of the Mannar Island Project.

**Class C Performance Shares**

133,333,333 performance shares will convert to 133,333,333 shares in TSL upon:

- a) the Company commencing commercial scale heavy mineral sand concentrate production or treatment of 250,000 tonnes of heavy mineral content of not less than 5% discovered in respect of any part of the Mannar Island Project; or
- b) the Company achieving a Mineral Resource of 70 million tonnes of heavy mineral content of not less than 5% discovered.

TSL has considered whether the acquisition of Srinel falls within the scope of AASB 3 Business Combinations and therefore is required to be accounted for as a business combination. A business combination involves an acquirer obtaining control of one or more businesses by transferring cash, incurring liabilities and issuing shares. A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors. TSL does not consider that the acquisition of Srinel meets the definition of a business combination in accordance with AASB 3 Business Combinations as the assets acquired are not deemed to be a business for accounting purposes. Therefore, we have provisionally accounted for the acquisition as an asset acquisition.

A summary of the acquisition details with respect to the acquisition of Srinel, as included in our Report, is set out below. These details have been determined for the purposes of the pro-forma adjusted as at 31 December 2017, however will require re-determination as at the successful acquisition date which may result in changes to the values set out below.

| <b>NOTE 9. ASSET ACQUISITION</b>  | <b>Fair value</b> |
|---|-------------------|
|   | <b>\$</b>         |
| <b>Purchase consideration comprises:</b>                                |                   |
| Issue of Consideration Shares   | 1,161,905         |
| Issue of Performance Shares   | -                 |
| <b>Total consideration</b>  | <b>1,161,905</b>  |
| <b>Net assets of Srinel to be acquired:</b>                             |                   |
| Total Assets  | 217,466           |
| Total Liabilities   | (600,156)         |
| <b>Total net assets acquired</b>  | <b>(382,690)</b>  |
| <b>Fair value attributable to exploration assets of acquired entity</b> | <b>1,544,594</b>  |

Currently there are no reasonable grounds on which to assess the likelihood of the non-market milestones being met for the conversion of Performance Shares. Therefore, no adjustments have been made to the pro-forma historical Statement of Financial Position based on the issue of Performance Shares. In accordance with AASB 2 Share based payments, the Company will be required to re-assess the probability of non-market performance milestones being achieved at each reporting date up until expiry of the Performance Shares. Performance Shares have the same value as an ordinary share, being the underlying share price of \$0.02 at the date of this Prospectus.

**NOTE 10: RELATED PARTY DISCLOSURES**

Transactions with Related Parties and Directors Interests are disclosed in the Prospectus.

**NOTE 11: COMMITMENTS AND CONTINGENCIES**

At the date of the report no material commitments or contingent liabilities exist that we are aware of, other than those disclosed in the Prospectus.

APPENDIX 5

TITANIUM SANDS LIMITED

HISTORICAL FINANCIAL INFORMATION OF SRINEL HOLDINGS LIMITED

| Statement of Profit or Loss and Other Comprehensive Income | Audited for the half year ended 30-Sep-17<br>US\$ | Audited for the year ended 31-Mar-17<br>US\$ | Audited for the year ended 31-Mar-16<br>US\$ |
|--|---|--|--|
| Other income   | -   | 24   | -  |
| <b>Expenses</b>  |   |  |  |
| Administrative expenses                                    | (149,234)   | (189,907)                                    | (81,588)                                     |
| Other expenses   | (12)  | -  | (1)  |
| <b>Loss before income tax</b>                              | <b>(149,246)</b>                                  | <b>(189,883)</b>                             | <b>(81,589)</b>                              |
| Income tax expense   | -   | -  | -  |
| <b>Total comprehensive income</b>                          | <b>(149,246)</b>                                  | <b>(189,883)</b>                             | <b>(81,589)</b>                              |
| Goodwill   | -   | -  | -  |
| Retranslation reserve                                      | (1,058)   | (1,029)                                      | -  |
| <b>Total comprehensive loss</b>                            | <b>(150,304)</b>                                  | <b>(190,912)</b>                             | <b>(81,589)</b>                              |

This consolidated statement of profit or loss and other comprehensive income shows the historical financial performance of Srinel and is to be read in conjunction with the notes to and forming part of the historical financial information set out in Appendix 4. Past performance is not a guide to future performance.

| Statement of Cash Flows                               | Audited for the half year ended 30-Sep-17<br>US\$ | Audited for the year ended 31-Mar-17<br>US\$ | Audited for the year ended 31-Mar-16<br>US\$ |
|---|---|--|--|
| <b>Loss before income tax</b>                         | <b>(149,246)</b>                                  | <b>(189,907)</b>                             | <b>(39,659)</b>                              |
| Adjustments (D&A, Translation reserve)                | 1,057   | 1,029  | 28,529                                       |
| Increase in trade and other payables                  | 123,312   | 134,107                                      | (4,058)                                      |
| Increase in related party loans                       | -   | 1,450  | -  |
| Increase in borrowings                                | -   | -  | 15,149                                       |
| <b>Net cash flows from operating activities</b>       | <b>(24,877)</b>                                   | <b>(53,321)</b>                              | <b>(39)</b>                                  |
| <b>Cash flows from investing activities:</b>          |   |  |  |
| Exploration and evaluation outflows                   | (17,262)  | (26,731)                                     | -  |
| Payments for other investments                        | -   | (30,040)                                     | -  |
| <b>Net cash flows from investing activities</b>       | <b>(17,262)</b>                                   | <b>(56,771)</b>                              | <b>-</b>                                     |
| <b>Cash flows from financing activities:</b>          |   |  |  |
| Advance received for future capitalisation            | -   | 52,600                                       | -  |
| Proceeds from/(repayment of) borrowings               | 42,126  | 57,657                                       | -  |
| <b>Net cash flows from financing activities</b>       | <b>42,126</b>                                     | <b>110,257</b>                               | <b>-</b>                                     |
| Net increase in cash and cash equivalents             | (13)  | 165  | (39)   |
| Opening cash and cash equivalents                     | 181   | 14   | 54   |
| <b>Cash and cash equivalents at the end of period</b> | <b>168</b>  | <b>179</b>                                   | <b>15</b>                                    |

The Historical Statements of Cash Flows show the consolidated historical cash flows of Srinel and are to be read in conjunction with the notes to and forming part of the Historical Financial Information set out in Appendix 4.

| Statement of Financial Position      | Audited as at<br>30-Sep-17<br>US\$ | Audited as at<br>31-Mar-17<br>US\$ | Audited as at<br>31-Mar-16<br>US\$ |
|--------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| <b>CURRENT ASSETS</b>                |                                    |                                    |                                    |
| Cash and cash equivalents            | 169                                | 181                                | 14                                 |
| Trade and other receivables          | 33                                 | 33                                 | 33                                 |
| Amount due from related parties      | 40,050                             | 10,050                             | -                                  |
| <b>TOTAL CURRENT ASSETS</b>          | <b>40,252</b>                      | <b>10,264</b>                      | <b>47</b>                          |
| <b>NON-CURRENT ASSETS</b>            |                                    |                                    |                                    |
| Exploration and evaluation assets    | 43,993                             | 26,731                             | -                                  |
| Intangible assets                    | 56,078                             | 56,078                             | 56,078                             |
| Other investments                    | 30,040                             | 30,040                             | -                                  |
| <b>TOTAL NON-CURRENT ASSETS</b>      | <b>130,111</b>                     | <b>112,849</b>                     | <b>56,078</b>                      |
| <b>TOTAL ASSETS</b>                  | <b>170,363</b>                     | <b>123,113</b>                     | <b>56,125</b>                      |
| <b>CURRENT LIABILITIES</b>           |                                    |                                    |                                    |
| Trade and other payables             | 291,686                            | 168,373                            | 34,266                             |
| Amount due to related parties        | 41,500                             | 11,500                             | -                                  |
| <b>TOTAL CURRENT LIABILITIES</b>     | <b>333,186</b>                     | <b>179,873</b>                     | <b>34,266</b>                      |
| <b>NON-CURRENT LIABILITIES</b>       |                                    |                                    |                                    |
| Loan from shareholders               | 136,976                            | 94,850                             | 37,193                             |
| <b>TOTAL NON-CURRENT LIABILITIES</b> | <b>136,976</b>                     | <b>94,850</b>                      | <b>37,193</b>                      |
| <b>TOTAL LIABILITIES</b>             | <b>470,162</b>                     | <b>274,723</b>                     | <b>71,459</b>                      |
| <b>NET ASSETS</b>                    | <b>(299,799)</b>                   | <b>(151,610)</b>                   | <b>(15,334)</b>                    |
| <b>EQUITY</b>                        |                                    |                                    |                                    |
| Stated Capital                       | 100                                | 100                                | 100                                |
| Advance toward shares                | 52,600                             | 52,600                             | -                                  |
| Accumulated loss                     | (355,579)                          | (206,333)                          | (16,426)                           |
| Retranslation reserve                | 3,078                              | 2,021                              | 992                                |
| <b>TOTAL EQUITY</b>                  | <b>(299,801)</b>                   | <b>(151,612)</b>                   | <b>(15,334)</b>                    |

The Historical Statements of Financial Position show the consolidated historical financial position of Srinel and are to be read in conjunction with the notes to and forming part of the Historical Financial Information set out in Appendix 4.



**6. INDEPENDENT GEOLOGIST'S REPORT**

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**PROSPECTUS GEOLOGICAL REPORT  
TITANIUM SANDS LIMITED  
MANNAR MINERAL SANDS PROJECT  
SRI LANKA**

Prepared for

**Titanium Sands Limited**

**Report Number WA18/02**

---

**AUTHOR:** J.J.G. Doepel  
BSc (Hons), GradDipForSci, DipTeach, MAusIMM, MAIG  
**Principal Geologist**  
**Continental Resource Management Pty Ltd**

**Signature:**

A handwritten signature in black ink, appearing to read "J. Doepel", is written over a light grey background.

**DATE: 26 February 2018**

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## EXECUTIVE SUMMARY

Titanium Sands Limited (“TSL” or “Company”) requested that Continental Resource Management Pty Ltd (“CRM”) provide an Independent Geological Report (“Report”) on its Mannar Island Project, Sri Lanka. The Report is to be included in a Prospectus (“the Prospectus”), to raise up to A\$6 million, being prepared by TSL.

The Mannar Island Project comprises five granted Exploration Licences, situated on and near Mannar Island, NW Sri Lanka.

The tenements have been explored for heavy mineral sands by four auger-drill programmes between 2011 and 2017. Inferred Resources of 10.0Mt @ 11.7% Total Heavy Minerals have been estimated within the two initially granted tenements. The estimation was carried out and reported in 2015, in accordance with the 2012 JORC Code, by the independent geological consultant GeoActiv. Similar at-surface heavy mineral mineralisation has been drilled and reported on the recently granted licences.

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## INTRODUCTION

Titanium Sands Limited (“TSL” or “Company”) requested that Continental Resource Management Pty Ltd (“CRM”) provide an Independent Geological Report (“Report”) on its Mannar Island Project, Sri Lanka. The Report is to be included in a Prospectus, to raise up to A\$6 million, being prepared by TSL.

The Mannar Island Project comprises five granted Exploration Licences (“ELs”) (“the Project Tenements” or “the Tenements”), situated on and near Mannar Island, NW Sri Lanka. The tenements are held by Srinel Holdings Limited (“Srinel”) through its wholly owned subsidiaries. TSL has exercised its option to acquire 100% of the issued share capital of Srinel (ASX Announcement, 31<sup>st</sup> January 2018). Details of the option agreement are given elsewhere in this Prospectus.

The tenements have been explored for heavy mineral sands by four auger-drill programmes between 2011 and 2017. Inferred Resources of 10.0Mt @ 11.7% Total Heavy Minerals have been estimated within the two initially granted tenements, ELs 180 and 182. The estimation was carried out and reported in 2015, in accordance with the 2012 JORC Code, by the independent geological consultant GeoActiv. Similar at-surface heavy mineral mineralisation has been drilled and reported on the recently granted licences.

### **Compliance with the VALMIN and JORC Codes**

The Report has been prepared in accordance with the VALMIN Code, which is binding upon Members of the Australian Institute of Geoscientists (“AIG”) and the Australasian Institute of Mining and Metallurgy (“AusIMM”), the JORC Code, and the rules and guidelines issued by such bodies as the Australian Securities and Investments Commission (“ASIC”) and ASX that pertain to IERs.

The author has taken due note of the rules and guidelines issued by such bodies as ASIC and ASX, including ASIC Regulatory Guide 111 – Content of Expert Reports, and ASIC Regulatory Guide 112 – Independence of Experts.

The preparation of the Report has been carried out by John Doepel, Director and Principal Geologist of CRM, a practitioner with the requisite qualifications, standing, and experience, who is considered to be a Specialist under the requirements of Section 2.1 of the VALMIN Code (2015). He is also considered to be a Competent Person under the terminology of the JORC Code (2012).

## Location

The project location is shown on Figure 1. Mannar Island is approximately 225km north of Sri Lanka's capital, Colombo. Mannar Island is joined to the mainland by both highway and railway, through Anuradapura, the capital city of the North Central Province.

Sri Lanka country risk is discussed elsewhere in the Prospectus, but it should be noted that the Sri Lankan Civil War concluded in 2009, since when the government has enacted a programme of economic development.

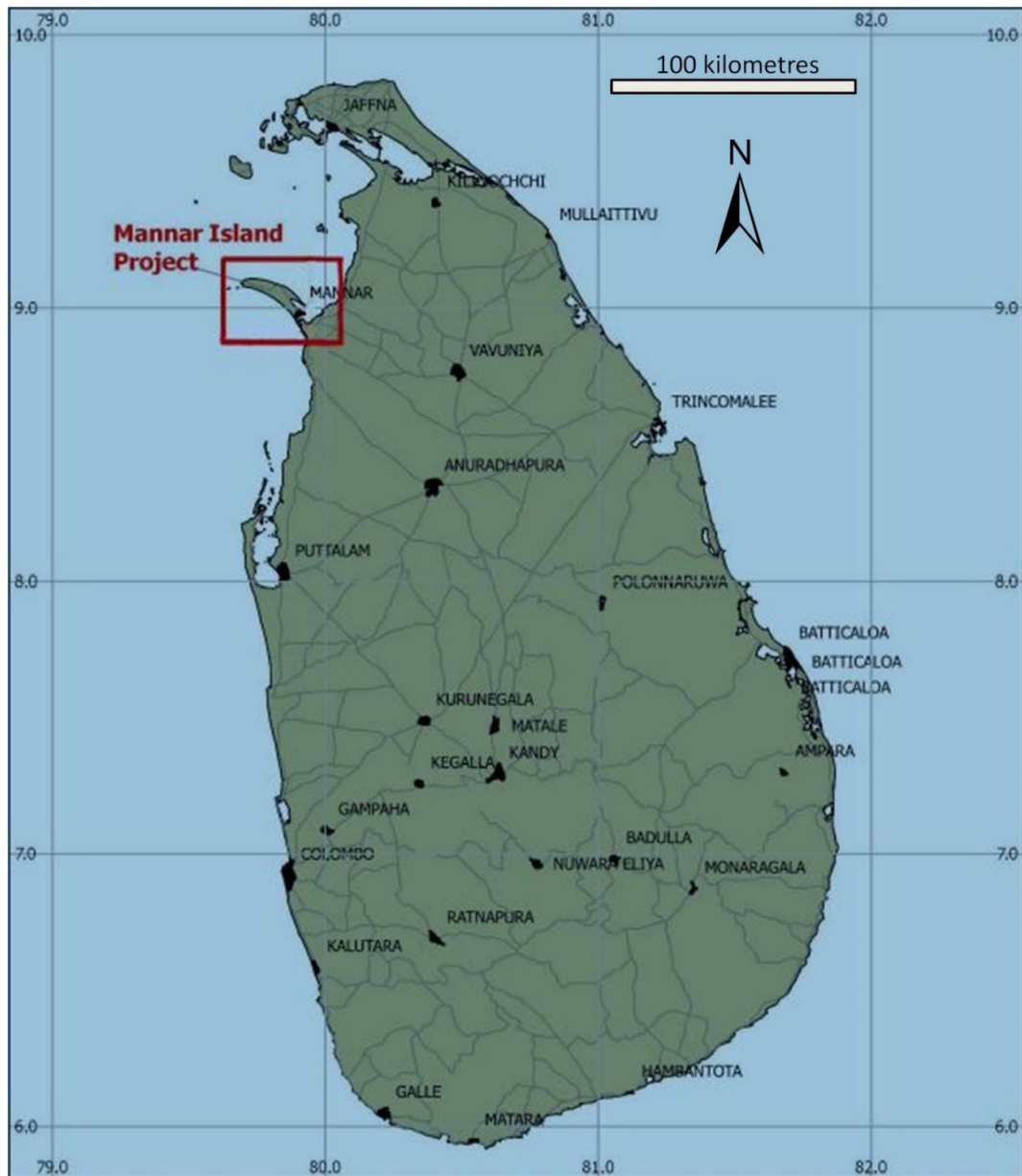


Figure 1 Sri Lanka – showing Project Location

## Sources of Information

The statements and opinions contained in this report are given in good faith. This report is based on information provided by TSL, along with technical reports prepared by consultants, and other relevant published and unpublished information. TSL provided CRM with details of the acquisition of Srinel by TSL, tenement details including licence documents for the granted tenements, legal reports on the tenure ownership, relevant technical reports, maps, GIS data, drilling database, original assay files from the 2014, 2016, and 2017 drill programmes, and a digital file of the ore block model (“OBM”). CRM has endeavoured, by making all reasonable enquires, to confirm the authenticity, accuracy, and completeness of the data and information. CRM has no reason to doubt the authenticity or substance of the information provided.

## Site Inspection

CRM did not visit the Project, as is CRM’s experience of heavy mineral deposits that little additional information was to be gained from a site inspection that could not be obtained from available satellite imagery and the information that had been supplied by TSL. The Independent Geological Report by Badenhorst (2014), of GeoActiv consultants, describes and provides photos of the near surface heavy mineral mineralisation that is visible within the Mannar Island tenement areas. Further, clear details of the topography, land use, and infrastructure are visible on Google Earth images.

## Valuation

A valuation of the Srinel’s Mineral Assets was carried out by CRM in November 2017 (Doepel, 2017), at which time EL 370 had not been granted and, as such, it’s assets were accorded no value.

### *JORC Disclosure*

The Valuation Report was included in TSL’s 21<sup>st</sup> December 2017 ASX Announcement.



## MANNAR ISLAND PROJECT

### Description

The Mannar Island Project comprises five granted Exploration Licences (“ELs”) situated on and near Mannar Island, NW Sri Lanka.

### Tenure and Status

Srinel’s Mannar Mineral Sands Project comprises five granted ELs. Details of these tenements are shown in Table 2. Two of the tenements are held by Applex Ceylon (Pvt) Ltd (“Applex”), one by Kilsythe Explration (Pvt) Ltd (“Kilsythe”), and the final two by Hammersmith Ceylon (Pvt) Ltd (“Hammersmith”). All three companies are wholly owned subsidiaries of Srinel.

**Table 1 Project Tenure**

| Tenement | Holder or Applicant | Validity From | Validity To | Area (km <sup>2</sup> ) |
|----------|---------------------|---------------|-------------|-------------------------|
| EL 180   | Applex              | 28/06/2016    | 27/06/2018  | 45                      |
| EL 182   | Applex              | 28/06/2016    | 27/06/2018  | 26                      |
| EL 370   | Kilsythe            | 14/12/2017    | 13/12/2019  | 40                      |
| EL 371   | Hammersmith         | 26/02/2018    | 25/02/2020  | 4                       |
| EL 372   | Hammersmith         | 26/02/2018    | 25/02/2020  | 49                      |

CRM has received copies of Legal Reports on the Licences written by Sharm Fernando Associates, Legal and Investment Consultants, Colombo, Sri Lanka documenting the legal status of the tenements. The reports are dated 29 August 2017 and 20 February 2018. CRM has also received copies of the tenement licence documents. This report has been prepared and issued on the assumption that this information is correct and that the tenements are lawfully allowable.

An Exploration license grants the license-holder the exclusive right to explore for all mineral categories authorized by the license. The granted licences are for all minerals saving and excepting building materials, uranium, thorium, beryllium, lithium and coral. The applications are for Mineral Sand / Beach Sand. Exploration licences are for two-year terms, which may be renewed four times for further two-year periods. Coastal Conservation approval and Urban Development authority have been obtained for exploration within the granted tenements. The licences are subject to standard conditions, which include the conditions that exploration activities should not be conducted within environmentally sensitive areas, fishing areas, and areas close to settlements.

*Tenement Fees*

The renewal fees for the second two-year term of an EL are 1000 LKR/km<sup>2</sup>/year. Thus, the annual fees for the ELs will total about A\$1350.

*Exploration Commitments*

During the initial two years of an EL the annual minimum value of acceptable documented technical work is 20,000 LKR/km<sup>2</sup>/year. This amount doubles for each subsequent two-year period (GSMB, 2010a). Current granted tenement expenditure is 3.28M LKR (A\$26,800).

*Royalties*

The GSMB classifies mineral sands as Industrial minerals, the royalty rates for which are 4% if not exported and 5% if exported (GSMB, 2010a).

*Tenement Locations*

The tenement locations are shown on Figure 2

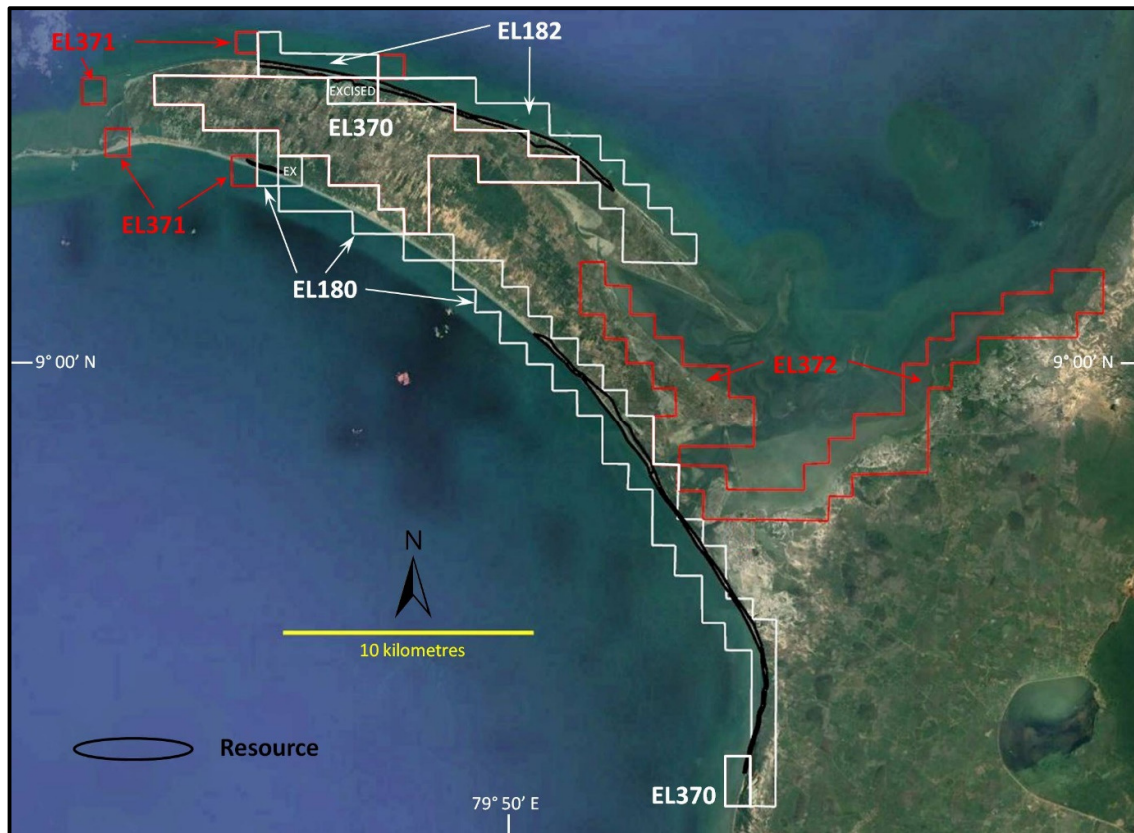


Figure 2 Tenement boundaries over Google Earth Image

## Project History

Badenhorst (2014) stated, "In July 2011, Technical Consultants of Supreme Solutions (Pvt) Ltd (Supreme) reportedly completed a preliminary field visit to EL 180, EL 181 and EL 182 and collected an unspecified number of mineral sand samples from tidal, beach and berm zones (Supreme, 2011a; 2011b; 2011c). These samples were subject to mineralogical analysis and returned 5 to 25 % heavy minerals. However, the sample details, collection and analysis methodology and precise results are unknown.

In August 2011, Supreme submitted Exploration Licence applications for the areas of interest to the Sri Lanka Geological Survey and Mines Bureau (GSMB). In September 2011, Supreme was granted the exploration rights to all 3 licences.

