

For personal use only



ABN 65 009 131 533

**Interim Financial Report for the Half Year Ended
31 December 2020**

Contents

Page

Corporate information	2
Directors' report	3
Consolidated statement of profit or loss and other comprehensive income	8
Consolidated statement of financial position	9
Consolidated statement of changes in equity	10
Consolidated statement of cash flows	11
Notes to the consolidated financial statements	12
Directors' declaration	17
Independent auditor's report on review of interim financial report	18
Auditor's independence declaration	20

For personal use only

Corporate Information

Directors

Mr James Searle
Mr Jason Ferris
Mr Lee Christensen

Company Secretary

Mr Alan Armstrong

Registered Office

Level 11, 216 St Georges Terrace
PERTH WA 6000
Telephone: (08) 9481 0389
Facsimile: (08) 9463 6103

Share Registry

Computershare Investor Services Pty Limited
Reserve Bank Building
Level 2, 45 St Georges Terrace
PERTH WA 6000

Place of Incorporation

Western Australia

Principal Place of Business

Level 11, 216 St Georges Terrace
PERTH WA 6000
Telephone: (08) 9481 0389
Facsimile: (08) 9463 6103

Auditors

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

Bankers

National Australia Bank
100 St Georges Terrace
PERTH WA 6000

Stock Exchange

ASX Limited
Central Park
152 - 158 St Georges Terrace
PERTH WA 6000

ASX Code

TSL

For personal use only

Directors' Report For the half year ended 31 December 2020

The directors of Titanium Sands Limited ("the Company") and its wholly owned subsidiaries (together referred hereafter as "the Group" or "the Consolidated Entity") submit herewith the interim financial report for the half year ended 31 December 2020. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The directors of the Company at any time during or since the end of the half year are:

Mr James Searle

Mr Jason Ferris

Mr Lee Christensen

Company Secretary

Mr Alan Armstrong (Appointed 16 