Between October and November 2011, a fieldwork exploration program was completed in EL 180 and EL 182 by personnel of the GSMB (GSMB, 2012a)"

In 2014 Srinel commissioned GeoActiv (Pty) Ltd ("GeoActiv") to conduct an exploration and resource modelling program on ELs 180, 182, and 183, Srinel being the legal and beneficial owner of all of the fully paid ordinary shares in the capital of Singha Lanka Investments (Private) Limited, which in turn is the legal and beneficial owner of all of the fully paid ordinary shares in the capital of Supreme Solutions Pvt Ltd (Supreme), the holder of the licences (Siebrits and Badenhorst, 2015). The new exploration program of drilling and sampling took place during July and August 2014 and GeoActiv reported Inferred Mineral Resources for the three tenements in April 2015 (Siebrits and Badenhorst, 2015).

At some time prior to 9 March 2015 ELs 180 and 182 appear to have lapsed, as they were reapplied for on that date and were later granted; and at some time prior to 12 June 2017 ELs 181 and 203 appear to have lapsed, as they were reapplied for on that date (see Table 2).

During 2016 and 2017 two further programmes of hand-auger sampling were carried out by GeoActiv for Srinel. The majority of the samples were taken from EL 370, with a minority from within ELs 180, 182, and 372.

The exploration programmes and the resource modelling are described later in this report.

## Merit

It is the Competent Person's view that the tenements are highly prospective for economic heavy mineral mineralisation. Exploration between 2011 and 2015 resulted in the estimation of Inferred Resources within ELs 180 and 182. The mineral assemblage is high value, the resources having an estimated ilmenite equivalent grade of 13.7%. The resources are restricted to the few metres above the water table and to the vicinity of the coastline. As there is a significant probability that the heavy minerals extend below the water table and, as drilling has shown that heavy mineral mineralisation extends inland from the island's north coast for at least 2.5km, it is likely that the resource tonnage will be able to be significantly upgraded by deeper and more extensive drilling within the granted tenements. The recently announced results from the 2016 and 2017 drilling indicate that significant mineralisation is also present within EL 370 and is likely to extend through EL 372.

## GEOLOGY

### Sri Lankan Geology

Most of Sri Lanka is made up of Precambrian metamorphic and granitic rocks. Granulite facies rocks of the Highland Complex (gneisses, sillimanite-graphite gneisses, quartzite, marbles, and some charnokites) extend across the centre of the island from southwest to northeast; and amphibolite facies gneisses, granites, and granitic gneisses of the Vinjayan and Wannai Complexes occur in the eastern and southeastern lowlands and in the northwest respectively (Figure 3).

The coastal regions of the northern portion of the island contain more recent sediments: lithified Miocene limestones and sandstones and younger largely unconsolidated Quaternary units. The limestone units are reportedly irregular, underlain by sandstone units and lie unconformably on the Precambrian basement. The Quaternary units consist of clastic sediments in the form of largely unconsolidated beach sands, dune sands, and lagoonal and estuarine sediments.

Heavy minerals are widely distributed in the basement complexes typically as fine disseminations, particularly within gneisses, granulites, pegmatites, dolomites, and quartz veins. These heavy minerals include the valuable heavy minerals ilmenite, rutile, zircon, monazite, and garnet. Erosion of the basement rocks, down-river transport to the coast, and longshore movement by currents and waves has led to the accumulation of heavy mineral deposits in the coastal sands (Figure 4).



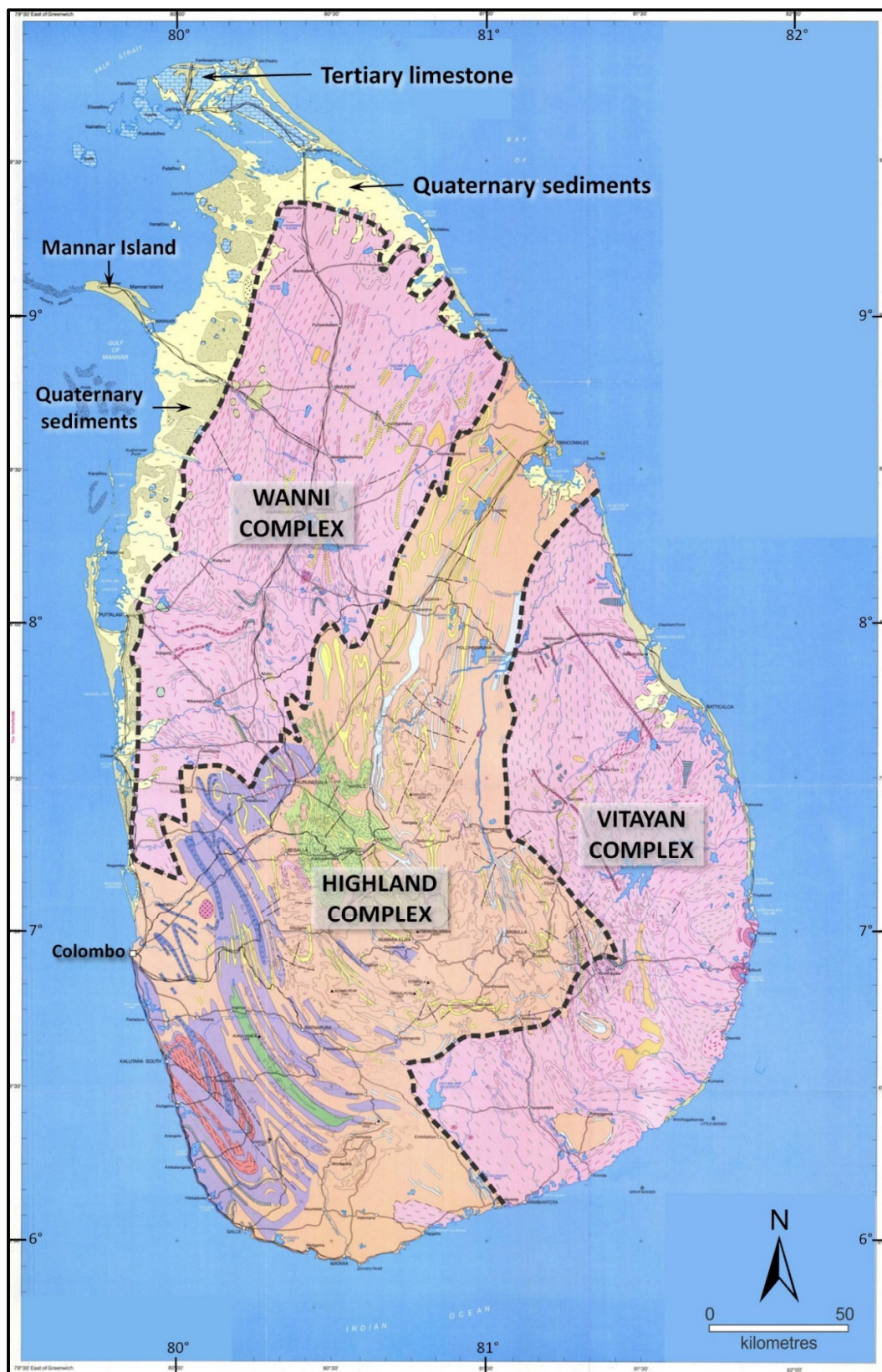


Figure 3 Geological Map of Sri Lanka



**Figure 4 Sri Lankan Heavy Mineral Deposits and Occurrences**

The Pullmoddai Deposit has been mined by Lanka Mineral Sands Limited (“LMSL”) since 1959 (Herath, 2008); Iluka Resources Limited (“Iluka”) has completed a scoping study on its Puttalam Deposits, which contain 689Mt at an average grade of 8.2% HM (Iluka, 2013); and Capital Metals Limited is developing its Oluvil Deposit, which contains 17.2Mt @ 17.6% Total Heavy minerals (“THM”) (Capital Metals, 2017).



## Project Geology

The project tenements are situated on Mannar Island and adjacent mainland coastline to the south and northeast. A portion of the 1:100,000 Geological Map of the area is shown as Figure 5.

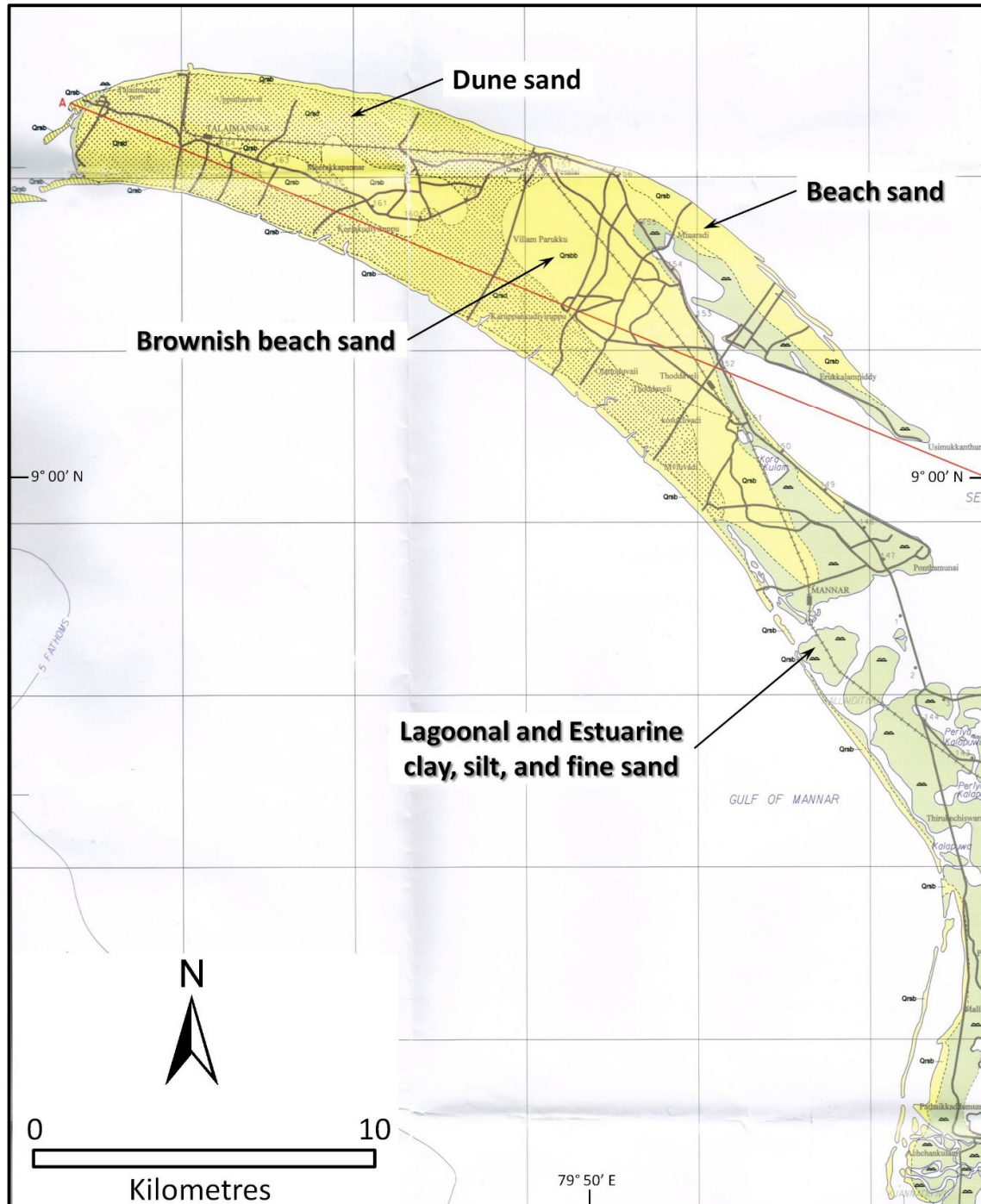


Figure 5 Geological Map of Mannar Island (after GSMB, 2010b)

The geological units within the project area are all Quaternary in age. They comprise active beach and sea-floor sands, younger white dune sands, finer-grained lagoonal and estuarine deposits, and older red or brown sands (both beach and dunal). Figure 6 displays a diagrammatic cross-section through Mannar Island, showing the relationship between these units. Heavy mineral mineralisation is present within both the younger and older beach sand units.

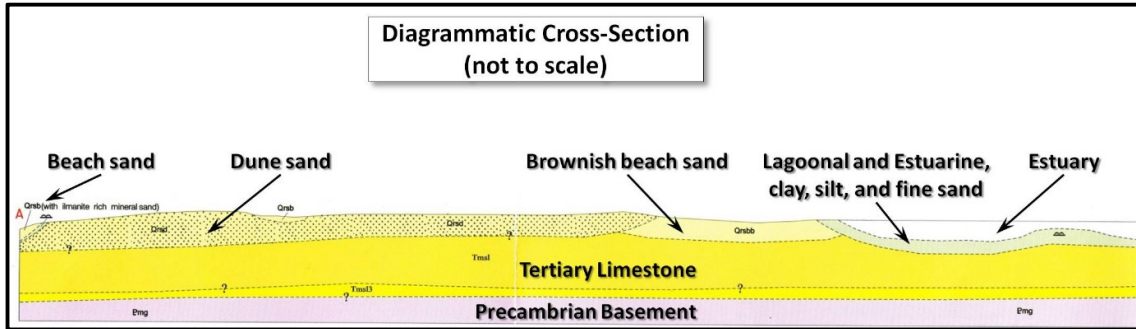


Figure 6 Diagrammatic geological section along Mannar Island (after GSMB, 2010b)



## EXPLORATION 2011 - MARCH 2014

This section is sourced, and largely copied from, a 2014 report by GeoActiv (Badenhorst, 2014), which company was appointed to complete an Independent Geological Report (IGR) describing 13 exploration licences in Sri Lanka that were to be acquired from Supreme Solutions (Pvt) Ltd (“Supreme”). Four of these licences, ELs 180, 181, 182, and 203 are now held, in whole or in part, by Srinel as ELs 180, 372, 182, and 371 respectively.

### Supreme 2011

In July 2011, Technical Consultants of Supreme Solutions (Pvt) Ltd (“Supreme”) reportedly completed a preliminary field visit to EL 180, EL 181 and EL 182 and collected an unspecified number of mineral sand samples from tidal, beach and berm zones. These samples were subject to mineralogical analysis and returned 5% to 25% heavy minerals.

### GSMB 2011

Between October and November 2011, a fieldwork exploration programme was carried out within EL 180 and EL 182 by the Sri Lankan Geological Survey & Mines Bureau (“GSMB”). Observational traverses were followed by auger-hole sampling across the tidal, beach and berm zones throughout much of the licences at a spacing of 10m to 60m on lines 200m apart perpendicular to the coastline. Of note is that the auger-hole sampling program only encompassed a narrow section of the foreshore sediments, with very few holes located in the backshore sediments. In the tidal zone, each hole was typically drilled to a depth of 0.3m with a single sample being collected from each hole. In the beach zone, each hole was typically drilled to a depth of 1.0m with two samples being collected from each hole (0m to 0.5m and 0.5m to 1.0m). In the berm zone, each hole was typically drilled to a depth of 2.0m with between one and three samples were collected from each hole (0m to 0.5m, 0.5m to 1.0m and 1.0m to 2.0m m).

The samples were provided to Supreme and subsequently submitted to the VV Minerals (Pvt) Ltd laboratory in Tamil Nadu, India for mineralogical analysis. Heavy mineral separation and analysis was conducted on the -2mm +63 $\mu$  fraction, but the proportions of oversize and clay fractions were not recorded. No QAQC data is known.

The HM contents of the samples are displayed in Figure 7. It is evident that the grade of the sampled zone within EL 182 increases to the west, whereas within EL 180 it increases to the southeast.

Significantly, the GSMB did drill two outlying auger-holes in EL 180 that were located about 750m inland (Figure 7). Hole PP/DU99 was drilled to a depth of 2m and averaged 6.9% HM. Hole PP/BM103 was also drilled to 2m and averaged 12.4% HM. The grade within both holes was greater than the grade within nearby holes closer to the coast.

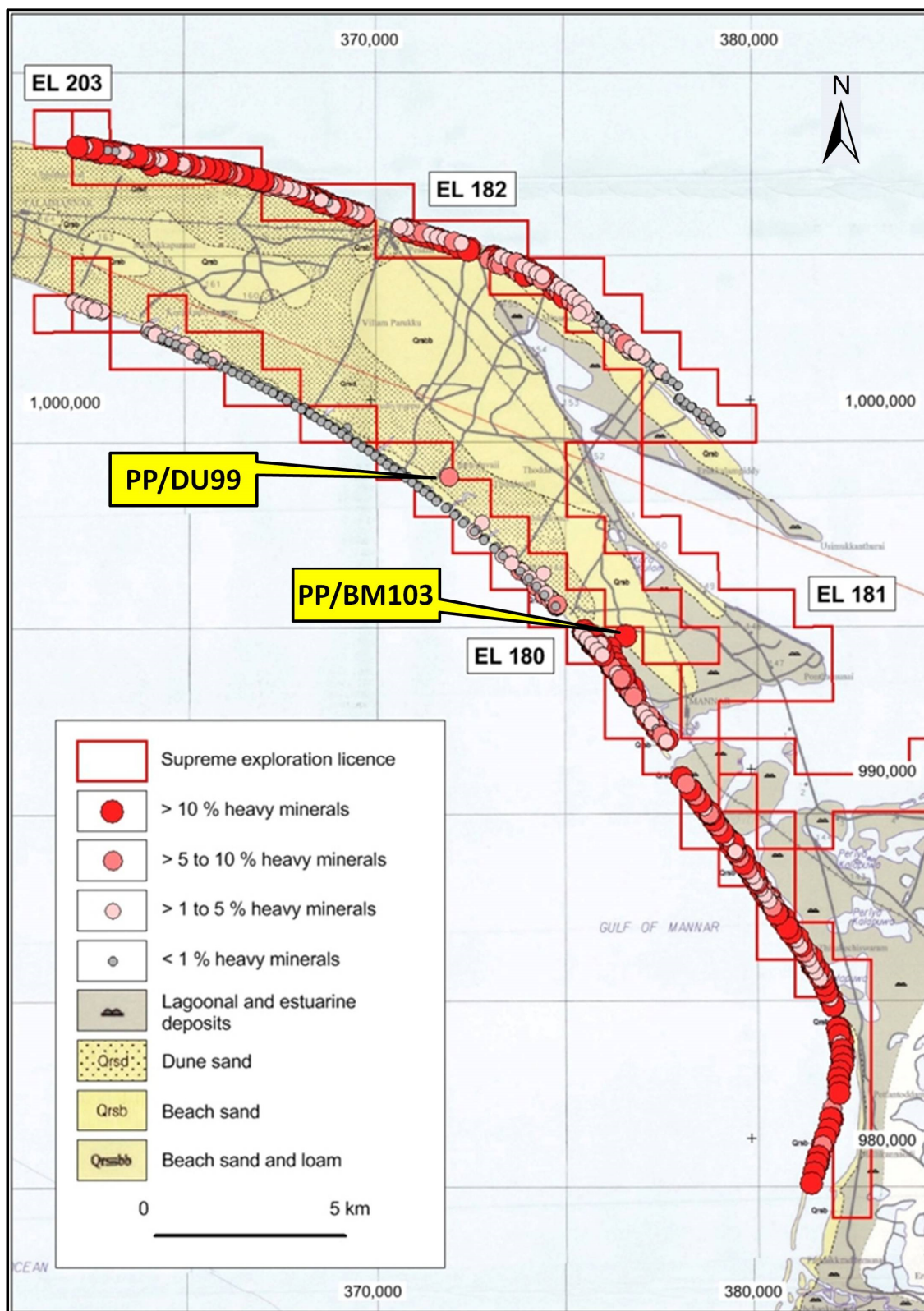


Figure 7 2011 Auger-hole HM results (from Badenhorst, 2014)

### *JORC Disclosure*

An initial description of the exploration programme was reported to the ASX on 9 December 2014 by Windimurra Vanadium Limited (“WVL”). (TSL was named WVL prior to a name change on 6 December 2016).

### *Environmental Report*

In February 2012, the GSMB produced an Initial Environmental Examination (IEE) report relating to the proposed mining of heavy mineral sands in EL 180 and EL 182 for Supreme. The IEE report includes descriptions of the project, the existing environment, the anticipated environmental impacts, proposed mitigatory measures, a monitoring programme, and conclusions and recommendations (GSMB, 2012b).

### **GeoActiv March 2014**

GeoActiv visited EL 180, EL 181, and EL 182 during March 2014 and confirmed the presence of heavy minerals within the areas drilled by GSMB (Figures 8, 9, and 10).



**Figure 8 HM mineralisation on beach within EL 180 (from Badenhorst, 2014)**





**Figure 9 HM concentrate from sample from southern area of EL 180 (from Badenhorst, 2014)**



**Figure 10 Pit into HM mineralisation dug in berm area within EL 182 (from Badenhorst, 2014)**

## EXPLORATION JULY 2014

### GeoActiv July-August 2014

During July and August 2014 GeoActiv carried out exploration on behalf of Srinel within EL180, EL 182, and EL 203 (Siebrits and Badenhorst, 2015). The programme was designed to:

- Drill infill holes where there were gaps in the GSMB data;
- Twin a reasonable percentage of the GSMB drillholes;
- Do some minor checking of mineralisation inland of the GSMB drilling;
- Drill some of the areas and holes deeper than managed by GSMB; and
- Conduct some preliminary handheld auger drilling within EL 203.

Analytical work was to consist of TBE heavy fraction separation, followed by magnetic separation work to generate the different magnetic and non-magnetic fractions, followed by quantitative XRF and optical microscope work to determine the HM assemblage. Defendable QAQC procedures were to be carried out.

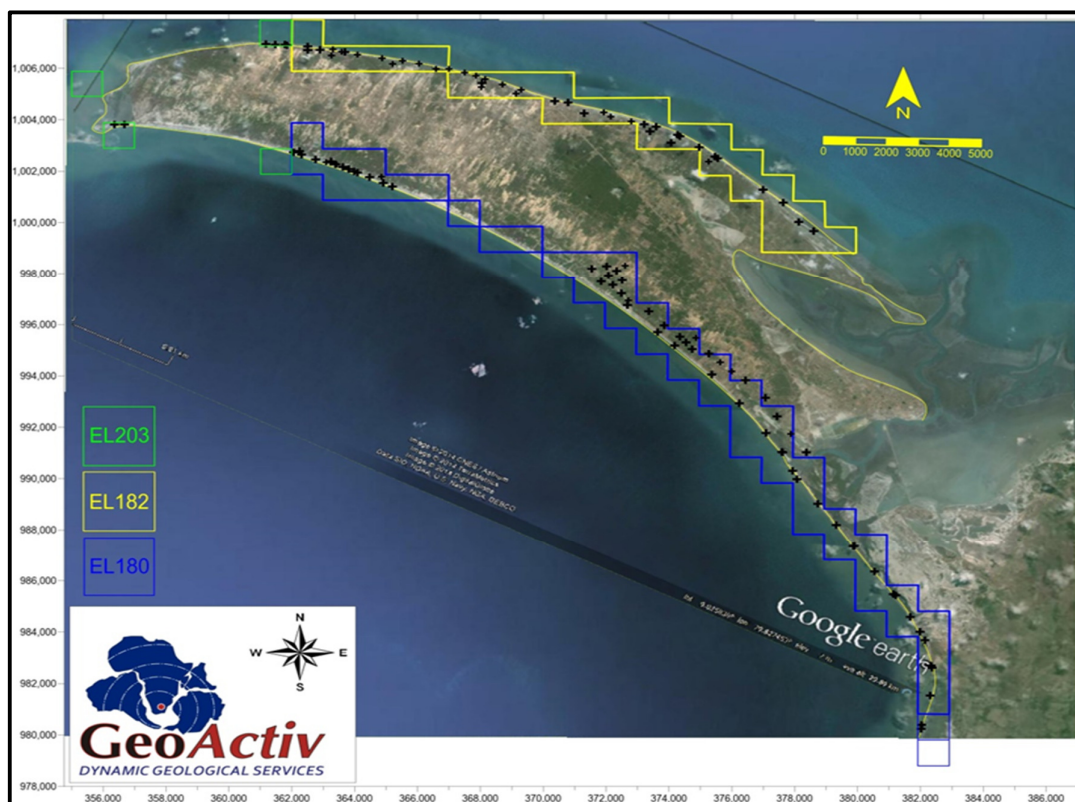
GeoActiv was also contracted to commission a satellite based (GeoEye) Digital Terrain Model (“DTM”) and to carry out a “JORC compliant” resource estimation.

The exploration programme and the resource estimation was reported by Siebrits and Badenhorst (2015). They stated, “The exploration program met all initial goals, ultimately proving the presence of significant amounts of heavy mineral mineralisation within the licenses.”

A hand-held auger was used for the drilling, with a total of 103 new holes and 31 twinned holes drilled within the three licenses. The programme used a similar geological logging and sampling process to that carried out by the GSMB. The GeoActiv auger did manage to generally penetrate deeper than did the GSMB drilling (NS06 within EL182 was drilled to 3.7m), but below the water table sample recovery again presented difficulties.

Significantly, the deepest hole drilled, NS06, averaged 9.6% HM from 0m to 2m, 4.2% HM from 2m to 3.5m, and 2.6% from 3.5m to its base at 3.7m. NS06 was drilled within EL 182, about 270m inland.

Figure 11 shows the locations of the holes drilled during the programme.



**Figure 11 Locations of 2014 drill-holes (from Siebrits and Badenhorst, 2015)**

All the samples, including assumed low-grade samples, were reduced to ca. 1.5kg. Duplicates were prepared from every 20th sample. The samples were analysed by Scientific Services CC in Cape Town, South Africa.

410 of the 468 samples were assumed by geological examination to have HM contents of at least 1% HM. These were de-slimed and subjected to TBE separation on the -1mm +45µ fraction.

*JORC Disclosure*

Initial results from the exploration programme were reported to the ASX on 2 April 2015 by WVJ.

**Mineralogy**

Subsequently 152 composites were prepared from the heavy mineral fractions. The composites were subjected to magnetic separation into four separate fractions, the components of which are set out in Table 3.

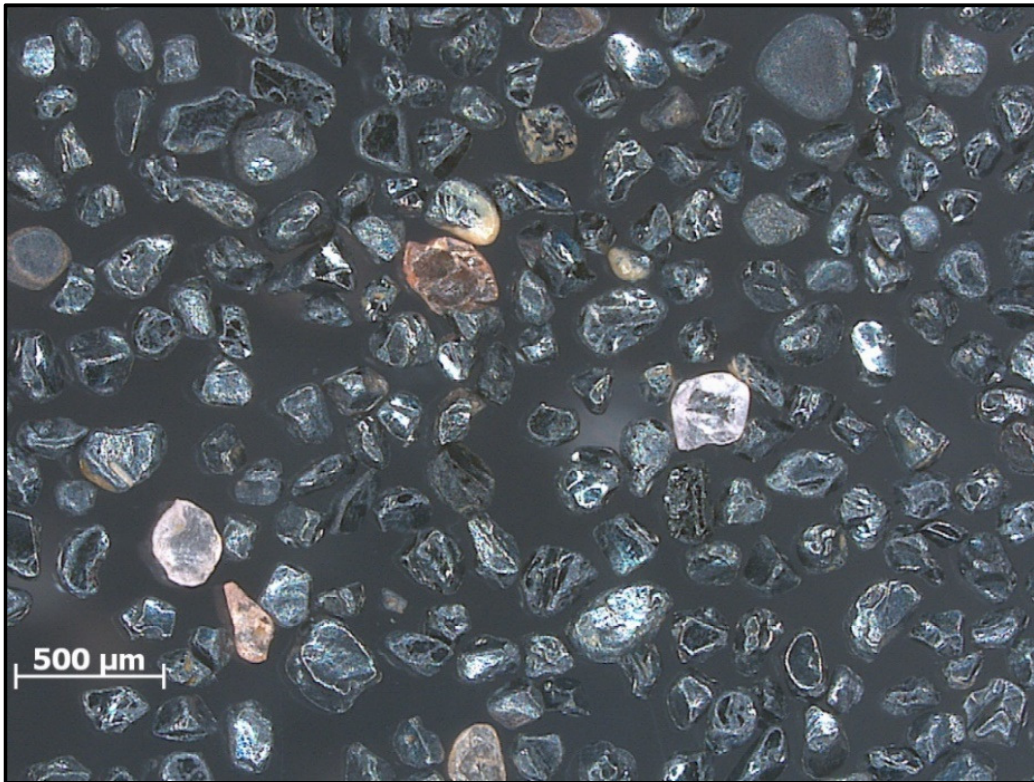
**Table 2 Results of Magnetic Separation of HM Concentrates**

| Fraction                           | Minerals                                      | % of HMC |
|------------------------------------|---|----------|
| Highly magnetic susceptible        | Magnetite                                     | 0.06     |
| Magnetic susceptible (CI)          | Ilmenite                                      | 50       |
| Slightly magnetic susceptible (MO) | Ilmenite, altered ilmenite, leucoxene, gangue | 26       |
| Non-magnetic (NM)                  | Rutile, zircon, gangue                        | 24       |



The three main fractions from nine initial samples underwent mineralogical examination by Reneke (2015), who estimated the average composition of the nine heavy mineral concentrates to be 45.7% Ilmenite, 12.7% Leucoxene, 2.5% Rutile, and 2.4% Zircon.

Figures 12 to 14 display Stereomicroscopic images of these fractions.



**Figure 12 Stereomicroscopic image of ilmenite fraction**



Figure 13 Stereomicroscopic image of magnetic-others fraction



Figure 14 Stereomicroscopic image of non-magnetic fraction



XRF analyses were conducted on the three main fractions of the 152 composite samples. The results from these analyses and the results of the average mineralogical compositions for each fraction were used to estimate the mineralogical compositions of each composite sample.

*JORC Disclosure*

A full description of the exploration programme and its results was reported to the ASX on 22 April 2015 by WV.L.

**GSMB and GeoActiv drilling results comparison**

GeoActiv compared the THM% results from the 2011 GSMB and the GeoActiv 2014 drilling campaigns. The reported 0.5m composites from the earlier drilling had a mean THM content of 10.93%; and the 0.5m composites from the later drilling returned a mean content of 9.30%, i.e. 85% of the former. Consequently, GeoActiv decided to apply a factor of 85% to the THM% values from the earlier drilling and to use the derived values for its resource estimation.

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## RESOURCES

### 2015 Resource Estimate

#### Introduction

GeoActiv (Pty) Ltd (“GeoActiv”) prepared a Mineral Resource Estimation of the Mannar Mineral Sands Project for Srinel Holdings Limited (Siebrits and Badenhorst, 2015). The resource was announced to the ASX on 22 April 2015 by WV. L.

Parts of GeoActiv’s Executive Summary are copied below.

#### “Executive Summary

Srinel Holdings Limited (Srinel) commissioned GeoActiv (Pty) Ltd to conduct an exploration and resource modelling program on three (3) of their exploration projects on Mannar Island, Sri Lanka.

Historical work took place on the licenses during October and November 2011 by the Sri Lanka Geological Survey and Mines Bureau (GSMB). The work entailed a hand-held auger drilling and sampling program that took place across the narrow strip of the tidal, beach and berm zone throughout much of the licences at a spacing of 10 m to 60 m on lines 200 m apart, perpendicular to the coastline. All the samples collected were submitted to the VV Minerals (Pvt) Ltd laboratory in Tamil Nadu, India, for mineralogical analysis. The laboratory conducted tetrabromoethane (TBE) heavy fraction separation to produce the heavy mineral concentrate (HMC) %, the heavy mineral (HM) assemblage was determined by a microscope grain count method. Questions about the lack of available Quality Assurance and Quality Control (QAQC) information and method of HM assemblage determination of this data necessitated the exploration program conducted by GeoActiv (Pty) Ltd.

The new exploration program of drilling and sampling took place during July and August 2014. The work approximated the techniques followed by the GSMB in terms of drilling, sampling, TBE heavy fraction separation and mineralogical studies, but XRF and XRD work was also conducted.

The exploration program confirmed the presence of significant amounts of heavy mineral concentrations within the licenses. The tables below indicate the **Inferred** total heavy mineral (THM) resource from the licenses. Resource figures without using any bottom cut-off, as well as when a 2 % bottom cut-off is being used, are shown. XRF and mineralogical studies were done to determine the mineral assemblage within the different TBE sourced heavy fractions, especially the valuable heavy minerals present in the HMC. The table therefore also indicates the ilmenite, leucoxene, rutile and zircon % within the THM.

#### The Inferred mineral resource estimations for Mannar without a cut-off.

| EL Area            | Tonnes            | %THM        | %Silt       | %Oversize   | %Ilm*       | %Leu*       | %Rut        | %Zir        |
|--------------------|-------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 180                | 6 667 500         | 7.43        | 3.35        | 10.66       | 3.46        | 0.84        | 0.08        | 0.15        |
| 182                | 6 914 688         | 10.19       | 2.40        | 6.77        | 4.77        | 1.15        | 0.19        | 0.25        |
| 203                | 304 063           | 11.71       | 2.69        | 1.15        | 5.42        | 1.50        | 0.25        | 0.25        |
| <b>Grand Total</b> | <b>13 886 250</b> | <b>8.90</b> | <b>2.86</b> | <b>8.51</b> | <b>4.16</b> | <b>1.01</b> | <b>0.14</b> | <b>0.20</b> |

**The Inferred mineral resource estimations for Mannar with a 2% THM cut-off.**

| <b>EL Area</b>     | <b>Tonnes</b>     | <b>%THM</b>  | <b>%Silt</b> | <b>%Oversize</b> | <b>%Ilm*</b> | <b>%Leu*</b> | <b>%Rut</b> | <b>%Zir</b> |
|--------------------|-------------------|--------------|--------------|------------------|--------------|--------------|-------------|-------------|
| 180                | 4 049 063         | 11.78        | 1.89         | 12.06            | 5.61         | 1.35         | 0.13        | 0.24        |
| 182                | 5 978 984         | 11.67        | 2.17         | 6.79             | 5.49         | 1.32         | 0.22        | 0.28        |
| 203                | 304 063           | 11.71        | 2.69         | 1.15             | 5.42         | 1.50         | 0.25        | 0.25        |
| <b>Grand Total</b> | <b>10 332 109</b> | <b>11.71</b> | <b>2.08</b>  | <b>8.69</b>      | <b>5.54</b>  | <b>1.34</b>  | <b>0.18</b> | <b>0.26</b> |

As with the historic work, the new exploration program was largely restricted to a narrow strip around the beach area, the drilling depth was also restricted due to the drilling technique and water table. Significant potential exists to increase the resource inland, but also to depth.”

*Resource Estimation Procedures*

Parts of GeoActiv’s resource estimation procedures are copied below.

“Grade interpolation was implemented with hard boundary conditions by EL area. The % THM historic data multiplied with 85%, compositing to 0.5 m and then combined with the 0.5 m composites of the recent data were used for the % THM estimation. The recent 0.5 m composite data was used for the estimation of silt and oversize. The 1 m composite data of the magnetic separation and XRF data were used for the estimation of the variables; CI\_yield, MO\_yield, NM\_yield, CI\_TiO2, MO\_TiO2, NM\_TiO2 and NM\_ZrO2. Inverse distance to the power of 3 was used for *in situ* grade interpolation for all the variables.

Calculated attributes were created in the block model for the calculating of the minerals ilmenite, leucoxene, rutile and zircon.... “

*Block Model Parameters*

A single block model was created with parent block size of 100m x 100m x 2m and sub-block size of 25m x 25m x 0.5m. The resource blocks were constrained by the boundaries of EL 180 and EL 182, the coastline, and the land surface,

*Specific Gravity (“SG”)*

GeoActiv applied a SG of 1.75 to the mineralisation, based on “an average of known mineral sand deposits”.

*Resource Classification*

GeoActiv classified the resources as Inferred, “primarily based on the drill-hole density and data type”.

*Ore Block Model*

A plan of the resultant OBM is presented in Figure 15, coloured by grade. The grade distribution can be seen to be similar to that of the GSMB drilling (Figure 7).

*JORC Disclosure*

The estimated Mineral Resources were reported to the ASX on 22 April 2015 by WVL. A copy of the Resource Report was included in the announcement, along with a complete JORC Table 1, which described out the exploration and resource estimation.

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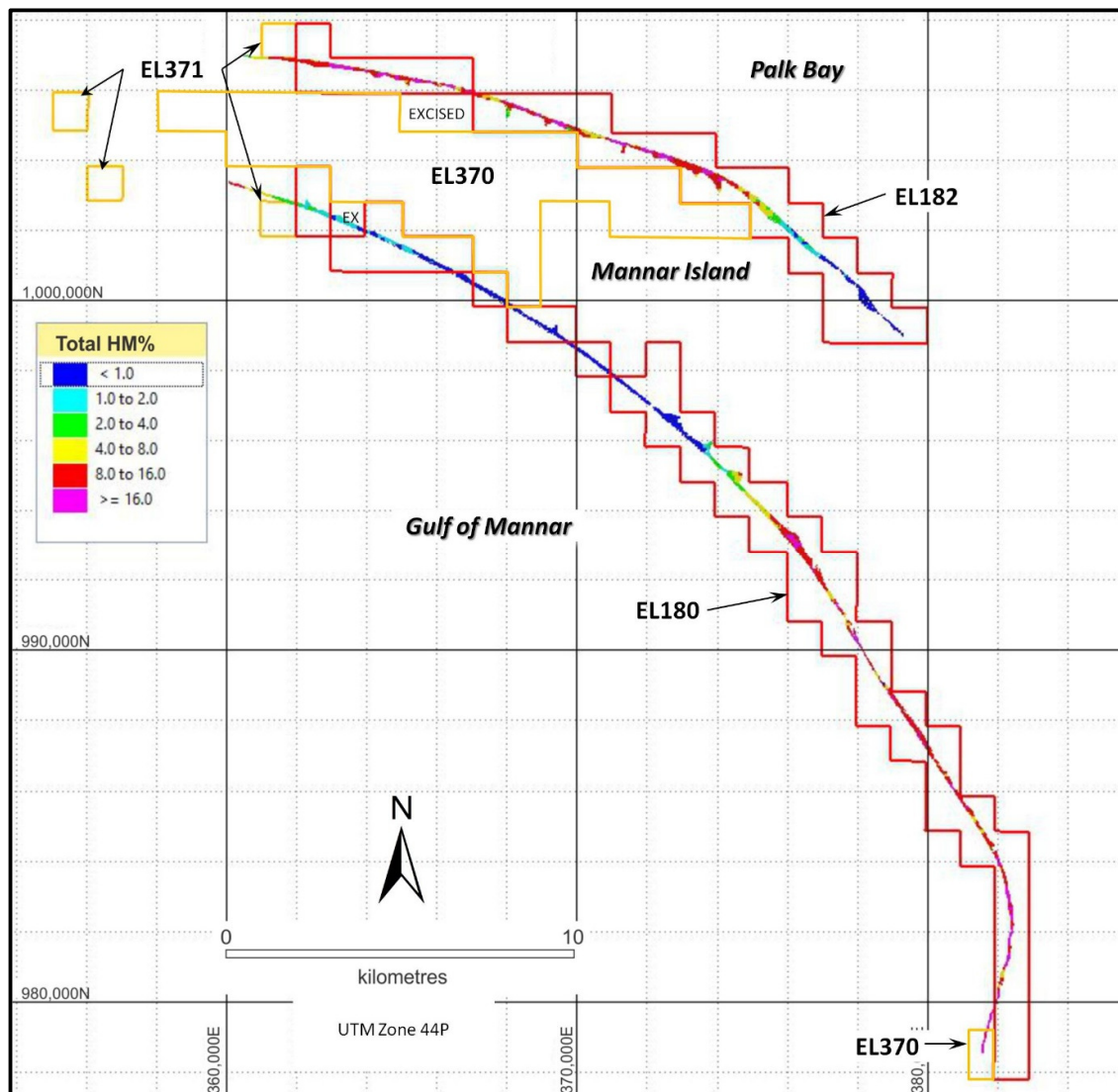


Figure 15 Plan of OBM – coloured by THM%

## EXPLORATION 2016-2017

Srinel carried out a programme of hand auger drilling during 2016 and 2017. TSL has received and released analytical THM% results for 372 of these holes in October 2017 and for a further 477 holes in January 2018. The results are mainly from holes drilled within EL 370. They are from holes that contained visual HM concentration. The results appear to confirm the logging (Figure 16). Holes were drilled to the water table. Their average depth was 1.5m and the maximum hole depth was 6m.

The drilled mineralisation appears to have a strike length of around 12km and to extend up to 2.5km inland. 80% of the holes returned at least 2% THM, had an average grade of 4.9% THM, and a weighted average grade of 5.2% THM. The maximum THM content was 26.6%. Mineralisation was present from the surface.

The majority of the released results are from drilling that was carried out on an 400m by 50m pattern. TSL (ASX Announcement, 15<sup>th</sup> October) stated that, "Determination of the mineralogy of heavy mineral assemblages will also be undertaken, but visual logging indications are that it will be similar to the previously reported resources."

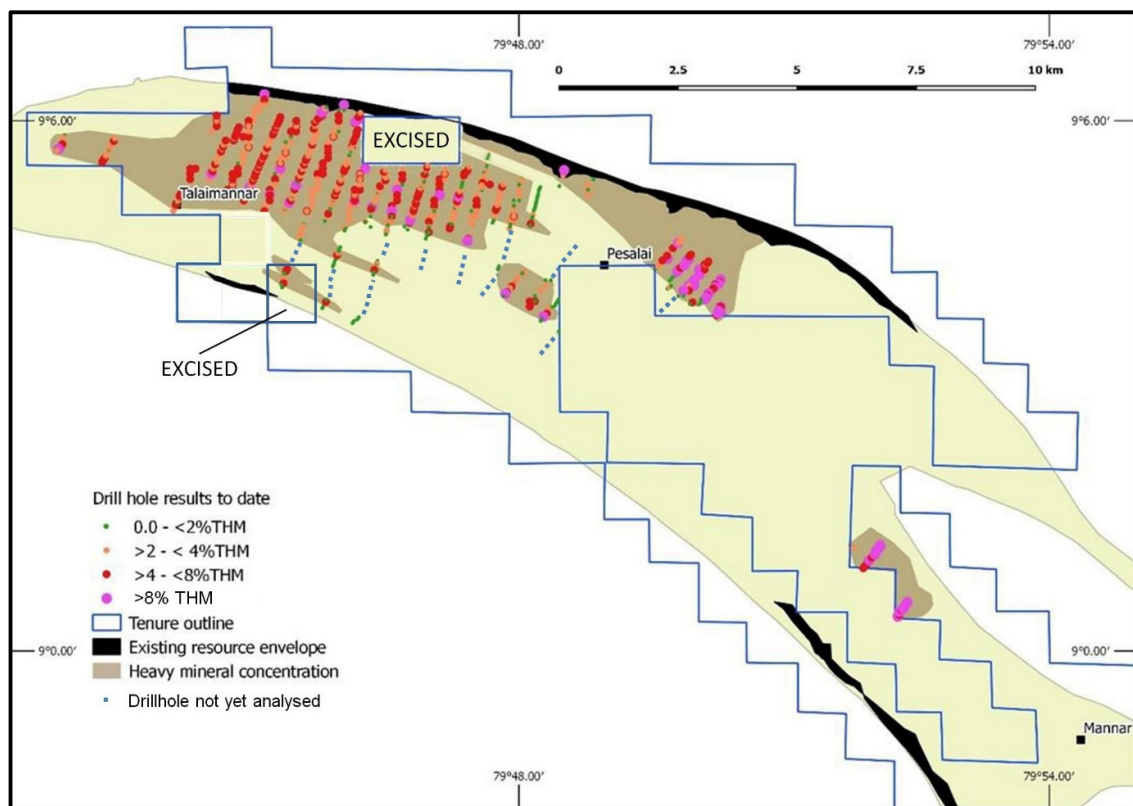


Figure 16 2016 and 2017 auger-hole results (after TSL Announcements)

### JORC Disclosure

Descriptions of the exploration and the results to date were reported to the ASX by TSL on 15<sup>th</sup> October 2017 and 30<sup>th</sup> January 2018.

## COMMENTS ON EXPLORATION & RESOURCES

### Exploration Coverage

The exploration between 2011 and 2014 concentrated on the near-shore portions of EL 180 and 182 and was only between the surface and the water table. Within these areas however, coverage was detailed and adequate for the preparation of the resource estimate.

The 2016 and 2017 auger-drilling systematically extended the drilled area inland through EL 370. Again, however, the drilling did not penetrate the water table.

### Drilling, Sampling, and Testing Methodologies

The drilling and sampling methodologies, as described by Badenhorst (2014) and Siebrits and Badenhorst (2015), were reasonable to achieve good standard sampling above the water table, which was the base of drilling.

The 2014 laboratory separations as described by Siebrits and Badenhorst (2015), were carried out to industry standards and the results from them should adequately reflect the grade of the mineralisation.

The laboratory separations carried out for the 2011 programme, however, were apparently poorly documented. For this reason, GeoActiv carried out the 2014 drill programme, which included 31 holes that twinned 2011 drill-holes. The grade distributions from the two programmes were reasonably comparable, but the overall HM grade of the GeoActiv holes was 15% lower than that of the 2011 holes. The subsequent decision to apply a 15% downgrade to the 2011 grades enables confidence to be given to the grades of the estimated resources.

For the 2014 programme Quality Assurance Quality Control ("QAQC") samples were inserted according to industry standards by GeoActiv and by the laboratory. The results showed reasonable repeatability (Siebrits and Badenhorst, 2015).

### Drilling Coverage

Within ELs 180 and 182, the drill coverage of the 2011 and 2014 programmes, as shown on Figures 7 and 11, adequately sampled the HM mineralisation in the near-shore areas above the water table and was adequate to provide grade data for the estimation of the Inferred Resources in these areas. Further, the 2014 drilling adequately confirmed the 2011 drilling.

These programmes, however, did not test potential mineralisation below the water table. Nor did they test the full width of the granted tenements, which, as was shown by the 2016 and 2017 drill programmes, contain significant HM mineralisation. Once again, these later drill programmes did not test below the water table.

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## Resource Estimation

The resource estimation carried out by GeoActiv was well documented and was carried out to industry standards. The interpolation methodology was suitable for the deposits, the block size suitable for the sample spacing, and the sample compositing was also suitable.

CRM has reviewed the input and output grades, both globally and locally, and found them to be both comparable and possibly conservative.

For the global comparisons, CRM compared composited input assays for the high-grade areas in ELs 180 and 182. For EL 180 the input assays averaged 14.6% HM and the output OBM blocks averaged 12.6% HM; and for EL 182 the input assays averaged 12.1% HM and the output OBM blocks averaged 10.9% HM.

For the local comparisons, CRM loaded the drill-hole database and the OBM into the mining and exploration software program Micromine; and then viewed sections through the deposit, comparing the drill-hole HM grades with the interpolated block grades. CRM found that the variation in block model grades followed the variation in input assay grades.

CRM believes that the SG used ( $1.75\text{t/m}^3$ ) is conservative. An industry standard is to use the formula  $\text{SG} = 1.686 + (0.0108 \times \text{HM}\%)$ . If this formula had been used, the average SG of the resource would have been  $1.81\text{t/m}^3$  and the tonnage accordingly larger.

CRM is of the opinion that the grade of the estimated resources reasonably reflects the grade of the mineralisation within the resource boundaries.

CRM is of the opinion that the 2% THM block-cut-off grade selected is appropriate for the mineralisation and the Inferred status of the resource.

### *Resource Classification*

GeoActiv classified the resources as Inferred, in part because of lack of adequate documentation of the laboratory methods used for the 2011 programme; and also because of the lack of SG test-work. CRM agrees with this classification, as, although the tonnage, grade, and mineral content have been estimated with a degree of confidence, they have not been estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit, which would have enabled them to be classified as Indicated.

## Economic Potential

CRM is of the opinion that, with further drilling, SG test-work, mineral assemblage characterisations, and detailed analytical work on the titanium minerals, the deposits are likely to be shown to be economic. The work to date has shown that the both the THM and Valuable Heavy Mineral (“VHM”) contents are towards the high end of the range of comparable deposits, many of which have been classified as Indicated or Measured (see Table 3).

To compare the Mannar mineralisation with that of some other HM deposits, CRM converted the various mineral assemblages to “Ilmenite Equivalent %” (“Il Eq %”), using the following factors, which were based on September 2017 prices for the various minerals:

- <54%  $\text{TiO}_2$  Ilmenite 0.9
- Ilmenite 1

- Garnet 1.1
- Altered Ilmenite 1.75
- HiTi 3.2
- Leucoxene 4.35
- Rutile 4.5
- Zircon 5.8

For example, a deposit containing only zircon as a valuable HM grading 2% would be given an II Eq grade of 11.6% (2 x 5.8); and a deposit grading 2% ilmenite and 2% zircon would be given an II Eq grade of 13.6% [(2 x 1) + (2 x 5.8)].

The II Eq grades of the selected deposits are shown in Table 3. The selected deposits were those for which transactions, resources, and mineralogy had been reported. The transactions were not necessarily for the entire deposits named and the grades listed may not represent the current grades of the projects. Details of the methodology are given in Doepel (2017) and are within TSL's ASX announcement of 21<sup>st</sup> December 2017.

**Table 3 Ilmenite Equivalent grades of selected deposits**

| Holder        | Project         | Classification              | II Eq %     |
|---------------|-----------------|-----------------------------|-------------|
| Metal Sands   | Cooljarloo      | 95 % Measured, 5% Indicated | 15.3        |
| <i>Srinel</i> | <i>Mannar</i>   | <i>Inferred</i>             | <b>13.7</b> |
| Image         | Perth Basin     | Reserves to Inferred        | 12.5        |
| Iluka         | Perth Basin     | Indicated                   | 11.6        |
| BPL           | Murray Basin    | 47% Indicated, 53% Inferred | 10.7        |
| Image         | Cyclone Ext.    | Indicated                   | 10.6        |
| Austpac       | WIM 150         | Reserves                    | 9.4         |
| Diatreme      | Cyclone         | Probable Reserve            | 8.2         |
| Tiomin        | Kwale           | Reserves                    | 6.5         |
| Governor Well | Governor Broome | Inferred                    | 5.6         |

The VHM mineral assemblage is appropriate for standard industry separation processes, the estimated silt content (2.1%) is low compared to many other deposits, and the fact that the mineralisation extends to the surface throughout the deposit makes the potential for the economic viability of the deposit high. Given these Modifying Factors, it is reasonable to expect that the VHMs could be recovered economically. CRM envisages no significant technical risks for the deposits.

Further, it is stressed that drilling below the water table could well intersect further VHM mineralisation below the present resources and the other already defined areas of mineralisation. It is also stressed that the inland extents of the present resources have not been fully tested to date.



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## GLOSSARY OF TECHNICAL TERMS AND ABBREVIATIONS

|                    |   |
|--------------------|---|
| Auger              | A method of drilling by which a sample of unconsolidated material is brought to the surface up the inclined flights of an auger.  |
| Amphibolite facies | A classification of metamorphic rocks which formed under conditions of moderate to high temperatures (500° C, or about 950° F, maximum) and pressures. Amphibole, diopside, plagioclase, epidote, garnet, and wollastonite are minerals typically found in these rocks. |
| Backshore          | The zone of the shore or beach above the high-water line, acted upon only by severe storms or exceptionally high tides.   |
| Basement           | The oldest layer of igneous and metamorphic rocks in the earth's crust, covered by layers of more recent, usually unconformably overlain sedimentary rocks.   |
| Berm               | The terrace of a beach that has formed in the backshore, above the water level at high tide. Berms are commonly found on beaches that have fairly coarse sand and are the result of the deposition of material by low-energy waves.                                     |
| Beryllium          | Symbol Be. A hard, lightweight, steel-gray metallic element of the alkaline-earth group, found in various minerals, especially beryl.   |
| Charnockite        | Charnockite is a granofels that contains orthopyroxene, quartz, and feldspar. Charnockite is frequently described as an orthopyroxene granite.  |
| Clastic            | A sedimentary rock composed of grains or fragments derived at a different locality.   |
| Clay               | A rock or mineral fragment or a detrital particle of any composition with a diameter <4 microns.  |
| Composite          | A number of discrete samples collected from a body of material into a single homogenized sample for the purpose of analysis.  |
| Concentrate        | Heavy mineral concentrates are usually prepared by tabling or wet sieving a very large sample of till or stream sediments (up to 20 kg may be routine). The heavy mineral concentrate collected at this stage is then further   |

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|                              | processed with heavy liquids using methylene iodide (SG = 3.3). The resultant concentrate then is separated into magnetic and non-magnetic fractions and it is the non-magnetic fraction which is usually analyzed.  |
|                              |  |
| Coral                        | A hard, stony substance secreted by certain marine coelenterates as an external skeleton, typically forming large reefs in warm seas.  |
|                              |  |
| Cut-off grade                | The lowest grade of mineralised material that qualifies as ore or resource in a given deposit.   |
|                              |  |
| Definitive feasibility study | An extensive technical and financial study to assess the commercial viability of a project. The definitive feasibility study provides the basis for the decision on whether in fact further study is required, whether the project is worth pursuing or whether to advance the project to design and construction.   |
|                              |  |
| De-slimes                    | Clay-sized particles have been removed from crushed rock.  |
|                              |  |
| Digital terrain model (DTM)  | A digital terrain model (DTM) provides a bare earth representation of terrain or surface topography and can be described as a three – dimensional representation of a terrain surface consisting of X, Y, Z coordinates stored in digital form. It includes not only heights and elevations but other geographical elements and natural features such as rivers, ridge lines, etc. |
|                              |  |
| Foreshore                    | The seaward-sloping area of a shore that lies between the average high tide mark and the average low tide mark.  |
|                              |  |
| Garnet                       | An aluminosilicate metamorphic mineral.  |
|                              |  |
| GIS                          | Geographic information system. It is a system designed to capture, store, manipulate, analyse, manage, and present spatial or geographic data.   |
|                              |  |
| Gneiss                       | High-grade metamorphic rock composed of alternating bands respectively rich in light and dark coloured minerals  |
|                              |  |
| Grade                        | Expression of relative quality of mineralisation (e.g. high-grade) or of numerical quality (e.g. 1.2% Ni).   |
|                              |  |
| Granitic                     | Descriptive term used for igneous rocks with a holocrystalline texture and anhedral constituents of a similar grain size, composed chiefly of orthoclase   |

|                            |   |
|----------------------------|---|
|                            | and albite feldspars and of quartz, usually with lesser amounts of one or more other minerals, as mica, hornblende, or augite.  |
|                            |   |
| Granulite                  | A granular high-grade metamorphic rock formed as a result of extreme heat and pressure at depth beneath the Earth's surface.  |
|                            |   |
| Granulite facies           | A classification of metamorphic rocks which formed under the most intense temperature-pressure conditions.  |
|                            |   |
| Graphite                   | Graphite is a naturally-occurring form of crystalline carbon. Chemical symbol C. It is a native element mineral found in metamorphic and igneous rocks.   |
| Heavy mineral (HM)         | An accessory detrital mineral of a sedimentary rock, of high specific gravity (> 2.9 t/m <sup>3</sup> ), e.g., magnetite, ilmenite, zircon, rutile.   |
|                            |   |
| Heavy mineral assemblage   | The suite of heavy minerals contained in a deposit.   |
|                            |   |
| HiTi                       | High grade titanium with a TiO <sub>2</sub> content of 70% to 95%, sometimes produced by blending rutile and leucoxene.   |
|                            |   |
| Ilmenite                   | A titanium-iron oxide mineral (FeTiO <sub>3</sub> ).  |
|                            |   |
| Indicated Mineral Resource | That part of a Mineral Resource for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. |
|                            |   |
| Inferred Mineral Resource  | That part of a Mineral Resource for which tonnage, grade, and mineral content can be estimated with a low level of confidence.  |
|                            |   |
| JORC Code                  | The Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 Edition). Prepared by The Joint Ore Reserves Committee. A compliance standard for professional and public reporting of Ore Reserves and Mineral Resources.   |
|                            |   |
| Kg                         | Kilogram  |
|                            |   |
| Leucoxene                  | A titanium oxide-rich heavy mineral formed by the alteration of ilmenite.   |
|                            |   |

|                           |   |
|---------------------------|---|
| Limestone                 | A sedimentary rock composed principally of the mineral calcium carbonate.   |
|                           |   |
| Lithified                 | The process by which a sediment composed of individual particles is converted into a coherent rock through cementation or compaction.   |
|                           |   |
| Lithium                   | Chemical element with symbol Li. It is the lightest metal and the lightest solid element.   |
|                           |   |
| Logging                   | The practice of making a detailed record (a log) of the geological formations penetrated by a borehole.   |
|                           |   |
| Marble                    | A metamorphic rock consisting largely of calcium and or magnesium carbonate; formed by the metamorphism of limestone or dolomite.   |
|                           |   |
| Measured Mineral Resource | That part of a Mineral Resource for quantity, grade (or quality), densities, shape and physical characteristics are estimated with with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit.  |
|                           |   |
| Metamorphic               | Descriptive of rock that has been altered by physical and chemical processes involving heat, pressure and/or fluids.  |
|                           |   |
| Mineral assemblage        | Group of minerals commonly associated with another.   |
|                           |   |
| Mineral Asset             | All property including (but not limited to) tangible property, intellectual property, mining and exploration Tenure and other rights held or acquired in connection with the exploration, development of and production from those Tenures. This may include the plant, equipment and infrastructure owned or acquired for the development, extraction and processing of Minerals in connection with that Tenure.   |
|                           |   |
| Mineral Resource          | In-situ mineral occurrence for which there are reasonable prospects for eventual economic extraction. The location, quality, quantity, grade, geological characteristics, and continuity are known, estimated, or interpreted from specific geological evidence and knowledge. A 'Mineral Resource' is a concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. |
|                           |   |

|                        |  |
|------------------------|--|
| Mineralisation         | The concentration of metals and their minerals within a body of rock.  |
|                        |  |
| Mineralogical          | Connected with the scientific study of minerals.   |
|                        |  |
| -2mm+63 $\mu$ fraction | Particles, that are greater than 63 $\mu$ (micron) and less than 2mm (millimeter) in size.   |
|                        |  |
| Miocene                | The epoch of geological time within the Cenozoic Era between about 5 and 23 million years ago.   |
|                        |  |
| Monazite               | A rare phosphate mineral with a chemical composition of (Ce,La,Nd,Th)(PO <sub>4</sub> ,SiO <sub>4</sub> ). It usually occurs in small isolated grains, as an accessory mineral in igneous and metamorphic rocks such as granite, pegmatite, schist, and gneiss.  |
|                        |  |
| (Ore) block model      | An (ore) block model is created using geostatistics and the geological data gathered through drilling of the prospective ore zone. The block model is essentially a set of specifically sized "blocks" in the shape of the mineralized orebody. Although the blocks all have the same size, the characteristics of each block differ. Once the block model has been developed and analyzed, it is used to determine the ore resources and reserves (with project economics considerations) of the mineralised orebody. |
|                        |  |
| Ore Reserve            | The economically minable part of a Measured and/or Indicated Mineral Resource.   |
|                        |  |
| Pegmatite              | Very coarse-grained igneous intrusive body, usually granitic and in dyke or sill form; may contain economically important minerals.  |
|                        |  |
| Precambrian            | That portion of geological time older than about 545 million years ago.  |
|                        |  |
| Pre-feasibility stage  | A project at a stage where a pre-feasibility study has been undertaken or is about to be commenced. A pre-feasibility study of a project is a precursor to a feasibility study. Its purpose is to examine the size, cost and value of the main components of the project in sufficient detail to ensure there is a solid basis for proceeding to the more costly and rigorous feasibility study.   |
|                        |  |
| Probable Reserve       | A measured and/or indicated mineral resource which is not yet proven, but where technical economic studies show that extraction is justifiable at the time of the determination and under specific economic conditions.  |

|                       |   |
|-----------------------|---|
|                       |   |
| Proven Reserve        | A measured mineral resource, where technical economic studies show that extraction is justifiable at the time of the determination and under specific economic conditions.  |
|                       |   |
| QAQC                  | QA/QC is the combination of quality assurance, the process or set of processes used to measure and assure the quality of a product, and quality control, the process of ensuring products and services meet consumer expectations.  |
|                       |   |
| Quaternary            | The period of geological time from about 2.6 million years ago to the present.  |
|                       |   |
| Quartzite             | A granular metamorphic rock composed predominantly of quartz; derived from quartz sandstone.  |
|                       |   |
| Resource category     | Category of a mineral resource, such as Inferred, Indicated, Measured, Proven or Probable.  |
|                       |   |
| Resource modelling    | Creating a model of a mineral resource through assessment of the quantity and quality of the data available including database management and verification, the creation of 2D and/or 3D geological and mineralisation models for the deposit, statistical and geostatistical analyses of the data and the determination of the most appropriate grade and density interpolation methods. |
|                       |   |
| Royalty               | A payment to the owner of mineral rights for the privilege of extracting the mineral from the ground based on a lease agreement. The royalty payment is based on a portion of earnings from production and varies depending on the type of mineral and the market conditions.   |
|                       |   |
| Rutile                | A mineral containing titanium dioxide (TiO <sub>2</sub> ).  |
|                       |   |
| Sandstone             | A sedimentary rock composed primarily of sand sized grains.   |
|                       |   |
| Sillimanite           | Sillimanite is an aluminosilicate mineral with the chemical formula Al <sub>2</sub> SiO <sub>5</sub> .  |
|                       |   |
| Specific gravity (SG) | The term specific gravity refers to the ratio of the density of a solid or liquid to the density of water at 4 degrees Celsius.   |
|                       |   |

|                               |  |
|-------------------------------|--|
| Stereomicroscopic             | The attribute of a microscope having a set of optics for each eye to make an object appear in three dimensions.  |
|                               |  |
| Tetrabromoethane (TBE)        | A halogenated hydrocarbon, chemical formula C <sub>2</sub> H <sub>2</sub> Br <sub>4</sub> .  |
|                               |  |
| THM                           | Total heavy minerals (concentrate). Components are typically rutile ilmenite, zircon and leucoxene.  |
| Thorium                       | A chemical element with symbol Th. Thorium metal is silvery and tarnishes black when exposed to air, forming a dioxide.  |
|                               |  |
| Twin (Twinned holes)          | A pair of parallel holes drilled close together.   |
|                               |  |
| Unconformably                 | The attribute of a series of younger strata that do not succeed the underlying older rocks in age or in parallel position, as a result of a long period of erosion or non-deposition.  |
|                               |  |
| Uranium                       | A chemical element with symbol U. It is a silvery-white metal in the actinide series of the periodic table.  |
|                               |  |
| VALMIN Code                   | Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets (2015 Edition). Prepared by The VALMIN Committee. A compliance standard for professional and public reporting of Mineral Asset valuations.  |
|                               |  |
| Valuable heavy minerals (VHM) | Heavy minerals with economic value. The principal valuable heavy minerals are ilmenite, leucoxene, rutile, and zircon.   |
|                               |  |
| μ or μm                       | Micron; a millionth of a metre.  |
|                               |  |
| XRD                           | X-ray powder diffraction (XRD) is a rapid analytical technique primarily used for phase identification of a crystalline material and can provide information on unit cell dimensions. The analyzed material is finely ground, homogenized, and average bulk composition is determined.                   |
|                               |  |
| XRF                           | An X-ray fluorescence (XRF) spectrometer is an x-ray instrument used for routine, relatively non-destructive chemical analyses of rocks, minerals, sediments and fluids. It works on wavelength-dispersive spectroscopic principles that are similar to an electron microprobe. It is typically used for |



|        |  |
|--------|--|
|        | bulk analyses of larger fractions of geological materials. The relative ease and low cost of sample preparation, and the stability and ease of use of x-ray spectrometers make this one of the most widely used methods for analysis of major and trace elements in rocks, minerals, and sediment. |
|        |  |
| Zircon | A mineral belonging to the group of nesosilicates. Its chemical name is zirconium silicate and its corresponding chemical formula is $ZrSiO_4$ .   |

## JORC TABLE 1 – FOR RESOURCE ESTIMATION

From Siebrits, B. and Badenhorst, J.N., 2015, *The Mineral Resource Estimation on the Mannar Mineral Sands Project, Srinel Holdings Limited, Sri Lanka*

| JORC Code Assessment Criteria  | Comments  |
|--|---|
| <p><b>Sampling Techniques</b></p> <p><i>Nature and quality of sampling (e.g. cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.</i></p> <p><i>Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.</i></p> <p><i>Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (e.g. 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (e.g. submarine nodules) may warrant disclosure of detailed information.</i></p> | <p>A hand-auger specifically manufactured for the project was used for auger drilling. The bucket was designed to be able to do 0.5 m samples per drill run.</p> <p>Sampling was therefore done on 0.5 m intervals, unless penetration problems caused incomplete samples at the end of holes. Where some minor penetration problems were experienced, smaller sample runs were done.</p> <p>The full sample from the auger bucket was collected in a plastic sample bag and assigned an Alpha numerical sample number.</p> <p>All samples were transported to Colombo after completion of drilling. Samples were riffled and homogenized before they were reduced to a ca. 1.5 kg size by using the riffle splitter. This size is seen as large enough to be representative of the original intersection.</p> <p>All samples from the drilling program were prepped, even samples perceived to be low grade. All the samples were packed for transport. Permits for the export of the samples were sourced in Sri Lanka, on receipt of the permits the samples were couriered via air freight to Johannesburg where clearance took place for the samples. They were then air freighted to Cape Town where a representative from the laboratory, Scientific Services CC, collected the samples.</p> |
| <p><b>Drilling Techniques</b></p> <p><i>Drill type (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc.), and details (e.g. core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).</i></p>  | <p>A hand-auger specifically manufactured for the project was used for auger drilling.</p> <p>The bucket has a diameter of 100mm.</p> <p>The auger bucket was designed to drill 0.5 m samples per drill run. Larger samples would have become too heavy and would have resulted in sample falling out of the bucket.</p> <p>One meter drill rod extensions were used, with sufficient extensions on site to drill to 4m. The deepest auger hole drilled was NS06 drilled within EL182 to 3.70m.</p>   |
| <p><b>Drill Sample Recovery</b></p> <p><i>Method of recording and assessing core and chip sample recoveries and results assessed.</i></p> <p><i>Measures taken to maximise sample recovery and ensure representative nature of the samples.</i></p> <p><i>Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.</i></p>   | <p>Care was taken that a full 0.5 m drill run resulted in a full sample bucket. Re-drilling took place where this was not the case, or the hole and sampling stopped where sample recovery became a problem.</p> <p>The sample recovery or penetration problems were either linked to the shallow water table, or the limits to drilling depth with the hand held auger.</p>  |
| <p><b>Logging</b></p>  |   |

| JORC Code Assessment Criteria   | Comments  |
|---|---|
| <p><i>Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.</i></p> <p><i>Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc), photography.</i></p> <p><i>The total length and percentage of the relevant intersections logged.</i></p>   | <p>Each sample was geologically logged for mineral composition, grain size, sorting, visual %silt, induration, and a rough visual estimate of the dark heavy mineral % component.</p> <p>Paper log information was transferred every night to an excel spreadsheet.</p>   |
| <p><b>Sub-Sampling Techniques and Sample Preparation</b></p> <p><i>If core, whether cut or sawn and whether quarter, half or all core taken.</i></p> <p><i>If non-core, whether riffled, tube sampled, rotary split, etc, and whether sampled wet or dry.</i></p> <p><i>For all sample types, the nature, quality and appropriateness of the sample preparation technique.</i></p> <p><i>Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.</i></p> <p><i>Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.</i></p> <p><i>Whether sample sizes are appropriate to the grain size of the material being sampled.</i></p> | <p>The full samples were riffled and homogenized using a single layer riffler.</p> <p>The samples were then reduced to a ca. 1.5 kg size by using the riffle splitter.</p> <p>A duplicate sample was riffled from every 20th sample, i.e. 5% of the total.</p> <p>The riffler was thoroughly cleaned after each sample.</p>   |
| <p><b>Quality of Assay Data and Laboratory Tests</b></p> <p><i>The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.</i></p> <p><i>For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.</i></p> <p><i>Nature of quality control procedures adopted (e.g. standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established.</i></p>   | <p>Analytical work on the tetrabromoethane (TBE) based THM determination and subsequent magnetic separation work is done by Scientific Services C.C., Cape Town. XRF work is done on the fractions of the magnetic separation samples.</p> <p>The determination of %THM sample concentrate using TBE at a specific gravity (SG) of 2.95, as well as the desliming work, are as follows:</p> <p>TBE is placed into the glass flask up to the indicated mark.</p> <p>Place approximate 1 scoop of sample into the flask.</p> <p>Wash down the sides of the flask and impeller with TBE to ensure all material is in the TBE.</p> <p>Run the mixer for about 10 seconds.</p> <p>Wash down again to ensure no material is 'hung'.</p> <p>Run the impeller mixer repeatable in 10 second bursts until sure that all heavies have been liberated.</p> <p>Allow to stand for 5-10 minutes or until no more material cascades to bottom.</p> <p>Once the discharge pipe is clear of suspended material release the tube to allow the concentrate to be captured in the filter paper. Store this labeled filter paper.</p> <p>Process any remaining sample as above ensuring no concentrate is lost.</p> |

| JORC Code Assessment Criteria  | Comments   |
|--|--|
|  | <p>Finally flush out the floats by opening the tube and allowing the floats to fall into filter paper – allow this to stand capturing all the TBE which will be reused at a later stage.</p> <p>Wash all concentrates and floats thoroughly with acetone to reclaim as much TBE as possible.</p> <p>After the concentrate filter is acetone rinsed and dried, transfer the concentrate very carefully into a bag by opening the filter paper ensuring nothing is lost.</p> <p>Place the floats into the waste drums unless specified by the client to do otherwise.</p> <p>Check the SG of the TBE with the density tracers provided and re-use as appropriate.</p> <p>The sample once received and reviewed with paperwork is then weighed.</p> <p>Water and NaOH (0.2%) is added to the sample – approximate 3:1 (H<sub>2</sub>O: Sample). Attrition for 10minutes.</p> <p>The sample is then wet screened through 1 mm and 45µ screens.</p> <p>Ensure that both screens are clean and free from any damage. If damage is evident - report this sieve to the QC.</p> <p>Place the +1 mm and the -1mm, +45µ, sample into stainless steel pans with tags representing the sample number. These trays are then placed in an oven for drying. The -45µ is discarded in the wet screening process.</p> <p>The dried samples are weighed to determine the % oversize and % slimes fractions.</p> <p>Depending on clients request the sample is either split with a Rotary Splitter or the entire sample is sent through for THM.</p> |
| <p><b>Verification of Sampling and Assaying</b></p> <p><i>The verification of significant intersections by either independent or alternative company personnel.</i></p> <p><i>The use of twinned holes.</i></p> <p><i>Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.</i></p> <p><i>Discuss any adjustment to assay data.</i></p> | <p>23% of the drilling that took place weretwinned historic boreholes on the project.</p> <p>QAQC of all the work done performed by JN Badendorst and FJ Kruger of GeoActiv.</p>   |
| <p><b>Location of Data Points</b></p> <p><i>Accuracy and quality of surveys used to locate drill holes (collar and downhole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.</i></p> <p><i>Specification of the grid system used.</i></p> <p><i>Quality and adequacy of topographic control.</i></p>   | <p>Data and work was done in Lat Long, WGS84.</p> <p>A hand held Garmin GPS was used for the positioning and final position of the auger holes.</p> <p>The X and Y coordinates were collected and entered into the project spreadsheet.</p> <p>The Z data were found to be very inaccurate. A GeoEye satellite based Digital Terrain Model (DTM) study has been initiated. The X and Y coordinates of the boreholes was used to elevate the boreholes to the DTM surface prior to resource modelling taking place.</p>   |

| JORC Code Assessment Criteria   | Comments  |
|---|---|
|   | This will supply significantly more accurate Z data as the DTM is based on 13 Differential GPS derived points.  |
| <p><b>Data Spacing and Distribution</b></p> <p><i>Data spacing for reporting of Exploration Results.</i></p> <p><i>Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.</i></p> <p><i>Whether sample compositing has been applied.</i></p>  | <p>Historic drilling by Sri Lanka Geological Survey and Mines Bureau (GSMB) took place at 200 m inter-line spacing, perpendicular to the coast line. Drilling rarely reached further than 150 m inland from shoreline.</p> <p>The new drilling program aimed to verify historic data in mostly higher grade areas, but also checking some lower grade areas, by at least one borehole every 500 m inter-line spacing.</p> <p>Several new auger holes were drilled further inland to check for mineralization. Holes deeper inland were generally &lt;300 m from the coast line, but in EL182 some drilling took place 1,000 m from the coastline.</p> |
| <p><b>Orientation of Data in Relation to Geological Structure</b></p> <p><i>Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.</i></p> <p><i>If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.</i></p>                                 | Drilling took place in fences perpendicular to the coast line, in the tidal, beach and berm zones. Some drilling were further inland.   |
| <p><b>Sample Security</b></p> <p><i>The measures taken to ensure sample security.</i></p>   | <p>All sampling, prep and packing work took place under supervision of a GeoActiv geologist.</p> <p>A representative from the Analytical laboratory, Scientific Services CC, collected the samples from the airport in Cape Town, South Africa.</p> <p>The GeoActiv geologist spent two days at the laboratory sorting the samples and getting them ready for analyses, in the process making sure all samples did arrive at the laboratory in acceptable condition.</p>  |
| <p><b>Audits and Reviews</b></p> <p><i>The results of any audits or reviews of sampling techniques and data.</i></p>  | <p>Statistical analyses of the QAQC samples were conducted by GeoActiv.</p> <p>No other audits or reviews have taken place.</p>   |
| <p><b>Mineral Tenement and Land Tenure Status</b></p> <p><i>Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.</i></p> <p><i>The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.</i></p> | <p>EL180 and EL182 are wholly owned by Supreme Solutions (Pvt) Ltd, the licences are valid to 1 September 2015.</p> <p>The opinion on tenure mentioned above was produced by a legal company in Sri Lanka called Varners.</p> <p>Srinel Holdings Limited is the legal and beneficial owner of all of the fully paid ordinary shares in the capital of Singha Lanka Investments (Private) Limited which in turn is the legal and beneficial owner of all of the fully paid ordinary shares in the capital of Supreme Solutions Limited, the holder of the exploration licences in Sri Lanka.</p>   |

| JORC Code Assessment Criteria  | Comments   |
|--|--|
| <b>Exploration Done by Other Parties</b>   |  |
| <p><i>Acknowledgment and appraisal of exploration by other parties.</i></p>  | <p>Between October and November 2011, a fieldwork exploration program was completed in EL180 and EL182 by personnel of the GSMB. An auger drilling and sampling program took place across the tidal, beach and berm zones throughout much of the licences at a spacing of 10 to 60 m on lines 200 m apart, perpendicular to the coastline.</p> <p>The auger drilling was done utilizing a hand-held auger machine, with drilling depth limited by the generally shallow water table and the limits to drilling depth set by the drilling technique.</p> <p>The auger sampling program only encompassed a narrow section of the foreshore sediments, with very few auger holes located in the backshore sediments.</p> <p>All of the auger samples collected by the GSMB were provided to Supreme and subsequently submitted to the VV Minerals (Pvt) Ltd laboratory in Tamil Nadu, India for mineralogical analysis.</p> |
| <b>Geology</b>   |  |
| <p><i>Deposit type, geological setting and style of mineralisation.</i></p>  | <p>There is general consensus that the heavy minerals in Sri Lanka were derived from Precambrian (Proterozoic) high-grade metamorphic rocks that account for more than ninety percent of the island. These crystalline basement units are subdivided into 3 major litho-tectonic subdivisions, namely the Highland, Wannai and Vijayan Complexes.</p> <p>The heavy minerals ilmenite, rutile, zircon, sillimanite and garnet commonly occur in the coastal sands.</p> <p>Mineralization is high in the tidal, beach and berm areas, but can also be seen inland on Mannar Island.</p>  |
| <b>Database Integrity</b>  |  |
| <p><i>Measures taken to ensure that data has not been corrupted by, for example, transcription or keying errors, between its initial collection and its use for Mineral Resource estimation purposes.</i></p> <p><i>Data validation procedures used.</i></p> | <p>The data were captured in Excel spreadsheets. GeoActiv performed validation checks on all the data and analyses before it was used in modelling.</p>  |
| <b>Site Visits</b>   |  |
| <p><i>Comment on any site visits undertaken by the Competent Person and the outcome of those visits.</i></p> <p><i>If no site visits have been undertaken indicate why this is the case.</i></p>   | <p>The Competent Person, JN Badenhorst, visited the exploration sites during the auger drilling phase in 2014.</p>   |
| <b>Geological Interpretation</b>   |  |
| <p><i>Confidence in (or conversely, the uncertainty of) the geological interpretation of the mineral deposit.</i></p> <p><i>Nature of the data used and of any assumptions made.</i></p>   | <p>All the drillhole intersections were considered as the mineralization envelope from surface to the end of holes. The shoreline or a.m.s.l. were taken as the boundary of the mineral sand resource on the seaside and a 50 m inland boundary from the dense drilled drillholes. The current drill spacing provides sufficient degree of confidence in the interpretation and continuity of grade for an Inferred Mineral Resource.</p>  |

| JORC Code Assessment Criteria  | Comments   |
|--|--|
| <p><i>The effect, if any, of alternative interpretations on Mineral Resource estimation. The use of geology in guiding and controlling Mineral Resource estimation.</i></p> <p><i>The factors affecting continuity both of grade and geology.</i></p>  |  |
| <p><b>Dimensions</b></p>   |  |
| <p><i>The extent and variability of the Mineral Resource expressed as length (along strike or otherwise), plan width, and depth below surface to the upper and lower limits of the Mineral Resource.</i></p>   | <p>The extents of the mineralization were in the EL182 - EL203 licence area, 20 300 m x 100 m x 1 m and in the EL180 licence area, 31 700 m x 100 m x 1 m.</p>   |
| <p><b>Estimation and Modelling Techniques</b></p>  |  |
| <p><i>The nature and appropriateness of the estimation technique(s) applied and key assumptions, including treatment of extreme grade values, domaining, interpolation parameters, and maximum distance of extrapolation from data points. If a computer assisted estimation method was chosen include a description of computer software and parameters used.</i></p> <p><i>The availability of check estimates, previous estimates and/or mine production records and whether the Mineral Resource estimate takes appropriate account of such data.</i></p> <p><i>The assumptions made regarding recovery of by-products.</i></p> <p><i>Estimation of deleterious elements or other non-grade variables of economic significance (e.g. sulfur for acid mine drainage characterisation).</i></p> <p><i>In the case of block model interpolation, the block size in relation to the average sample spacing and the search employed.</i></p> <p><i>Any assumptions behind modelling of selective mining units.</i></p> <p><i>Any assumptions about correlation between variables.</i></p> <p><i>Description of how the geological interpretation was used to control the resource estimates.</i></p> <p><i>Discussion of basis for using or not using grade cutting or capping.</i></p> <p><i>The process of validation, the checking process used, the comparison of model data to drill hole data, and use of reconciliation data if available.</i></p> | <p>The block sizes that were created were 100 m X 100 m X 2 m and with minimum sub blocking of 25 m X 25 m X 0.5 m.</p> <p>Inverse distance to the power of 3 was used for <i>in situ</i> grade interpolation for all the variables.</p> <p>The general aspects of the estimation are as follows:<br/>A minimum of 3 samples and a maximum of 15 samples were used for all inverse distance runs;<br/>Pass 1: search radii set to 100 m for the major and 1 m for the vertical;<br/>Pass 2: search radii set to 600 m for the major and 2 m for the vertical;<br/>Pass 3: search radii set to 1000 m for the major and 10 m for the vertical;<br/>Block discretisation was set to 4(X) by 4(Y) by 4(Z);<br/>One sample limit per drillhole were applied; and<br/>The mineral associations for ilmenite (ilm), leucoxene (leu), rutile (rut) and zircon (zir) are calculated with an expression derived from the mineralogical investigation.<br/>The model was validated visually and statistically. The result of the validation shows that the interpolation has performed as expected and the model was a reasonable representation of the data used and the estimation method applied.</p> |
| <p><b>Moisture</b></p>   |  |
| <p><i>Whether the tonnages are estimated on a dry basis or with natural moisture, and the method of determination of the moisture content.</i></p>   | <p>All tonnages were based on volume measurements converted to tonnes using a dry bulk density of 1.75.</p>  |
| <p><b>Cut-off Parameters</b></p>   |  |
| <p><i>The basis of the adopted cut-off grade(s) or quality parameters applied.</i></p>   | <p>The tabulated resources are based on cut-off grades of 2% THM.</p>  |

| JORC Code Assessment Criteria   | Comments   |
|---|--|
| <p><b>Mining Factors or Assumptions</b></p> <p><i>Assumptions made regarding possible mining methods, minimum mining dimensions and internal (or, if applicable, external) mining dilution.</i></p> <p><i>It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential mining methods, but the assumptions made regarding mining methods and parameters when estimating Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the mining assumptions made.</i></p>  | <p>No assumptions were made regarding possible mining methods.</p>   |
| <p><b>Metallurgical Factors or Assumptions</b></p> <p><i>The basis for assumptions or predictions regarding metallurgical amenability. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential metallurgical methods, but the assumptions regarding metallurgical treatment processes and parameters made when reporting Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the metallurgical assumptions made.</i></p>   | <p>The analytical results and mineralogical analyses could be the basis for the metallurgical extraction methods.</p>  |
| <p><b>Environmental Factors or Assumptions</b></p> <p><i>Assumptions made regarding possible waste and process residue disposal options. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider the potential environmental impacts of the mining and processing operation. While at this stage the determination of potential environmental impacts, particularly for a greenfields project, may not always be well advanced, the status of early consideration of these potential environmental impacts should be reported. Where these aspects have not been considered this should be reported with an explanation of the environmental assumptions made.</i></p> | <p>GeoActiv has not investigated and is not aware of any environmental issues that would affect the eventual economic extraction of the deposit.</p>   |
| <p><b>Bulk Density</b></p> <p><i>Whether assumed or determined. If assumed, the basis for the assumptions. If determined, the method used, whether wet or dry, the frequency of the measurements, the nature, size and representativeness of the samples.</i></p> <p><i>The bulk density for bulk material must have been measured by methods that adequately account for void spaces (vugs, porosity, etc), moisture and differences between rock and alteration zones within the deposit.</i></p> <p><i>Discuss assumptions for bulk density estimates used in the evaluation process of the different materials.</i></p>   | <p>The Relative Density (RD) was not determined and it is planned to be conducted with the follow-up phase drilling.</p> <p>An average dry bulk density value of 1.75 was applied to the resource model. This is a very conservative and average known density for mineral sand deposits and can be as high as 1.95 with the higher %THM in areas.</p> |
| <p><b>Classification</b></p>  |  |



| JORC Code Assessment Criteria  | Comments  |
|--|---|
| <p><i>The basis for the classification of the Mineral Resources into varying confidence categories.</i></p> <p><i>Whether appropriate account has been taken of all relevant factors, i.e. relative confidence in tonnage/grade estimations, reliability of input data, confidence in continuity of geology and metal values, quality, quantity and distribution of the data.</i></p> <p><i>Whether the result appropriately reflects the Competent Person(s)' view of the deposit.</i></p>  | <p>Resources were classified in accordance with the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC, 2012). The classification of Mineral Resources was completed by GeoActiv based on the geological confidence criteria, drill spacing and quality of drilling and sampling information. With the down adjustment of the historic %THM by a factor of 85% of the original value and the lack of density measurements, made the Mineral Resource been classified as Inferred.</p> |
| <p><b>Audits or Reviews</b></p>  | <p>No independent reviews of the Mineral Resource estimate have been conducted to date.</p>   |
| <p><i>The results of any audits or reviews of Mineral Resource estimates.</i></p>  |   |
| <p><b>Discussion of Relative Accuracy/Confidence</b></p>   | <p>This is a global resource with no production data.</p>   |
| <p><i>Where appropriate a statement of the relative accuracy and confidence level in the Mineral Resource estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the resource within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors that could affect the relative accuracy and confidence of the estimate.</i></p> <p><i>The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used.</i></p> |   |
| <p><i>These statements of relative accuracy and confidence of the estimate should be compared with production data, where available.</i></p>   |   |

## JORC TABLE 1 – FOR 2016 AND 2017 DRILLING

From TSL ASX Announcement 30<sup>th</sup> January 2018

### Section 1 Sampling Techniques and Data (Criteria in this section apply to all succeeding sections.)

All drilling, sampling and sample splitting procedures were designed and audited by Dr James Searle

| Criteria                   | Explanation   | Commentary  |
|----------------------------|---|---|
| <i>Sampling techniques</i> | <ul style="list-style-type: none"> <li>Nature and quality of sampling (e.g. cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc.). These examples should not be taken as limiting the broad meaning of sampling.</li> <li>Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.</li> <li>Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (e.g. 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (e.g. submarine nodules) may warrant disclosure of detailed information.</li> </ul> | <ul style="list-style-type: none"> <li>100% of recovered sample collected, riffle split, and bagged at drill site.</li> <li>Sample interval down hole every 0.5m or part interval.</li> <li>No sampling below water table.</li> </ul> |
| <i>Drilling techniques</i> | <ul style="list-style-type: none"> <li>Drill type (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc.) and details (e.g. core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc.).</li> </ul>   | <ul style="list-style-type: none"> <li>Hand auger , vertical, Dormer type shell auger 75mm, 382 holes reported here, maximum depth 6m</li> <li>All holes vertical.</li> </ul>   |

| Criteria  | Explanation   | Commentary  |
|---|---|---|
| <i>Drill sample recovery</i>                          | <ul style="list-style-type: none"> <li>• Method of recording and assessing core and chip sample recoveries and results assessed.</li> <li>• Measures taken to maximise sample recovery and ensure representative nature of the samples.</li> <li>• Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.</li> </ul>  | <ul style="list-style-type: none"> <li>• Weight of sample recovered logged against estimate of 100% recovery weight.</li> <li>• For the hand auger holes, re-entry depth of auger tip noted against depth achieved before auger withdrawn to recover sample. Hole abandoned if more 3cm of fall back in hole noted.</li> </ul>  |
| <i>Logging</i>  | <ul style="list-style-type: none"> <li>• Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.</li> <li>• Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc.) photography.</li> <li>• The total length and percentage of the relevant intersections logged.</li> </ul>   | <ul style="list-style-type: none"> <li>• Recovered samples logged in standardized format for all relevant visual parameters including sediment, rounding, sorting etc.</li> <li>• Logging of visual parameters qualitative but referenced to standard parameter sheets.</li> <li>• All drill hole samples logged at drill site.</li> </ul>  |
| <i>Sub-sampling techniques and sample preparation</i> | <ul style="list-style-type: none"> <li>• <i>If core, whether cut or sawn and whether quarter, half or all core taken.</i></li> <li>• <i>If non-core, whether riffled, tube sampled, rotary split, etc. and whether sampled wet or dry.</i></li> <li>• <i>For all sample types, the nature, quality and appropriateness of the sample preparation technique.</i></li> <li>• <i>Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.</i></li> <li>• <i>Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.</i></li> <li>• <i>Whether sample sizes are appropriate to the grain size of the material being sampled.</i></li> </ul> | <ul style="list-style-type: none"> <li>• Samples dried and split at dedicated site preparation facility using a riffle splitter, one pass split.</li> <li>• 12 chute riffle splitter. Sample loaded evenly into splitter on top of removable baffle to ensure optimal split across the splitter.</li> <li>• Custody chain of samples maintained from drill site to controlled storage and to air freight shipper delivered direct to Cape Town laboratory.</li> </ul> |
| <i>Quality of assay data and laboratory tests</i>     | <ul style="list-style-type: none"> <li>• <i>The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.</i></li> <li>• <i>For geophysical tools, spectrometers, handheld XRF instruments, etc., the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.</i></li> </ul>   | <ul style="list-style-type: none"> <li>• Sample desliming (&lt;45mic) and oversize screening (&gt;1mm) carried out at dedicated site preparation facility.</li> <li>• Standardized procedures for sieving, weighing and drying.</li> <li>• Prepared 125 to 250g &gt;45mic and &lt;1mm sample consigned to Scientific Services Ltd laboratory in Cape Town.</li> </ul>   |

| Criteria  | Explanation  | Commentary  |
|---|--|---|
|   | <ul style="list-style-type: none"> <li>Nature of quality control procedures adopted (e.g. standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established.</li> </ul>   | <ul style="list-style-type: none"> <li>Blanks and laboratory standards run and reported for every 50<sup>th</sup> analysis.</li> </ul>  |
| Verification of sampling and assaying                   | <ul style="list-style-type: none"> <li>The verification of significant intersections by either independent or alternative company personnel.</li> <li>The use of twinned holes.</li> <li>Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.</li> <li>Discuss any adjustment to assay data.</li> </ul>  | <ol style="list-style-type: none"> <li>Independently supervised repeat drilling of 1 in 20 twin holes showing significant heavy mineral mineralisation has been completed and will be analysed separately in due course.</li> <li>One in 20 duplicate samples from splitting and sample preparation have been submitted for separate analysis.</li> </ol>   |
| Location of data points                                 | <ul style="list-style-type: none"> <li>Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.</li> <li>Specification of the grid system used.</li> <li>Quality and adequacy of topographic control.</li> </ul>  | <ul style="list-style-type: none"> <li>Drill collars located using GPS WGD84 to an accuracy typically of better than 6m</li> <li>Topographic control is being determined by a DTM model to which collar elevations will be snapped. The accuracy of the collar elevations is expected to be adequate for resource modelling.</li> </ul>   |
| Data spacing and distribution                           | <ul style="list-style-type: none"> <li>Data spacing for reporting of Exploration Results.</li> <li>Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.</li> <li>Whether sample compositing has been applied.</li> </ul>                                 | <ul style="list-style-type: none"> <li>Drilling spacing varying from 50m to 100m along lines at 400m nominal separations along the mineralisation trend.</li> </ul>   |
| Orientation of data in relation to geological structure | <ul style="list-style-type: none"> <li>Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.</li> <li>If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.</li> </ul> | <ul style="list-style-type: none"> <li>Shoreline concentrated heavy minerals when preserved by net coastal progradation seaward form strands of mineralisation that can vary from 10s to hundreds of metres wide but many hundreds or metres and kilometres long. Drill lines are therefore optimally oriented across the trend direction of the paleo shoreline positions. Drill hole spacing along the lines were designed to find HM strands as narrow as 25 to 50m wide. Separation of the drill lines along the paleo shoreline orientations reflects the much greater along shore dimensions</li> </ul> |

| Criteria                 | Explanation  | Commentary   |
|--------------------------|--|--|
|                          |  | of any potentially economic strands.   |
| <i>Sample security</i>   | <ul style="list-style-type: none"> <li><i>The measures taken to ensure sample security.</i></li> </ul>                         | <ul style="list-style-type: none"> <li>Custody of samples documented, and integrity of packaging monitored.</li> </ul>   |
| <i>Audits or reviews</i> | <ul style="list-style-type: none"> <li><i>The results of any audits or reviews of sampling techniques and data.</i></li> </ul> | <ul style="list-style-type: none"> <li>Twinned hole results and duplicated sample splits and samples from twinned holes are being used to demonstrate QA/QC</li> </ul> |

## Section 2 Reporting of Exploration Results

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

| Criteria                                       | Explanation  | Commentary  |
|--|--|---|
| <i>Mineral tenement and land tenure status</i> | <ul style="list-style-type: none"> <li><i>Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.</i></li> <li><i>The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.</i></li> </ul>   | <ul style="list-style-type: none"> <li>Granted exploration licenses and accepted unique tenure applications.</li> <li>No known overriding interests at this stage other than expected access agreements with affected private land owners.</li> <li>Normal state royalty regime.</li> </ul>   |
| <i>Exploration done by other parties</i>       | <ul style="list-style-type: none"> <li><i>Acknowledgment and appraisal of exploration by other parties.</i></li> </ul>   | <ul style="list-style-type: none"> <li>Previously reported to the ASX.</li> </ul>   |
| <i>Geology</i>                                 | <ul style="list-style-type: none"> <li><i>Deposit type, geological setting and style of mineralisation.</i></li> </ul>   | <ul style="list-style-type: none"> <li>Holocene to Modern coastal sand deposit hosted heavy mineral sands</li> </ul>  |
| <i>Drill hole information</i>                  | <ul style="list-style-type: none"> <li><i>A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:</i> <ul style="list-style-type: none"> <li><i>easting and northing of the drill hole collar</i></li> <li><i>elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar</i></li> <li><i>dip and azimuth of the hole</i></li> <li><i>down hole length and interception depth</i></li> <li><i>hole length.</i></li> </ul> </li> <li><i>If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.</i></li> </ul> | <ul style="list-style-type: none"> <li>Tabulation of all drill hole information contained within Table 1 (of 30 Jan Announcement), with the exception of RL which will be provided later when a DTM is available. At this time collar elevation is considered not material due to the lack of significant elevation changes over the area.</li> </ul> |
| <i>Data aggregation methods</i>                | <ul style="list-style-type: none"> <li><i>In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade</i></li> </ul>  | <ul style="list-style-type: none"> <li>No cutting of high grades.</li> <li>Weighted averages of all assays from all samples in</li> </ul>   |

| Criteria   | Explanation   |  |
|--|---|--|
|  | <p><i>truncations (e.g. cutting of high grades) and cut-off grades are usually Material and should be stated.</i></p> <ul style="list-style-type: none"> <li>• <i>Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.</i></li> <li>• <i>The assumptions used for any reporting of metal equivalent values should be clearly stated.</i></li> </ul> | <p>each drill holes reported in Table 1 of 30 Jan Announcement).</p> <ul style="list-style-type: none"> <li>• No lower cut off grades applied.</li> <li>• Results are Total Heavy Mineral % of whole sample.</li> <li>• No mineralogical analysis being reported at this time.</li> </ul>  |
| <p><i>Relationship between mineralisation widths and intercept lengths</i></p> | <ul style="list-style-type: none"> <li>• <i>These relationships are particularly important in the reporting of Exploration Results.</i></li> <li>• <i>If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.</i></li> <li>• <i>If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (e.g. 'down hole length, true width not known').</i></li> </ul>  | <ul style="list-style-type: none"> <li>• Heavy mineral zones in beach sediments are flat or only very shallowly dipping. All drill holes were vertical and intersected the entire portion of the mineralisation blanket between land surface and the limit of the drilling at the water table.</li> </ul>                              |
| <p><i>Diagrams</i></p>   | <ul style="list-style-type: none"> <li>• <i>Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.</i></li> </ul>  | <ul style="list-style-type: none"> <li>• Plans of drill hole locations subject of this announcement are provided.</li> <li>• Sectional representations not considered relevant as the drill depths were rarely more than 2m.</li> </ul>  |
| <p><i>Balanced reporting</i></p>   | <ul style="list-style-type: none"> <li>• <i>Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.</i></li> </ul>  | <ul style="list-style-type: none"> <li>• All holes drilled are shown in Figure 2 (of 30 Jan Announcement). All holes assayed and reported on in this announcement are shown in Figure 2 and listed in Table 1 (of 30 Jan Announcement).</li> <li>• The collar positions of all holes drilled have been previously reported.</li> </ul> |
| <p><i>Other substantive exploration data</i></p>                               | <ul style="list-style-type: none"> <li>• <i>Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.</i></li> </ul>  | <ul style="list-style-type: none"> <li>• Not applicable at this time.</li> </ul>   |

| Criteria            | Explanation   |   |
|---------------------|---|---|
| <i>Further work</i> | <ul style="list-style-type: none"> <li>• <i>The nature and scale of planned further work (e.g. tests for lateral extensions or depth extensions or large-scale step-out drilling).</i></li> <li>• <i>Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.</i></li> </ul> | <ul style="list-style-type: none"> <li>• Mineralogical analysis of the heavy mineral fraction will be undertaken.</li> <li>• A revised mineral resource estimate will be undertaken when all appropriate mineralogical and QA/QC work is completed.</li> <li>• Further exploration of Mannar Island adjacent to and under the known mineralisation will be undertaken.</li> </ul> |

## DECLARATION

The information in this report reflects information compiled and conclusions derived by J. John G. Doepel, who is a Member of The Australasian Institute of Mining and Metallurgy and of the Australian Institute of Geoscientists. Mr Doepel, a Principal Geologist with Continental Resource Management Pty Ltd ("CRM"), has more than 35 years' experience as a geologist in the mineral industry and more than ten years' recent and relevant experience in relation to mineral sand deposits. Mr Doepel holds a Bachelor of Science with Honours and a Graduate Diploma in Forensic Science from the University of Western Australia; and a Diploma of Teaching from the Western Australian Institute of Technology.

Mr Doepel has sufficient experience relevant to the Technical Assessment of the Mineral Assets under consideration and to the activity which he undertook to qualify as a Specialist Practitioner as defined in the 2015 edition of the 'Australasian Code for the Public Reporting of Technical Assessments and Valuations of Mineral Assets'. Mr Doepel consents to the inclusion in the report of the matters based on his information in the form and context in which they appear.

The report provides a fair representation of the Technical Assessment reported within it. The statements and opinions contained in this report are given in good faith and in the belief that they are not false or misleading. The conclusions are based on the reference date of the 26 February 2018 and could alter over time depending on exploration and metallurgical testwork results, metal prices, and other relevant market factors.

Where Mineral Resources and Ore Reserves are referred to, the terminology is consistent, unless specifically stated to the contrary, with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves as per the Joint Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and the Australian Mining Industry Council and dated December 2012. The report is written to conform to the AusIMM's Code and Guidelines for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports (Valmin Code) as revised 2015.

No member or employee of CRM is, or is intended to be, a director, officer or other direct employee of the Company. No member or employee of CRM has, or has had, any share-holding, or the right (whether enforceable or not) to subscribe for securities, or the right (whether legally enforceable or not) to nominate persons to subscribe for securities in the Company. There is no agreement or understanding between CRM and the Company as to CRM performing further work for the Company. Fees for the preparation of this report are being charged at a commercial rate, the payment of which are not contingent upon the conclusions of the report. They total about \$10,000.

CRM and John Doepel consent to the inclusion of this report, in the form and context in which it is provided, within the Prospectus.

Yours faithfully



John Doepel  
Continental Resource Management Pty Ltd

26 February 2018



## 7. LEGAL TENEMENT REPORT

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# SFA

## Sharm Fernando Associates

Board Of Directors,  
Titanium Sands Limited ( TSL )  
Level 24,  
44, St. Georges Terrace,  
Perth WA 6000.



20<sup>th</sup> February 2018

Dear Sirs,

### LEGAL REPORT ON EXPLORATION LICENSES HELD BY SRINEL HOLDINGS LTD IN SRI LANKA

#### 1. SCOPE

We have been requested to submit a legal report on the following exploration licenses and applications which have been submitted to Geological Survey And Mines Bureau ( **GSMB** ) to obtain exploration licenses (Licenses & Applications)

EL 180, EL 182, EL 372, EL 371 and EL 370

The land area in respect of which the Licenses and Applications have been issued/ sought are located in Sri Lanka. Details of the licenses and applications are set out in Appendix A of this report.

**This report is limited to the documents reviewed, searches of public records made and clarifications obtained as set out in section 2 of this report.**



1 | Page

*Legal and Investment Consultants*

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## 2. DOCUMENTS AND SEARCHES

For the purpose of this report:

- 2.1 We have reviewed the following documents & carried out searches to prepare this report.
  - a) Mines & Minerals Act No.33 of 1992 and its amendment No.66 of 2009
  - b) Photocopies of the Licenses and supporting documents for applications ( as per GSMB records )
  - c) Visited GSMB on 19<sup>th</sup> February 2018 and met Mrs. Madhushika , assistant to the registrar who is handling the subject of exploration licenses. She answered my questions by referring to the Exploration Licenses Register and individual file record of each license.
- 2.2 We have obtained independent clarification from:
  - a) Officials of the Geological Survey and Mines Bureau (GSMB) and have relied on oral information provided by such officials on an informal basis; and
  - b) Representative of the license holders relating to the licenses.

## 3. LICENSES AND APPLICATIONS

The licenses comprise of Two (02) exploration licenses granted to Applex Ceylon (Pvt) Ltd ( The license holder) bearing license numbers EL 180 & EL 182 . Two (02) applications for exploration licenses under Hammersmith Ceylon (Pvt) Ltd bearing reference numbers COM/EL/2017/196 ( new reference EC/2017/1080 ) & COM/EL/2017/197 ( new reference EC/2017/1079 ) and One License for exploration bearing reference number EL/370 under Kilsythe Exploration (Pvt) Ltd by the GSMB under the Mines and Minerals Act of Sri Lanka to exercise the exclusive right to explore for Beach Sand / Mineral Sand in several parts of Sri Lanka within specific identified areas comprising of grid units falling within the official licensing control system amp. Details of the licenses and applications are set out in Annexure A.

The Licenses are validity issued and in force and the applications are validity submitted and there are two pending applications. ( as per the oral confirmations provided by the Official of GSMB Mrs. Madhushika ) . None of the searches we have carried out or information we have received , revealed any information on any default by the license holder or Applicant Company of any of the conditions of the licenses and applications as of date.





#### 4. LICENSE HOLDER

The license holders and applicants of licenses are companies duly incorporated and validly existing under the laws of Sri Lanka.

#### 5. OVERVIEW OF REGULATORY REGIME

Under the Mines and Minerals Act, a license is required for any person to explore for mine, transport process, store, and trade in or export any mineral. The GSMB is the body empowered to issue such licenses.

An exploration license grants to the holder of the licenses the exclusive right to explore for all mineral categories authorized by the license. Each license specifies the limit of the land area and extent for which the license is granted, the mineral in respect of which the license is granted, the duration of the license and also the conditions subject to which the license is granted.

Renewal of an exploration license beyond the period for which it is granted is possible if the GSMB is satisfied that the license holder has observed the terms and conditions subject to which, the license was issued. An application for renewal should be made before the date of its expiry and within the period stipulated by the GSMB. GSMB is empowered to cancel a license if the holder of the license contravenes the law or regulation or the terms and conditions of the license.

GSMB cannot issue license to explore or mine upon certain lands which are specified in the Mines and Minerals Act clause 31.

The Mines and Minerals Act also provides that the holder of a license has the right to enter and possess any area of land specified in the license provided that the owner or the state organization which is in possession of such land area provides the consent for same.

Under regulations published under the Mines and Minerals Act an application for an industrial mining license shall be made by the holder of an exploration license in respect of the area for which the exploration license has been granted to such person.

A licensee is required to pay fees, royalties and area rent at rates prescribed in the regulations under the Mines and Minerals Act to GSMB.

Section 6 of this report provides a description of the nature and key terms of exploration licenses as set out in the Mines and Minerals Act and potential mining and trading licenses.



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## 6. DESCRIPTION OF THE LICENSES

### 6.1 Exploration License

**Right to Mine:** The holder of an exploration license has the exclusive right to explore for the mineral categories authorized by the license and with special approval of the Minister to process, trade and export restricted amounts of such minerals for cash flow purposes in association with an approved advance exploration programme.

**Right of entry to land:** The holder of an exploration license is entitled to enter the land for the purposes of exploration for minerals with employees and contractors and such vehicles, machinery and equipment as may be necessary or expedient but shall not exercise such right except with the consent of the owner or occupant of the land. The minimum area of exploration permitted in respect of an exploration license is one square kilometer in one basic metric grid unit and the maximum is one hundred square kilometers in one hundred metric grid units.

**Term:** An exploration license is deemed to be in operation from the date it is granted and is renewable every two years. An application for renewal should be made prior to the expiry of the term specified in the license or renewed license.

**Conditions:** Exploration licenses are granted subject to various standard conditions, relating to minimum expenditure, the payment of prescribed rent and royalties and observance of environmental protection and reporting requirements. These standard conditions are not detailed in Annexure A of this report. A failure to comply with these conditions or obtain an exemption from compliance may lead to forfeiture of the exploration license. ( sections 35,36 & 37 of the Mines & Minerals Act No.33of 1992 and its amendment No.66 of 2009 should be referred for further clarifications if necessary )

**Relinquishment:** The holder of an exploration license may relinquish any part of the license area on or prior to the date on which the two year period of the license expires.

**Addition:** Subject to the maximum area restriction, additional units may be added to an existing exploration licenses.





**Exclusive right to apply for mining license:** The holder of an exploration license has the exclusive right to apply for a mining license over any of the land subject to the exploration license. Any application for a mining license must be made prior to the expiry of the exploration license. The exploration license remains in force until the application for the mining license is determined.

**Transfer:** Legal or equitable interest in an exploration license may be transferred or given as security subject to such conditions as may be specified in the license.

## 6.2 Industrial Mining License

**Right to apply:** The holder of an exploration license shall apply for an industrial mining license in respect of the area for which an exploration license has been granted.

**Term:** An industrial mining license is valid for such period as may be determined by the GSMB based on the documentation of mineral reserves established by the Economic Validity Report.

**Renewal:** The holder of the industrial mining license shall have the exclusive right to renew the license. The period for which the renewal is approved shall be determined by the GSMB having regard to the documents submitted by the licensee of the available reserves and commercial production thereof.

**Right to Mine:** The holder of industrial mining license has the exclusive right to explore for mine, process, trade in and export all minerals mined within the area specified in the license. Within a period of two years of the license being granted, the holder of the license should commence commercial production unless an extension of time has been allowed by the GSMB. Failure to do so might result in the GSMB terminating the license or reverting it to an exploration license.

**Transfer:** Legal or equitable interest in an exploration license may be transferred or given as security subject to such conditions as may be specified in the license.



## 7. ACCESS TO LAND SUBJECT TO THE LICENSES

As referred to in section 6.1 above, the right of a license holder to enter the land area specified in the license is subject to the consent of owner or occupant of the land.

It is customary for a license holder to enter into an agreement with the relevant land owner or occupier for this purpose.

## 8. OPINION

Based on foregoing provisions in the Mines and Minerals Act and the regulations there under, on the documents reviewed, searches carried out, information and clarification provided by the representative of the license holder and on information provided by officials of the GSMB on an informal basis, subject to the assumptions and qualifications set out in this report, as at the date hereof this report provides an accurate report on the licenses.

## 9. QUALIFICATION AND ASSUMPTIONS

This report is subject to the following qualifications and assumptions:

- a) We have assumed the accuracy and completeness of all documents, register extracts and other information or response which were obtained from the relevant department or authority and the representative of the license holder as well as the clarifications and information given to us by the representatives of the license holder.
- b) This report does not cover any third party interests including encumbrances, in relation to the licenses that are not apparent from our searches and the documents and information not provided to us.
- c) Unless apparent from our searches or the documents and information provided to us, we have assumed compliance with the requirements necessary to maintain a license in good standing
- d) References in Annexure A of this report to any area of land are taken from details shown on the licenses. It is not possible to verify the accuracy of those areas without conducting a survey.
- e) We cannot comment on whether any changes have occurred in respect of the licenses between the date of the searches inquires and the date of this report.
- f) In relation to the transfer of Exploration License as per the amendment No.66 of 2009 to the subsection d of section 35 of the Mines &



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Minerals Act No.33 of 1992, it states that the transfer may be carried out and or it can be provided as a security subject to the terms and conditions stated in the relevant exploration license.

g)


No statement made or opinion expressed in this report is made expressed or implied with respect to the laws of any territory other than Sri Lanka.

## 10. CONSENT

This report is given solely for the benefit of the addressees and is not to be relied on or disclosed to any other person or used for any other purpose or quoted or referred to in any public document or filed with any government body or other person without prior consent.

Yours Faithfully,

**SHARM FERNANDO ASSOCIATES**

  
.....  
Sharm Fernando

Attorney-At-Law,

Encl: Annexures A





ANNEXURE A; LICENSES AND APPLICATIONS

| LICESNE   | REGISTERED HOLDER  | GRANT DATE  | EXPIRY DATE | MINERALS                  | LOCATION          | AREA      | GRID NUMBERS   |
|---|--|---|-------------|---------------------------|-------------------|-----------|--|
| EL 180  | APPLEX CEYLON (PVT) LTD<br><br>( Formerly known as Supreme Solutions ( Pvt ) Ltd named changed on 12-11-2015 ) | 28.06.2016<br><br>Bi annual reports to be submitted | 27.06.2018  | Mineral Sand / Beach Sand | Northern Province | 45 Sq. Km | 107404 , 107405 , 107406 , 107407 , 107408 , 107409 , 107410 , 106410 , 106411 , 105411 , 105412 , 105413 , 104413 , 104414 , 103414 , 103415 , 103416 , 102416 , 102417 , 101417 , 101418 , 102418 , 101419 , 100419 , 100420 , 099420 , 099421 , 098421 , 098422 , 097422 , 097423 , 096423 , 096424 , 095424 , 094425 , 093425 , 092426 , 091426 , 090427 , 089427 , 089428 , 088427 , 087428 , 087429 , 091427   |
| EL 182  | APPLEX CEYLON (PVT) LTD  | 28.06.2016<br><br>Bi annual reports to be submitted | 27.06.2018  | Mineral Sand / Beach Sand | Northern Province | 26 Sq. Km | 087432 , 087433 , 088432 , 089432 , 090432 , 091432 , 092431 , 093431 , 094431 , 095431 , 095430 , 096430 , 097430 , 098430 , 098429 , 099429 , 100429 , 100428 , 101428 , 101427 , 102427 , 102426 , 102425 , 105425 , 103426 , 104425  |
| COM/EL/2017/197<br><br>Licenses issued<br><br>New reference Number<br>EL /372 | HAMMERSMITH CEYLON (PVT) LTD   | 26-02-2018  | 25-02-2020  | Mineral Sand/ Beach Sand  | Northern Province | 51 Sq. Km | 100424 , 100423 , 101423 , 101422 , 102422 , 102421 , 103421 , 103420 , 104420 , 104419 , 105420 , 105419 , 106419 , 106418 , 105418 , 104418 , 103418 , 103417 , 104416 , 105416 , 105415 , 106414 , 106415 , 107415 , 108415 , 109415 , 109416 , 110416 , 101424 , 110417 , 111417 , 111418 , 112418 , 112417 , 113418 , 113419 , 113420 , 114420 , 114421 , 115421 , w115422 , 116422 , 117422 , 118422 , 119422 , 119423 , 119424 , 120423 , 113417 , 120424 , 117423 , 118423 |
| COM/EL/2017/196<br><br>Licenses issued<br><br>New reference Number<br>EL /371 | HAMMERSMITH CEYLON (PVT) LTD   | 26-02-2018  | 25-02-2020  | Mineral Sand / Beach Sand | Northern Province | 04 Sq. Km | 086433 , 081429 , 080431 , 086428  |
| EL/ 2017/1070<br><br>Licenses issued<br>New reference Number<br>EL /370       | KILSYTHE EXPLORATION (PVT) LTD   | 14-12-2017  | 13-12-2019  | Mineral Sand / Beach Sand | Northern Province | 40 Sq. Km | 106404 , 106405 , 093426 , 093427 , 092427 , 099428 , 098428 , 097428 , 096428 , 093428 , 092428 , 091428 , 090428 , 097429 , 096429 , 095429 , 094429 , 093429 , 092429 , 091429 , 090429 , 089429 , 088429 , 094430 , 093430 , 092430 , 091430 , 090430 , 089430 , 088430 , 087430 , 086430 , 085430 , 089431 , 088431 , 087431 , 086431 , 085431 , 084431 , 083431 , 092432   |



SHARM FERNANDO ASSOCIATES

*[Signature]*  
PROPRIETOR

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## 8. KEY PERSONS AND CORPORATE GOVERNANCE

### 8.1 BOARD OF DIRECTORS

The Board is responsible for:

- setting and reviewing strategic direction and planning;
- reviewing financial and operational performance;
- identifying principal risks and reviewing risk management strategies; and
- considering and reviewing significant capital investments and material transactions.

Collectively, the Directors have significant experience in the mineral exploration industry. Brief profiles of the Directors are set out in section 8.2.

### 8.2 DIRECTOR PROFILES

#### **Lee Christensen**

(B. Juris, LLB, B Com.)  
Non-Executive Chairman

Mr Christensen is a senior lawyer in Perth, specialising in dispute resolution, insolvency and restructures. He has many years of commercial litigation and insolvency law experience having acted in major insolvencies in Western Australia. His in-depth understanding and proven application of Insolvency issues sees him regularly advising external administrators, trustees, creditors and bankrupts on all of its ramifications.

#### **James Searle**

(PhD, BSc(hons) Geology)  
Managing Director

Dr Searle has 34 years of experience in base metals, precious metals and mineral sand deposits. He has led successful exploration, project development and operational teams in Australia, Africa, Northern Europe, and Central Asia. Dr Searle has a BSc (Hons) in geology and a PhD from the University of Western Australia. He has 22 years of experience in executive and non-executive Director roles on ASX listed company boards.

Dr Searle is currently also a non-executive Director of ASX listed company Kinetiko Energy Ltd (ASX: KKO).

#### **Jason Ferris**

(Dip. Fin Services)  
Non-Executive Director

Mr Ferris has 20 years' experience in corporate finance, property finance and investment finance sectors. Mr Ferris is a Fellow of the Australian Institute of Management as well as a member of the Australian Institute of Company Directors.

Mr Ferris is also a director of Connected IO Limited (ASX: CIO).

### 8.3 COMPANY SECRETARY PROFILE

**Nicki Farley**  
(LLB, B Arts)

Ms Farley has over 15 years of experience working within the legal and corporate advisory sector providing advice in relation to capital raisings, corporate and securities laws and general commercial transactions. Ms Farley also holds a number of company secretarial roles for ASX listed companies.

Ms Farley holds a Bachelor of Laws and Arts from the University of Western Australia.

### 8.4 SENIOR MANAGEMENT TEAM

The Board has delegated responsibility for the business operations of the Company to James Searle, the Managing Director of the Company (see section 8.2 for a profile). Further technical oversight and conduct of operations will be provided by experienced mining and exploration consultants and contractors such as GeoActiv, a group based in Johannesburg, South Africa, with experience in Sri Lanka and with the Mannar Island project. The senior staff and principals of GeoActive have extensive experience in exploration management and resource modelling compliant with the SAMREC, JORC and NI43-101 codes in a range of commodities including mineral sands. The company is also assembling a local technical and administrative team familiar with the Sri Lankan Project and operations in Sri Lanka.

### 8.5 INTERESTS OF DIRECTORS

Other than as disclosed in this Prospectus, no existing or proposed Director holds at the date of this Prospectus, or has held in the 2 years prior to the date of this Prospectus, an interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or in connection with the Offers; or
- the Offers,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to an existing or proposed Director for services in connection with the formation or promotion of the Company or the Offers, or to induce them to become, or qualify as, a Director.

#### 8.5.1 SECURITY HOLDINGS

The Directors are not required to hold any Shares under the Constitution of the Company.

The table below sets out the anticipated relevant interests of the existing and proposed Directors in the Shares of the Company upon completion of the Offers.

| Director                     | Shares <sup>1</sup> | Voting power at completion of the Offers |
|------------------------------|---------------------|--|
| Lee Christensen <sup>1</sup> | 6,220,000           | 1.08%                                    |
| James Searle <sup>2</sup>    | 5,500,000           | 0.95%                                    |

| Director                  | Shares <sup>1</sup> | Voting power at completion of the Offers |
|---------------------------|---------------------|--|
| Jason Ferris <sup>3</sup> | 5,333,333           | 0.92%                                    |
| <b>Total</b>              | <b>17,053,333</b>   | <b>2.95%</b>                             |

**Notes:**

1. Assumes that Lee Christensen purchases 5,000,000 Shares under the Public Offer, James Searle purchases 5,000,000 Shares under the Public Offer and Jason Ferris purchases 5,000,000 Shares under the Public Offer. Assumes that the full amount of the Cash Reimbursement is paid in cash.
2. Lee Christensen has a relevant interest in 1,220,000 Shares as at the date of this Prospectus.
3. James Searle has a relevant interest in 500,000 Shares as at the date of this Prospectus.
4. Jason Ferris has a relevant interest in 333,333 Shares as at the date of this Prospectus.

## 8.5.2 DIRECTORS' REMUNERATION

The Constitution provides that each Director is entitled to such remuneration from the Company as the Directors decide, but the total amount provided to all non-executive directors must not exceed in aggregate the amount fixed by the Directors prior to the first annual general meeting. The aggregate remuneration for all non-executive directors has been set at an amount of \$480,000 per annum by the Directors. The remuneration of the Directors must not be increased except pursuant to a resolution passed at a general meeting of the Company where notice of the proposed increase has been given to Shareholders in the notice convening the meeting.

As Non-Executive Chairman, Lee Christensen will receive a Director's fee of \$150,000 per annum (plus GST) from completion of the Proposed Acquisition. Lee Christensen will also receive \$91,250 upon completion of the Proposed Acquisition as payment of outstanding director's fees.

As Managing Director, James Searle receives a Director's fee of \$156,000 per annum (plus GST). In addition, James Searle is a director of Earthsciences Pty Ltd, which provides the Company with consultancy services. Earthsciences Pty Ltd will be paid \$1,200 (plus GST) for every 8 hour day it provides services, or pro rata for part days. These services are based upon normal commercial terms and conditions no more favourable than those available to other parties. James Searle will also receive \$100,000 upon completion of the Proposed Acquisition as payment of outstanding director's fees.

As Non-Executive Director, Jason Ferris will receive a Director's fee of \$120,000 per annum (plus GST) from completion of the Proposed Acquisition. In addition, Jason Ferris is a director of J2J Investments Pty Ltd, which provides the Company with consultancy services. J2J Investments Pty Ltd will be paid \$5,000 (plus GST) per month. These services are based upon normal commercial terms and conditions no more favourable than those available to other parties. Jason Ferris will also receive \$120,000 upon completion of the Proposed Acquisition as payment of outstanding director's fees.

## 8.6 CORPORATE GOVERNANCE

### 8.6.1 COMPOSITION OF THE BOARD

The Board currently comprises of 3 members, two of which are Non-Executive Directors (including the Non-Executive Chairman).

The Board considers an independent Director to be a Non-Executive Director who is not a member of management and who is free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the independent exercise of that Director's judgment. The Company considers Lee Christensen to be independent.

The composition of the Company's Board will not initially be in line with the recommendations of the ASX Corporate Governance Council as a majority of its members will not be independent Directors. The Company has at this stage decided to select directors with the expertise and experience to support the Company's business strategy rather than strictly adhere with this recommendation. The Company will consider ways of restructuring its Board in the future to ensure that a majority of its members are independent.

### 8.6.2 POLICIES

The Board recognises the importance of good corporate governance and establishing the accountability of the Board and management. To the extent relevant and practical, the Company has adopted a corporate governance framework that is consistent with the *Corporate Governance Principles and Recommendations (3<sup>rd</sup> Edition)* published by ASX Corporate Governance Council ("**Recommendations**").

The Board has adopted the following suite of corporate governance policies which are available on the Company's website at <http://titaniumsands.com.au/corporate-governance/>:

- Board Charter
- Corporate Code of Conduct
- Audit And Risk Committee Charter
- Remuneration Committee Charter
- Nomination Committee Charter
- Continuous Disclosure Policy
- Risk Management Policy
- Remuneration Policy
- Trading Policy
- Diversity Policy
- Shareholder Communications Strategy
- Performance Evaluation Procedures

The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

As the Company's activities develop in size, nature and scope the implementation of additional corporate governance structures will be given further consideration.

Following admission to the official list of ASX, the Company will be required to report any departures from the Recommendations in its annual financial report. As at the date of this Prospectus the Company complies with the Recommendations other than to the extent set out below.

| Recommendation | Explanation for non-compliance  |
|----------------|---|
| <b>1.</b>      | <b>Lay a solid foundation for management and oversight</b>  |
| 1.5            | <p>A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of</p>  |
|                | <p>Given the Company's size the Board does not consider it appropriate to set quantitative objectives regarding gender diversity at this time. As the operations grow, the Board will give consideration to the setting of such objectives and their achievement through the appointment of appropriate candidates to the Board and senior executive positions as they become available</p> |

|  | Recommendation  | Explanation for non-compliance |
|--|---|--------------------------------|
|  | <p>it; and</p> <p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:</p> <p>(i) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>(ii) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p> |                                |

| Recommendation |   | Explanation for non-compliance   |
|----------------|---|--|
| <b>2.</b>      | <b>Structure the Board to add value</b>   |  |
| 2.1            | <p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <ul style="list-style-type: none"> <li>(i) has at least three members, a majority of whom are independent directors; and</li> <li>(ii) is chaired by an independent director, and disclose:</li> <li>(iii) the charter of the committee;</li> <li>(iv) the members of the committee; and</li> <li>(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li> </ul> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p> | <p>Due to the size of the Board, the Company does not have a separate nomination committee. The roles and responsibilities of a nomination committee are currently undertaken by the Board.</p> <p>The duties of the full Board in its capacity as a nomination committee are set out in the Company's Remuneration and Nomination Committee Charter which is available on the Company's website.</p> <p>When the Board meets as a remuneration and nomination committee is carries out those functions which are delegated to it in the Company's Remuneration and Nomination Committee Charter. Items that are usually required to be discussed by a Remuneration and Nomination Committee are marked as separate agenda items at Board meetings when required.</p> <p>The Board has adopted a Remuneration and Nomination Committee Charter which describes the role, composition, functions and responsibilities of a Nomination Committee and is disclosed at <a href="http://www.titaniumsands.com.au">www.titaniumsands.com.au</a>.</p> |
| <b>4.</b>      | <b>Safeguard integrity in financial reporting</b>   |  |
| 4.1            | <p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <ul style="list-style-type: none"> <li>(i) has at least 3 members, all of whom are non-executive directors and a majority of whom are independent directors; and</li> <li>(ii) is chaired by an independent director, who is not the chair of the board,</li> </ul> <p>and disclose:</p> <ul style="list-style-type: none"> <li>(iii) the charter of the committee;</li> <li>(iv) the relevant qualifications and experience of the members of the committee; and</li> <li>(v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at</li> </ul>  | <p>Due to the size of the Board, the Company does not have a separate Audit Committee. The roles and responsibilities of the Audit committee are undertaken by the Board.</p> <p>The full Board in its capacity as the Audit committee is responsible for reviewing the integrity of the Company's financial reporting and overseeing the independence of the external Auditors. The duties of the full Board in its capacity as the Audit committee are set out in the Company's Audit Committee Charter which is available at <a href="http://titaniumsands.com.au/corporate-governance/audit-committee-charter/">http://titaniumsands.com.au/corporate-governance/audit-committee-charter/</a>.</p> <p>When the Board meets as an Audit committee it carries out those functions which are delegated to it in the Company's Audit Committee Charter. Items that are usually required to be discussed by an Audit Committee are marked as separate agenda items at Board meetings when required.</p>   |

| Recommendation |   | Explanation for non-compliance   |
|----------------|---|--|
|                | <p>those meetings; or</p> <p>(b) if it does not have an Audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its financial reporting, including the processes for the appointment and removal of the external Auditor and the rotation of the Audit engagement partner.</p>  | <p>The Board is responsible for the initial appointment of the external Auditor and the appointment of a new external Auditor when any vacancy arises. Candidates for the position of external Auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external Auditor based on criteria relevant to the Company's business and circumstances. The performance of the external Auditor is reviewed on an annual basis by the Board.</p> <p>The Board has adopted an Audit Committee Charter which describes the role, composition, functions and responsibilities of the Audit Committee and is disclosed at <a href="http://www.titaniumsands.com.au">www.titaniumsands.com.au</a>.</p>   |
| <b>6.</b>      | <b>Respect the rights of shareholders</b>   |  |
| 6.3            | <p>A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.</p>  | <p>The Board encourages full participation of Shareholders at meetings to ensure a high level of accountability and identification with the Company's strategies and goals.</p> <p>However, due to the size and nature of the Company, the Board does not consider a policy outlining the policies and processes that it has in place to facilitate and encourage participating at meetings of shareholders to be appropriate at this stage.</p>   |
| <b>7.</b>      | <b>Recognise and manage risk</b>  |  |
| 7.1            | <p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <ul style="list-style-type: none"> <li>(i) has at least 3 members, a majority of whom are independent directors; and</li> <li>(ii) is chaired by an independent director,</li> </ul> <p>and disclose:</p> <ul style="list-style-type: none"> <li>(iii) the charter of the committee;</li> <li>(iv) the members of the committee; and</li> <li>(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li> </ul> <p>(b) if it does not have a risk committee or</p> | <p>Due to the size of the Board, the Company does not have a separate Risk Committee. The Board is responsible for the oversight of the Company's risk management and control framework.</p> <p>When the Board meets as a risk committee is carries out those functions which are delegated to it in the Company's Risk Committee Charter. Items that are usually required to be discussed by a Risk Committee are marked as separate agenda items at Board meetings when required.</p> <p>The Board has adopted a Risk Committee Charter which describes the role, composition, functions and responsibilities of the Risk Committee and is disclosed at <a href="http://titaniumsands.com.au/corporate-governance/risk-management-policy/">http://titaniumsands.com.au/corporate-governance/risk-management-policy/</a>.</p> |



| Recommendation |   | Explanation for non-compliance  |
|----------------|---|---|
|                | committees that satisfy (a) above, disclose that fact and the process it employs for overseeing the entity's risk management framework.   |   |
| 7.3            | <p>A listed entity should disclose:</p> <p>(a) if it has an internal Audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal Audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>   | <p>The Company does not have, and does not intend to establish, an internal audit function. To evaluate and continually improve the effectiveness of the Company's risk management and internal control processes, the Board relies on ongoing reporting and discussion of the management of material business risks as outlined in the Audit and Risk Management Committee Charter.</p>  |
| <b>8.</b>      | <b>Remunerate fairly and responsibly</b>  |   |
| 8.1            | <p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <ul style="list-style-type: none"> <li>(i) has at least 3 members, a majority of whom are independent directors; and</li> <li>(ii) is chaired by an independent director,</li> </ul> <p>and disclose:</p> <ul style="list-style-type: none"> <li>(iii) the charter of the committee;</li> <li>(iv) the members of the committee; and</li> <li>(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li> </ul> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p> | <p>Due to the size of the Board, the Company does not have a separate remuneration committee. The roles and responsibilities of a remuneration committee are currently undertaken by the Board.</p> <p>The duties of the full board in its capacity as a remuneration committee are set out in the Company's Remuneration and Nomination Committee Charter which is available at <a href="http://titaniumsands.com.au/corporate-governance/remuneration-and-nomination-committee-charter/">http://titaniumsands.com.au/corporate-governance/remuneration-and-nomination-committee-charter/</a>.</p> <p>When the Board meets as a remuneration committee it carries out those functions which are delegated to it in the Company's Remuneration and Nomination Committee Charter. Items that are usually required to be discussed by a Remuneration Committee are marked as separate agenda items at Board meetings when required.</p> <p>The Board has adopted a Remuneration and Nomination Committee Charter which describes the role, composition, functions and responsibilities of the Remuneration Committee and is disclosed at <a href="http://titaniumsands.com.au/corporate-governance/remuneration-and-nomination-committee-charter/">http://titaniumsands.com.au/corporate-governance/remuneration-and-nomination-committee-charter/</a>.</p> |

## 9. MATERIAL CONTRACTS

Set out in this section 9 is a summary of the material contracts to which the Company is a party that may be material in terms of the Offers, for the operation of the business of the Company or Srinel, or otherwise may be relevant to a potential investor in the Company.

The whole of the provisions of the contracts are not repeated in this Prospectus and any intending applicant who wishes to gain a full knowledge of the content of the material contracts should inspect the same at the registered office of the Company.

### 9.1 OPTION AGREEMENT

On 19 March 2014, the Company entered into the Option Agreement with the Seller, under which the Seller granted the Company the sole and exclusive Call Option to acquire 100% of the issued share capital in Srinel. The Option Agreement was subsequently amended on 29 January 2016, 18 February 2016 and 27 July 2017.

The key terms of the Option Agreement, as amended, are set out below.

- (a) Conditions to completion include the following:
  - (i) the Company raising the Minimum Subscription; and
  - (ii) the Company being satisfied of the Company's ability to satisfy ASX's conditions to re-listing.
- (b) At completion, the Seller will transfer 100% of the issued share capital in Srinel to the Company in consideration of:
  - (i) a Call Option fee of \$600,000 (which has been paid by the Company);
  - (ii) 58,095,239 Shares;
  - (iii) 66,666,667 Class A Performance Shares;
  - (iv) 33,333,333 Class B Performance Shares;
  - (v) 133,333,333 Class C Performance Shares; and
  - (vi) make a cash payment of \$450,000 to the Seller in reimbursement of expenditure in accordance with Listing Rule 1.1 (Condition 11(a)) or, to the extent the ASX does not permit the Company to pay the full amount in cash, issues Shares in lieu of cash at a deemed issue price of \$0.02 each ("**Cash Reimbursement**").

- (c) Each Performance Share will convert into a Share in the event that the relevant performance milestone (“**Milestone**”) is satisfied within 5 years of the Performance Shares being issued:

| Performance Share | Milestone   |
|-------------------|---|
| Class A           | <p>In respect of the Sri Lankan Project, the Company achieving either:</p> <p>(a) a total Mineral Resource of 20 million tonnes of heavy mineral content of not less than 5% discovered (or equivalent tonnage to heavy mineral content discovered ratio. For example, 10 million tonnes of heavy mineral content of not less than 10% discovered); or</p> <p>(b) any metal equivalent (as that term is used in paragraph 50 of the JORC Code) Mineral Resource (including silver, copper, lead, zinc, nickel, cobalt, platinum, palladium, iron, graphite, lithium, tin, tantalum, niobium and tungsten) independently valued by a qualified technical person as equivalent to the Mineral Resource in paragraph (a) of this definition.</p> |
| Class B           | <p>The Company obtaining a grant of one or more mining licences in respect of all or part of the land the subject of the Sri Lankan Project.</p>  |
| Class C           | <p>(a) The Company commencing commercial scale heavy mineral sand concentrate production or treatment of 250,000 tonnes of heavy mineral content of not less than 5% discovered in respect of any part of the Sri Lankan Project.</p> <p>(b) The Company achieving a Mineral Resource of 70 million tonnes of heavy mineral content of not less than 5% discovered (or equivalent tonnage to heavy mineral content discovered ratio. For example, 35 million tonnes of heavy mineral content of not less than 10% discovered).</p>  |

The Option Agreement also contains additional provisions which are considered standard for agreements of this nature, including warranties and indemnities given by the Seller in favour of the Company.

The Company exercised the Call Option on 29 December 2014.

## 9.2 ROYALTY DEED

The Company has entered into a royalty deed with the Seller to pay the Seller royalties on the products produced from the Sri Lankan Project (“**Deed**”).

The key terms of the Deed are set out below.

- For each quarter that any total heavy minerals or metallic product extracted and recovered from the Sri Lankan Project is sold, the Company will pay the Seller 5% of the net proceeds from the sale of the minerals, within 30 days of the end of that quarter.
- If a payment is not paid by the due date, the Company must pay interest and all costs and expenses incurred by the Seller which are attributable to the Company’s failure to pay. Interest is equal to the bid rate for bills of exchange having a tenor of 90 days plus 2 per cent and is payable from the relevant due date.

- The Company cannot sell, transfer or assign an interest in the Sri Lankan Project without the written consent of the Seller and without the recipient executing a royalty deed on similar terms to the Deed. The Seller can assign all of its rights under the Deed.

The Deed is otherwise on terms and conditions considered standard for agreements of this nature.

### **9.3 TRIDENT CAPITAL MANDATE**

The Company has engaged Trident Capital Pty Ltd (“**Trident Capital**”) as its corporate. Among other things, Trident Capital provides the following services to the Company:

- corporate and structuring advice;
- assistance with document preparation;
- assistance with the due diligence process;
- capital raising services; and
- investor presentations.

The Company indemnifies Trident Capital against any legal expenses or other expenses incurred by it arising out of any claim, demand, loss, expense, and liability or action related to the services provided by Trident Capital under the agreement.

It will pay Trident Capital a capital raising fee of 6% in respect of funds raised by Trident Capital under the Public Offer. The Company will also issue 20,000,000 Shares to Trident Capital upon completion of the Proposed Acquisition.

The Company will pay Trident Capital a corporate advisory fee of \$10,000 (plus GST) per month for a period of 12 months from completion of the Proposed Transaction.

The agreement is otherwise on terms and conditions considered standard for agreements of this nature.

### **9.4 CONSULTANCY AGREEMENTS**

#### **9.4.1 JAMES SEARLE – MANAGING DIRECTOR**

James Searle is engaged as the Managing Director of the Company, pursuant to a consultancy agreement dated 28 March 2018, for a term of 12 months, subject to any extension agreed to by the parties.

Dr Searle receives a Managing Director’s fee of \$156,000 (plus GST) per annum. In addition, Dr Searle will provide consultancy services to the Company and is paid \$1,200 (plus GST) for every 8 hour day he performs these services, or pro rata for part days.

As Managing Director, Dr Searle will, among other things:

- effectively manage the affairs of the Company including operational and exploration activities;
- provide technical oversight and direction of exploration activities and review the progress of the Company’s activities;
- assist the Board with strategic planning and ensure the exploration activities coincide with overall corporate objectives; and

- observe and comply with the ASX Listing Rules, including the continuous disclosure obligations, the Corporations Act and all other legal obligations.

Either party may terminate the agreement without cause by providing the other party with 4 weeks' notice in writing.

The agreement is otherwise on terms and conditions considered standard for agreements of this nature in Australia.

#### **9.4.2 LEE CHRISTENSEN – NON-EXECUTIVE CHAIRMAN**

Lee Christensen is engaged as Non-Executive Chairman of the Company pursuant to an engagement letter dated 28 March 2018.

From completion of the Proposed Acquisition, Mr Christensen will receive a salary of \$150,000 (plus GST) per annum. Mr Christensen will receive a salary of \$60,000 (plus GST) per annum until completion of the Proposed Acquisition.

As Non-Executive Chairman, Mr Christensen will, among other things:

- adopt a leadership role in the conduct of the responsibilities of the Company and lead and manage the Company in the discharge of its duties;
- ensure the Company has in place appropriate and adequate corporate governance policies and monitor compliance with those policies;
- attend Board meetings and any other committee meeting requiring his attendance;
- ensure the Board meets regularly and has adequate information to ensure that the Board is kept properly informed of the financial position and performance of the Company; and
- monitor management, the assessment of the Company's financial position and performance and the detection and assessment of material adverse developments.

Mr Christensen's appointment is subject to the Corporations Act and his successful re-election under the Company's Constitution and the ASX Listing Rules.

The engagement is otherwise on terms and conditions considered standard for engagements of this nature.

#### **9.4.3 JASON FERRIS - NON-EXECUTIVE DIRECTOR**

Jason Ferris is engaged as a Non-Executive Director of the Company pursuant to an agreement dated 28 March 2018.

From completion of the Proposed Acquisition, Mr Ferris will receive a Non-Executive Director's fee of \$120,000 (plus GST) per annum. In addition, Mr Ferris will provide consultancy services to the Company and be paid \$5,000 (plus GST) per month for these services. Mr Ferris will receive a salary of \$48,000 (plus GST) per annum until completion of the Proposed Acquisition.

As Non-Executive Director, Mr Ferris will, among other things:

- assist with developing strategic corporate, business, marketing and operational plans and objectives;
- direct the activities of the Company for the achievement of short and long term business objectives;
- assist with the development and implementation of the Company's policies;

- seek and capitalise on opportunities for business growth and expansion; and
- lead, motivate and support employees to encourage strong performance.

Mr Ferris's appointment is subject to the Corporations Act and his successful re-election under the Company's Constitution and the ASX Listing Rules.

The engagement is otherwise on terms and conditions considered standard for engagements of this nature.

## **9.5 DEEDS OF ACCESS, INDEMNITY AND INSURANCE**

The Company has entered into deeds of access, indemnity and insurance with each Director which confirm each person's right of access to certain books and records of the Company for a period of 7 years after the Director ceases to hold office. This 7 year period can be extended where certain proceedings or investigations commence before the 7 years expires. The deeds also require the Company to provide an indemnity for liability incurred as an officer of the Company, to the maximum extent permitted by law.

Under the deeds, the Company must arrange and maintain Directors' and Officers' insurance during each Director's period of office and for a period of 7 years after a Director ceases to hold office. This 7 year period can be extended where certain proceedings or investigations commence before the 7 years expires.

The deeds are otherwise on terms and conditions considered standard for deeds of this nature in Australia.

## **9.6 ESCROW AGREEMENTS**

Please see section 1.8 for details of the escrow agreements to be entered into by the Company prior to re-admission to the official list of ASX. The escrow agreements will be on ASX's standard terms and conditions as set out in Appendix 9B of the Listing Rules.

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## 10. ADDITIONAL INFORMATION

### 10.1 RIGHTS AND LIABILITIES ATTACHING TO SHARES

The following is a general description of the more significant rights and liabilities attaching to the Shares. This summary is not exhaustive. Full details of provisions relating to rights attaching to the Shares are contained in the Corporations Act, Listing Rules and the Company's Constitution. A copy of the Company's Constitution is available upon request by contacting the Company on +61 (8) 6211 5099.

(a) **Ranking of Shares**

At the date of this Prospectus, all shares are of the same class and rank equally in all respects. Shares issued pursuant to this Prospectus will rank equally with existing Shares.

(b) **Voting rights**

Subject to any special rights or restrictions (at present there are none), at any meeting each member present in person or by proxy has one vote on a show of hands, and on a poll has one vote for each share held.

(c) **Dividend rights**

Subject to any special rights (at present there are none), any dividends that may be declared by the Company are payable on all Shares in proportion to the amount paid up.

(d) **Variation of rights**

The rights attaching to the Shares may only be varied by the consent in writing of the holders of 75% of the Shares, or with the sanction of a special resolution passed at a general meeting.

(e) **Transfer of Shares**

Subject to the Company's Constitution, the Corporations Act or any other applicable laws of Australia and the Listing Rules, the Shares are freely transferable. The Directors may refuse to register a transfer of Shares only in limited circumstances, such as where the Listing Rules require or permit the Company to do so.

(f) **General meetings**

Each shareholder is entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be furnished to shareholders under the Company's Constitution, the Corporations Act and Listing Rules.

(g) **Rights on winding up**

If the Company is wound up, the liquidator may, with the sanction of a special resolution:

(i) divide among the shareholders the whole or any part of the Company's property; and

(ii) decide how the division is to be carried out between the Shareholders.

Subject to any special rights (at present there are none), any surplus assets on a winding up are to be distributed to Shareholders in proportion to the number of Shares held by them irrespective of the amounts paid or credited as paid.

## 10.2 TERMS OF CLASS A OPTIONS

(a) **Entitlement**

Each Option entitles the holder to subscribe for one Share upon exercise of the Option.

(b) **Expiry Date**

Each Option will expire at 5.00pm (WST) on the date that is 3 years from issue ("**Expiry Date**").

(c) **Exercise Price**

Each Option will have an exercise price equal to \$0.021 ("**Exercise Price**").

(d) **Exercise period and lapsing**

Subject to clause (i) (Shareholder and regulatory approvals), Options may be exercised at any time after the date of issue and prior to the Expiry Date. After this time, any unexercised Options will automatically lapse.

(e) **Exercise Notice and payment**

Options may be exercised by notice in writing to the Company ("**Exercise Notice**") together with payment of the Exercise Price for each Option being exercised. Any Exercise Notice for an Option received by the Company will be deemed to be a notice of the exercise of that Option as at the date of receipt. Cheques paid in connection with the exercise of Options must be in Australian currency, made payable to the Company and crossed "Not Negotiable".

(f) **Shares issued on exercise**

Shares issued on exercise of Options will rank equally in all respects with then existing fully paid ordinary shares in the Company.

(g) **Quotation of Shares**

Provided that the Company is quoted on ASX at the time, application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Options.

(h) **Timing of issue of Shares**

Subject to clause (i) (Shareholder and regulatory approvals), within 5 business days after the later of the following:

- (i) receipt of an Exercise Notice given in accordance with these terms and conditions and payment of the Exercise Price for each Option being exercised by the Company if the Company is not in possession of excluded information (as defined in section 708A(7) of the Corporations Act); and
- (ii) the date the Company ceases to be in possession of excluded information with respect to the Company (if any) following the receipt of the Exercise Notice and payment of the Exercise Price for each Option being exercised by the Company,

the Company will allot and issue the Shares pursuant to the exercise of the Options and, to the extent that it is legally able to do so:

- (iii) give ASX a notice that complies with section 708A(5)(e) of the Corporations Act; and



- (iv) apply for official quotation on the ASX of the Shares issued pursuant to the exercise of the Options.

(i) **Shareholder and regulatory approvals**

Notwithstanding any other provision of these terms and conditions, exercise of Options into Shares will be subject to the Company obtaining all required (if any) Shareholder and regulatory approvals for the purpose of issuing the Shares to the holder. If exercise of the Options would result in any person being in contravention of section 606(1) of the Corporations Act then the exercise of each Option that would cause the contravention will be deferred until such time or times that the exercise would not result in a contravention of section 606(1) of the Corporations Act. Holders must give notification to the Company in writing if they consider that the exercise of the Options may result in the contravention of section 606(1) of the Corporations Act, failing which the Company will be entitled to assume that the exercise of the Options will not result in any person being in contravention of section 606(1) of the Corporations Act.

(j) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least four business days after the issue is announced. This is intended to give the holders of Options the opportunity to exercise their Options prior to the announced record date for determining entitlements to participate in any such issue.

(k) **Adjustment for bonus issues of Shares**

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):

- (i) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the holder would have received if the holder had exercised the Option before the record date for the bonus issue; and
- (ii) no change will be made to the Exercise Price.

(l) **Adjustment for rights issue**

If the Company makes an issue of Shares pro rata to existing Shareholders there will be no adjustment to the Exercise Price.

(m) **Adjustments for reorganisation**

If there is any reconstruction of the issued share capital of the Company, the rights of the holders may be varied to comply with the Listing Rules which apply to the reconstruction at the time of the reconstruction.

(n) **Quotation**

The Company will not apply for quotation of the Options on ASX.

(o) **Transferability**

Options can only be transferred with the prior written consent of the Company (which consent may be withheld in the Company's sole discretion).

### 10.3 TERMS OF CLASS B OPTIONS

(a) **Entitlement**

Each Option entitles the holder to subscribe for one Share upon exercise of the Option.

(b) **Expiry Date**

Each Option will expire at 5.00pm (WST) on 18 January 2021 ("**Expiry Date**").

(c) **Exercise Price**

Each Option will have an exercise price equal to \$0.05 ("**Exercise Price**").

(d) **Exercise period and lapsing**

Subject to clause (i) (Shareholder and regulatory approvals), Options may be exercised at any time after the date of issue and prior to the Expiry Date. After this time, any unexercised Options will automatically lapse.

(e) **Exercise Notice and payment**

Options may be exercised by notice in writing to the Company ("**Exercise Notice**") together with payment of the Exercise Price for each Option being exercised. Any Exercise Notice for an Option received by the Company will be deemed to be a notice of the exercise of that Option as at the date of receipt. Cheques paid in connection with the exercise of Options must be in Australian currency, made payable to the Company and crossed "Not Negotiable".

(f) **Shares issued on exercise**

Shares issued on exercise of Options will rank equally in all respects with then existing fully paid ordinary shares in the Company.

(g) **Quotation of Shares**

Provided that the Company is quoted on ASX at the time, application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Options.

(h) **Timing of issue of Shares**

Subject to clause (i) (Shareholder and regulatory approvals), within 5 business days after the later of the following:

- (i) receipt of an Exercise Notice given in accordance with these terms and conditions and payment of the Exercise Price for each Option being exercised by the Company if the Company is not in possession of excluded information (as defined in section 708A(7) of the Corporations Act); and
- (ii) the date the Company ceases to be in possession of excluded information with respect to the Company (if any) following the receipt of the Exercise Notice and payment of the Exercise Price for each Option being exercised by the Company,

the Company will allot and issue the Shares pursuant to the exercise of the Options and, to the extent that it is legally able to do so:

- (iii) give ASX a notice that complies with section 708A(5)(e) of the Corporations Act; and

- (iv) apply for official quotation on the ASX of the Shares issued pursuant to the exercise of the Options.

(i) **Shareholder and regulatory approvals**

Notwithstanding any other provision of these terms and conditions, exercise of Options into Shares will be subject to the Company obtaining all required (if any) Shareholder and regulatory approvals for the purpose of issuing the Shares to the holder. If exercise of the Options would result in any person being in contravention of section 606(1) of the Corporations Act then the exercise of each Option that would cause the contravention will be deferred until such time or times that the exercise would not result in a contravention of section 606(1) of the Corporations Act. Holders must give notification to the Company in writing if they consider that the exercise of the Options may result in the contravention of section 606(1) of the Corporations Act, failing which the Company will be entitled to assume that the exercise of the Options will not result in any person being in contravention of section 606(1) of the Corporations Act.

(j) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least four business days after the issue is announced. This is intended to give the holders of Options the opportunity to exercise their Options prior to the announced record date for determining entitlements to participate in any such issue.

(k) **Adjustment for bonus issues of Shares**

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):

- (i) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the holder would have received if the holder had exercised the Option before the record date for the bonus issue; and
- (ii) no change will be made to the Exercise Price.

(l) **Adjustment for rights issue**

If the Company makes an issue of Shares pro rata to existing Shareholders there will be no adjustment to the Exercise Price.

(m) **Adjustments for reorganisation**

If there is any reconstruction of the issued share capital of the Company, the rights of the holders may be varied to comply with the Listing Rules which apply to the reconstruction at the time of the reconstruction.

(n) **Quotation**

The Company will not apply for quotation of the Options on ASX.

(o) **Transferability**

Options can only be transferred with the prior written consent of the Company (which consent may be withheld in the Company's sole discretion).

## 10.4 TERMS OF PERFORMANCE SHARES

The performance shares entitle the holder to Shares on the terms and conditions set out below.

(a) **Issue price**

Each performance share ("**Performance Share**") will be issued for nil cash consideration.

(b) **Rights**

- (i) The Performance Shares do not carry any voting rights in the Company.
- (ii) The Performance Shares confer on the holder the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to shareholders. Holders of Performance Shares have the right to attend general meetings of shareholders.
- (iii) The Performance Shares do not entitle the holder to any dividends.
- (iv) The Performance Shares do not confer any right to participate in the surplus profits or assets of the Company upon winding up of the Company.
- (v) The Performance Shares do not confer any right to a return of capital, whether in a winding up, upon a reduction of capital or otherwise.
- (vi) The Performance Shares do not confer the right to participate in new issues of securities such as entitlement issues. If the Company makes a bonus issue of Shares or other securities to existing shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) the number of Shares which must be issued on the conversion of a Performance Share will be increased by the number of Shares which the holder would have received if the relevant Performance Share had converted before the record date for the bonus issue.
- (vii) If at any time the issued capital of the Company is reorganised, the Performance Shares are to be treated in the manner set out in Listing Rule 7.21 (or other applicable Listing Rule), being that the number of Performance Shares or the conversion ratio or both will be reorganised so that the holder of the Performance Shares will not receive a benefit that holders of ordinary shares do not receive and so that the holders of ordinary shares will not receive a benefit that the holder of the Performance Shares does not receive.
- (viii) The Performance Shares give the holder no rights other than those expressly provided by these terms and conditions and those provided at law where such rights at law cannot be excluded by these terms and conditions.

(c) **Conversion**

- (i) Each Performance Share is convertible into a fully paid ordinary share in the capital of the Company ("**Conversion Share**") subject to the Company achieving the following applicable milestone:

| Performance Share | Milestone   |
|-------------------|---|
| Class A           | In respect of the Sri Lankan Project, the Company achieving either:<br>(a) a total Mineral Resource of 20 million tonnes of heavy |

| Performance Share | Milestone   |
|-------------------|---|
|                   | <p>mineral content of not less than 5% discovered (or equivalent tonnage to heavy mineral content discovered ratio. For example, 10 million tonnes of heavy mineral content of not less than 10% discovered); or</p> <p>(b) any metal equivalent (as that term is used in paragraph 50 of the JORC Code) Mineral Resource (including silver, copper, lead, zinc, nickel, cobalt, platinum, palladium, iron, graphite, lithium, tin, tantalum, niobium and tungsten) independently valued by a qualified technical person as equivalent to the Mineral Resource in paragraph (a) of this definition.</p> |
| Class B           | The Company obtaining a grant of one or more mining licences in respect of all or part of the land the subject of the Sri Lankan Project.   |
| Class C           | <p>(a) The Company commencing commercial scale heavy mineral sand concentrate production or treatment of 250,000 tonnes of heavy mineral content of not less than 5% discovered in respect of any part of the Sri Lankan Project; or</p> <p>(b) The Company achieving a Mineral Resource of 70 million tonnes of heavy mineral content of not less than 5% discovered (or equivalent tonnage to heavy mineral content discovered ratio. For example, 35 million tonnes of heavy mineral content of not less than 10% discovered).</p>   |

- (ii) Despite anything else contained in these terms and conditions, the conversion of any Performance Shares is subject to the Company obtaining all required (if any) shareholder or regulatory approval for the purpose of issuing the Conversion Shares. If conversion of all or part of the Performance Shares would result in any person being in contravention of section 606(1) of the Corporations Act then the conversion of each Performance Share that would cause the contravention will be deferred until such time or times that the conversion would not at a later date result in a contravention of section 606(1) of the Corporations Act. The holder must give prior notification to the Company in writing if it considers that the conversion of all or part of its Performance Shares may result in the contravention of section 606(1) of the Corporations Act, failing which the Company will be entitled to assume that the conversion of the Performance Shares under these terms and conditions will not result in any person being in contravention of section 606(1) of the Corporations Act.
- (iii) The Company must issue any Conversion Shares in the name of the holder (or its nominee) within 7 days of the relevant Performance Shares becoming convertible into Conversion Shares under these terms and conditions.
- (iv) Each Conversion Share will rank equally with a fully paid ordinary share in the capital of the Company.
- (v) The Performance Shares will not be quoted on any securities exchange and the Company will not make an application for quotation in respect of them. However, if the Company is listed on the ASX at the relevant time, upon conversion of any Performance Shares into Conversion Shares, the Company must within 7 days

after the conversion apply for quotation of the Conversion Shares on the ASX, subject always to the requirements of the Listing Rules, including those relating to escrow.

(d) **Expiry**

If a Milestone is not satisfied on or before the date 5 years from the issue of the Performance Shares, the relevant Performance Shares will immediately be redeemed by the Company for nil cash consideration.

(e) **Transferability**

The Performance Shares are not transferable.

(f) **Compliance with Corporations Act, Listing Rules and Constitution**

- (i) Despite anything else contained in these terms and conditions, if the Corporations Act, Listing Rules or Constitution prohibits an act being done, that act must not be done.
- (ii) Nothing contained in these terms and conditions prevents an act being done that the Corporations Act, Listing Rules or Constitution require to be done.
- (iii) If the Corporations Act, Listing Rules or Constitution conflict with these terms and conditions, or these terms and conditions do not comply with the Corporations Act, Listing Rules or the Constitution, the holder authorises the Company to do anything necessary to rectify such conflict or non-compliance, including but not limited to unilaterally amending these terms and conditions.
- (iv) The terms of the Performance Shares may be amended as necessary by the directors of the Company in order to comply with the Listing Rules, or any directions of ASX regarding the terms.

(g) **Change of control event**

- (i) A change of control event ("**Change of Control Event**") occurs where:
  - (A) an offer is made for Shares pursuant to a takeover bid under Chapter 6 of the Corporations Act and is, or is declared, unconditional; or
  - (B) the Court sanctions under Part 5.1 of the Corporations Act a compromise or arrangement relating to the Company or a compromise or arrangement proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies.
- (ii) If a Change of Control Event occurs, the Board may in its sole and absolute discretion, and subject to the Listing Rules and (iii) below, determine how unconverted Performance Shares will be treated, including but not limited to determining that unconverted Performance Shares (or a portion of unconverted Performance Shares) will become immediately convertible into Conversion Shares with such conversion deemed to have taken place immediately prior to the effective date of the Change of Control Event.
- (iii) The total number of Conversion Shares issued under (ii) above shall not exceed 10% of the issued ordinary capital of the Company as at the date of conversion.

- (iv) Whether or not the Board determines to accelerate the conversion of any Performance Shares, the Company shall give written notice of any proposed Change of Control Event to each holder of Performance Shares.

## **10.5 CONTINUOUS DISCLOSURE**

The Company is a “disclosing entity” for the purposes of Part 1.2A of the Corporations Act. As such, it will be subject to regular reporting and disclosure obligations which will require it to disclose to ASX any information which it is or becomes aware of concerning the Company and which a reasonable person would expect to have a material effect on the price or value of the securities of the Company.

Price sensitive information is publicly released through ASX before it is disclosed to Shareholders and market participants. Distribution of other information to Shareholders and market participants is also managed through disclosure to ASX. In addition, the Company posts information on its website after the ASX confirms an announcement has been made, with the aim of making the information readily accessible to the widest audience.

## **10.6 SUBSTANTIAL HOLDERS**

Assuming that no other existing Shareholders apply for Shares under the Offers, the only existing Shareholders who will hold 5% or more of the total Shares on issue upon completion of the Proposed Acquisition will be the Seller. Assuming that the full amount of the Cash Reimbursement is paid in Shares, upon completion of the Proposed Acquisition the Seller will hold up to 95,560,239 Shares and a Voting Power of up to 16.53%.

Following completion of the Offers but prior to Shares commencing trading on ASX, the Company will announce to ASX details of its top 20 Shareholders by number of Shares.

## **10.7 INTERESTS OF EXPERTS AND ADVISERS**

Other than as set out below or elsewhere in this Prospectus, no expert, promoter, underwriter or other person named in this Prospectus who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, holds at the date of this Prospectus, or has held in the 2 years prior to the date of this Prospectus, an interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or in connection with the Offers; or
- the Offers,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to any such persons for services in connection with the formation or promotion of the Company or the Offers.

Trident Capital has acted as the corporate adviser to the Company in relation to the Offers. Total fees payable to Trident Capital for these services are set out in section 9.3. Adam Sierakowski controls Trident Capital and I.M.L Holdings Pty Ltd, which is to be issued Shares under the Creditor Offer. Therefore, Trident Capital may have an indirect interest in the Creditor Offer.

BDO Corporate Finance (WA) Pty Ltd has prepared the Investigating Accountant’s Report which is included in section 5 of this Prospectus. Total fees payable to Corporate Finance (WA) Pty Ltd for these services are approximately A\$10,000 plus GST.

John Doepel of Continental Resource Management has prepared the Independent Geologist's Report which is included in section 6 of this Prospectus. Total fees payable to Continental Resource Management for these services are approximately A\$13,000 plus GST.

Sharm Fernando Associates has prepared the Legal Tenement Report which is included in section 7 of this Prospectus. Total fees payable to Sharm Fernando Associates for these services are approximately US\$5,000 plus GST.

Price Sierakowski Corporate has acted as the Australian legal adviser to the Company in relation to this Prospectus. Total fees payable to Price Sierakowski Corporate for these services are approximately A\$60,000 plus GST.

## 10.8 CONSENTS

Each of the parties referred to below:

- does not make the Offers;
- does not make, or purport to make, any statement that is included in this Prospectus, or a statement on which a statement made in this Prospectus is based, other than as specified below or elsewhere in this Prospectus;
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement contained in this Prospectus with the consent of that party as specified below; and
- has given and has not, prior to the lodgement of this Prospectus with ASIC, withdrawn its consent to the inclusion of the statement in this Prospectus that are specified below in the form and context in which the statements appear.

Trident Capital has given and has not before lodgement of this Prospectus withdrawn its written consent to be named in this Prospectus as the corporate adviser to the Company in the form and context in which it is named. Trident Capital has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other than references to its name.

BDO Corporate Finance (WA) Pty Ltd has given and has not before lodgement of this Prospectus withdrawn its written consent to be named in this Prospectus as the Investigating Accountant of the Company in the form and context in which it is named and to the inclusion of the Investigating Accountant's Report in section 5 in the form and context in which it is included. BDO Corporate Finance (WA) Pty Ltd has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other than references to its name and the Investigating Accountant's Report.

BDO Audit (WA) Pty Ltd has given and has not before lodgement of this Prospectus withdrawn its written consent to be named in this Prospectus as the auditor of the Company in the form and context in which it is named. BDO Corporate Audit (WA) Pty Ltd has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other than references to its name.

Price Sierakowski Corporate has given and has not before lodgement of this Prospectus withdrawn its written consent to be named in this Prospectus as the Australian legal adviser to the Company in the form and context in which it is named. Price Sierakowski Corporate has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other than references to its name.

John Doepel and Continental Resource Management have given and have not before lodgement of this Prospectus withdrawn their written consent to be named in this Prospectus as the independent geologist of the Company in the form and context in which John Doepel and



Continental Resource Management is named and to the inclusion of the Independent Geologist's Report in section 6 in the form and context in which it is included. John Doepel and Continental Resource Management has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other than references to his name and the Independent Geologist's Report.

Sharm Fernando Associates has given and has not before lodgement of this Prospectus withdrawn its written consent to be named in this Prospectus as the Sri Lankan legal advisor to the Company in the form and context in which it is named and to the inclusion of the Legal Tenement Report in section 7 in the form and context in which it is included. Sharm Fernando Associates has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other than references to its name and the Legal Tenement Report.

Computershare Investor Services Pty Limited has given and has not before lodgement of this Prospectus withdrawn its written consent to be named in this Prospectus as the Share Registry in the form and context in which it is named. Computershare Investor Services Pty Limited has had no involvement in the preparation of any part of this Prospectus other than being named as the Share Registry. Computershare Investor Services Pty Limited has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other than references to its name.

There are a number of persons referred to elsewhere in this Prospectus who have not made statements included in this Prospectus and there are no statements made in this Prospectus on the basis of any statements made by those persons. These persons did not consent to being named in this Prospectus and did not authorise or cause the issue of this Prospectus.

## 10.9 EXPENSES OF THE PUBLIC OFFER

The expenses of the Public Offer are expected to comprise the following amounts which are exclusive of any GST payable by the Company.

| <b>Expense</b>                                     | <b>Completion</b> |
|--|-------------------|
| Capital raising fees                               | \$360,000         |
| Adviser fees (corporate, accounting, legal, other) | \$88,000          |
| ASX and ASIC fees                                  | \$77,500          |
| <b>Total</b>                                       | <b>\$525,500</b>  |

## 10.10 LITIGATION

Neither the Company nor any company within the Srinel Group is involved in any litigation that is material for the purposes of this Prospectus, and the Directors are not aware of any circumstances that might reasonably be expected to give rise to such litigation.

## 10.11 TAXATION

The tax consequences of any investment in Shares will depend upon each applicant's particular circumstances. It is the responsibility of all persons to satisfy themselves of the particular taxation treatment that applies to them in relation to the Offers by consulting their own professional tax advisers. Accordingly, the Company strongly recommends that all applicants obtain their own tax advice before deciding on whether or not to invest. Neither the Company nor any of its Directors accepts any liability or responsibility in respect of the taxation consequences of an investment in Shares under the Offers.

## 10.12 FOREIGN INVESTOR RESTRICTIONS

This Prospectus does not constitute an offer of Shares in any jurisdiction in which it would be unlawful. No action has been taken to register or qualify Shares that are subject to the Offers or otherwise permit an offering of the Shares in any jurisdiction outside Australia.

## 10.13 ASX WAIVERS AND CONFIRMATIONS

ASX has granted the Company waivers from ASX Listing Rules 1.1 (Condition 12), 2.1 (Condition 2), and 14.7.

Listing Rules 1.1 (Condition 12) requires that, for an entity seeking admission that has options on issue, the exercise price for each underlying security must be at least \$0.20. This rule supports Listing Rule 2.1 (Condition 2) which requires the issue price or sale price of all securities for which an entity is seeking quotation be at least \$0.20.

ASX has granted the Company a waiver from Listing Rule 2.1 (Condition 2) to the extent necessary not to require the issue price of the Shares the subject of the Public Offer to be at least \$0.20 each provided Shareholders approve the issue price. ASX has granted the Company a waiver from Listing Rule 1.1 (Condition 12) to the extent necessary to allow the Company to issue Shares under the Public Offer at 2 cents each, being a price that is less than 20 cents and to allow the Company to issue the Class B Options with an exercise price of 5 cents, being a price that is less than 20 cents. These waivers were granted on the condition that the Proposed Acquisition would complete before 27 June 2018.

Listing Rule 14.7 requires that, if an entity states in a notice of meeting that it will do something that the Listing Rules require it to do, the entity must do that thing. The Company stated in the notice convening the Annual General Meeting that the Shares and Performance Shares to be issued to Cuprum and the Shares under the Public Offer and Class B Options to be issued to the Directors would be issued no later than 1 month from the date of the Annual General Meeting. ASX has granted a waiver with respect to Listing Rule 14.7 to the extent necessary to enable the Company to issue these securities before 27 June 2018.

The Company will also seek confirmation that payment of \$450,000 in cash to the Seller as reimbursement of expenditure is compliant with Listing Rule 1.1 (Condition 11).

## 11. DIRECTORS' AUTHORISATION

29 March 2018

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

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with ASIC and has not withdrawn that consent.

Signed for and on behalf of Titanium Sands Limited.

A handwritten signature in black ink, consisting of several overlapping, fluid strokes that form a stylized representation of the name 'Lee Christensen'.

**Lee Christensen**  
Chairman

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## 12. DEFINITIONS

“**Additional Offerees**” means the Seller (and/or its nominees) and the Creditor, or any one of them, as the context requires.

“**Additional Offers**” means the Seller Offer and the Creditor Offer, or any one of them, as the context requires.

“**Annual General Meeting**” means the general meeting of Shareholders held on 24 January 2018.

“**Application Monies**” means the amount of money in dollars and cents payable for Shares at \$0.02 each pursuant to this Prospectus.

“**Application Form**” means a Public Offer Application Form, Seller Offer Application Form and/or Creditor Offer Application Form as the context requires.

“**ASIC**” means Australian Securities and Investments Commission.

“**ASX**” means ASX Limited ABN 98 008 624 691, or the Australian Securities Exchange, as the context requires.

“**ASX Settlement**” means ASX Settlement Pty Limited ABN 49 008 504 532.

“**ASX Settlement Operating Rules**” means the settlement and operating rules of ASX Settlement.

“**Board**” means the board of Directors.

“**Call Option**” means the option to acquire 100% of the issued share capital of Srinel granted under the Option Agreement.

“**Cash Reimbursement**” has the meaning given in section 2.2(j).

“**CHES**” means the Clearing House Electronic Subregister System operated by ASX Settlement.

“**Class A Option**” means an option on the terms and conditions set out in section 10.2.

“**Class A Performance Share**” means a performance share on the terms and conditions set out in section 10.4.

“**Class B Option**” means an option on the terms and conditions set out in section 10.3.

“**Class B Performance Share**” means a performance share on the terms and conditions set out in section 10.4.

“**Class C Performance Share**” means a performance share on the terms and conditions set out in section 10.4.

“**Closing Date**” means the date that the Public Offer closes which is 5.00pm (WST) on 11 May 2018 or such other time and date as the Board determines.

“**Company**” means Titanium Sands Limited (ACN 009 131 533).

“**Constitution**” means the constitution of the Company.

“**Corporations Act**” means the *Corporations Act 2001* (Cth).

**“Creditor Offer”** means the offer of Shares to the Creditors as repayment of loans advanced by the Creditors to the Company and the accrued interest on these loans.

**“Creditor Offer Application Form”** means a “Creditor Offer Application Form” in the form accompanying this Prospectus pursuant to which the Creditors may apply for Shares under the Creditor Offer.

**“Creditors”** means I.M.L Holdings Pty Ltd ACN 076 377 127 and Aegean Capital Pty Ltd ACN 159 886 003 as trustee for the Spartacus Trust.

**“Director”** means a director of the Company.

**“Exempt Investor”** means a sophisticated and/or professional investor to whom securities may be offered by the Company without disclosure under section 708 of the Corporations Act.

**“Exposure Period”** means the period of 7 days after the date of lodgement of this prospectus which period may be extended by ASIC by up to a further 7 days pursuant to section 727(3) of the Corporations Act.

**“Full Subscription”** means the subscription of 300,000,000 Shares at an issue price of \$0.02 each to raise \$6,000,000 under the Public Offer.

**“Listing Rules”** means the official listing rules of ASX.

**“Milestone 1”** means, in respect of the Sri Lankan Project, the Company achieving either:

- (a) a total Mineral Resource of 20 million tonnes of heavy mineral content of not less than 5% discovered (or equivalent tonnage to heavy mineral content discovered ratio. For example, 10 million tonnes of heavy mineral content of not less than 10% discovered); or
- (b) any metal equivalent (as that term is used in paragraph 50 of the JORC Code) Mineral Resource (including silver, copper, lead, zinc, nickel, cobalt, platinum, palladium, iron, graphite, lithium, tin, tantalum, niobium and tungsten) independently valued by a qualified technical person as equivalent to the Mineral Resource in paragraph (a) of this definition.

**“Milestone 2”** means the Company obtaining a grant of one or more mining licences in respect of all or part of the land the subject of the Sri Lankan Project.

**“Milestone 3”** means the Company:

- (a) commencing commercial heavy mineral sand concentrate production or treatment of 250,000 tonnes of heavy mineral content of not less than 5% discovered in respect of any part of the Sri Lankan Project; or
- (b) achieving a Mineral Resource of 70 million tonnes of heavy mineral content of not less than 5% discovered (or equivalent tonnage to heavy mineral content discovered ratio. For example, 35 million tonnes of heavy mineral content of not less than 10% discovered).

**“Minimum Subscription”** has the same meaning as Full Subscription.

**“Public Offer”** means the offer of 300,000,000 Shares under this Prospectus at an issue price of \$0.02 each to raise \$6,000,000 before costs.

**“Opening Date”** means the date that the Public Offer opens which is 9:00am WST on 13 April 2018, subject to any extension of the Exposure Period by ASIC.

**“Option Agreement”** means the option deed entered into between the Company and the Seller on 19 March 2014, as varied by the amendment deeds dated 29 January 2016, 18 February 2016 Option Amendment Deed and 27 July 2017.

**“Performance Shares”** means the Class A Performance Shares, Class B Performance Shares and/or the Class C Performance Shares, as the context requires.

**“Proposed Acquisition”** means the transactions set out in section 2.2.

**“Prospectus”** means this prospectus dated 29 March 2018.

**“Relevant Interest”** has the meaning given in the Corporations Act.

**“Seller”** means Cuprum Holdings Limited Company Number 110639C2/GBL.

**“Seller Offer”** means the offer of up to 80,595,239 Shares (depending on the extent to which the Cash Reimbursement can be paid in cash rather than Shares) to the Seller (and/or its nominees) as partial consideration for the Seller’s Shares in Srinel pursuant to the Option Agreement.

**“Seller Offer Application Form”** means a “Seller Offer Application Form” in the form accompanying this Prospectus pursuant to which the Seller (and/or its nominees) may apply for Shares under the Seller Offer.

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

**“Share Registry”** means Computershare Investor Services Pty Limited (ACN 078 279 277).

**“Shareholder”** means a holder of one or more Shares.

**“Sri Lankan Project”** means the exploration licenses and applications for exploration license in various coastal districts of Sri Lanka that are prospective for mineral sands, as described in section 3.3.

**“Srinel”** means Srinel Holdings Limited Company Number 110643C2/GBL.

**“Srinel Group”** means Srinel and its subsidiaries.

**“Trident Capital”** means Trident Capital Pty Ltd (ACN 100 561 733).

**“Voting Power”** has the meaning given to that term in the Corporations Act.

**“WST”** means Western Standard Time, being the time in Perth, Western Australia.

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# Guide to the Public Offer Application Form

## YOU SHOULD READ THE PROSPECTUS CAREFULLY BEFORE COMPLETING THIS APPLICATION FORM.

Please complete all relevant sections of the appropriate Application Form using BRICK LETTERS. These instructions are cross-referenced to each section of the Application Form.

### Instructions

- A. If applying for Shares insert the number of Shares for which you wish to subscribe at Item A (not less than 100,000). Multiply by \$0.02 to calculate the total for Shares and enter the dollar amount at B.
- B. Write your full name. Initials are not acceptable for first names.
- C. Enter your postal address for all correspondence. All communications to you from the Company will be mailed to the person(s) and address as shown. For joint applicants, only one address can be entered.
- D. If you are sponsored in CHESS by a stockbroker or other CHESS participant, you may enter your CHESS HIN if you would like the allocation to be directed to your HIN.
- E. Enter your Australian tax file number (TFN) or ABN or exemption category, if you are an Australian resident. Where applicable, please enter the TFN /ABN of each joint applicant. Collection of TFN's is authorised by taxation laws. Quotation of your TFN is not compulsory and will not affect your Application Form.
- F. Complete cheque details as requested. Make your cheque payable to "Titanium Sands Limited – Subscription Account", cross it and mark it "Not negotiable". Cheques must be made in Australian currency, and cheques must be drawn on an Australian Bank.
- G. Enter your contact details so we may contact you regarding your Application Form or Application Monies.
- H. Enter your email address so we may contact you regarding your Application Form or Application Monies or other correspondence.

**NB: Your registration details provided must match your CHESS account exactly.**

### Correct form of Registrable Title

Note that ONLY legal entities can hold Shares. The application must be in the name of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and surname is required for each natural person.

Examples of the correct form of registrable title are set out below:

| Type of Investor            | Correct form of Registrable Title         | Incorrect form of Registrable Title |
|-----------------------------|---|-------------------------------------|
| Individual                  | Mr John David Smith                       | J D Smith                           |
| Company                     | ABC Pty Ltd                               | ABC P/L or ABC Co                   |
| Joint Holdings              | Mr John David Smith & Mrs Mary Jane Smith | John David & Mary Jane Smith        |
| Trusts                      | Mr John David Smith                       | John Smith Family Trust             |
| Deceased Estates            | <J D Smith Family A/C>                    | John Smith (deceased)               |
| Partnerships                | Mr Michael Peter Smith                    | John Smith & Son                    |
| Clubs/Unincorporated Bodies | <Est Lte John Smith A/C>                  | Smith Investment Club               |
| Superannuation Funds        | Mr John David Smith & Mr Ian Lee Smith    | John Smith Superannuation Fund      |

### Lodgement

Post your completed Application Form with cheque(s) attached to the following address:

Titanium Sands Limited  
c/- Trident Capital  
P.O. Box Z5183  
St Georges Terrace  
PERTH WA 6831

It is not necessary to sign or otherwise execute the Application Form. For questions on how to complete the Application Form, please contact the Company on +61 8 6211 5099.

### Privacy Statement

Chapter 2C of the *Corporations Act 2001* (Cth) requires information about you as a shareholder (including your name, address and details of the shares you hold) to be included in the public register of the entity in which you hold shares. Information is collected to administer your shareholding and if some or all of the information is not collected then it might not be possible to administer your shareholding. Your personal information may be disclosed to the entity in which you hold shares. You can obtain access to your personal information by contacting Computershare Investor Services Pty Limited on +61 8 9323 2000. Our privacy policy is available online at <http://titaniumsands.com.au/>.





# Guide to the Seller Offer Application Form

## YOU SHOULD READ THE PROSPECTUS CAREFULLY BEFORE COMPLETING THIS APPLICATION FORM.

Please complete all relevant sections of the appropriate Application Form using BRICK LETTERS. These instructions are cross-referenced to each section of the Application Form.

### Instructions

- A. If applying for Shares insert the number of Shares for which you wish to subscribe at Item A (not less than 100,000). Multiply by \$0.02 to calculate the total for Shares and enter the dollar amount at B.
- B. Write your full name. Initials are not acceptable for first names.
- C. Enter your postal address for all correspondence. All communications to you from the Company will be mailed to the person(s) and address as shown. For joint applicants, only one address can be entered.
- D. If you are sponsored in CHESS by a stockbroker or other CHESS participant, you may enter your CHESS HIN if you would like the allocation to be directed to your HIN.
- E. Enter your Australian tax file number (TFN) or ABN or exemption category, if you are an Australian resident. Where applicable, please enter the TFN /ABN of each joint applicant. Collection of TFN's is authorised by taxation laws. Quotation of your TFN is not compulsory and will not affect your Application Form.
- F. Complete cheque details as requested. Make your cheque payable to "Titanium Sands Limited – Subscription Account", cross it and mark it "Not negotiable". Cheques must be made in Australian currency, and cheques must be drawn on an Australian Bank.
- G. Enter your contact details so we may contact you regarding your Application Form or Application Monies.
- H. Enter your email address so we may contact you regarding your Application Form or Application Monies or other correspondence.

**NB: Your registration details provided must match your CHESS account exactly.**

### Correct form of Registrable Title

Note that ONLY legal entities can hold Shares. The application must be in the name of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and surname is required for each natural person.

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| Type of Investor            | Correct form of Registrable Title         | Incorrect form of Registrable Title |
|-----------------------------|---|-------------------------------------|
| Individual                  | Mr John David Smith                       | J D Smith                           |
| Company                     | ABC Pty Ltd                               | ABC P/L or ABC Co                   |
| Joint Holdings              | Mr John David Smith & Mrs Mary Jane Smith | John David & Mary Jane Smith        |
| Trusts                      | Mr John David Smith                       | John Smith Family Trust             |
| Deceased Estates            | <J D Smith Family A/C>                    | John Smith (deceased)               |
| Partnerships                | Mr Michael Peter Smith                    | John Smith & Son                    |
| Clubs/Unincorporated Bodies | <Est Lte John Smith A/C>                  | Smith Investment Club               |
| Superannuation Funds        | Mr John David Smith & Mr Ian Lee Smith    | John Smith Superannuation Fund      |

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# Guide to the Creditor Offer Application Form

## YOU SHOULD READ THE PROSPECTUS CAREFULLY BEFORE COMPLETING THIS APPLICATION FORM.

Please complete all relevant sections of the appropriate Application Form using BRICK LETTERS. These instructions are cross-referenced to each section of the Application Form.

### Instructions

- E. If applying for Shares insert the number of Shares for which you wish to subscribe at Item A (not less than 100,000). Multiply by \$0.02 to calculate the total for Shares and enter the dollar amount at B.
- F. Write your full name. Initials are not acceptable for first names.
- G. Enter your postal address for all correspondence. All communications to you from the Company will be mailed to the person(s) and address as shown. For joint applicants, only one address can be entered.
- H. If you are sponsored in CHESS by a stockbroker or other CHESS participant, you may enter your CHESS HIN if you would like the allocation to be directed to your HIN.
- E. Enter your Australian tax file number (TFN) or ABN or exemption category, if you are an Australian resident. Where applicable, please enter the TFN /ABN of each joint applicant. Collection of TFN's is authorised by taxation laws. Quotation of your TFN is not compulsory and will not affect your Application Form.
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- H. Enter your email address so we may contact you regarding your Application Form or Application Monies or other correspondence.

**NB: Your registration details provided must match your CHESS account exactly.**

### Correct form of Registrable Title

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| Type of Investor            | Correct form of Registrable Title         | Incorrect form of Registrable Title |
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| Joint Holdings              | Mr John David Smith & Mrs Mary Jane Smith | John David & Mary Jane Smith        |
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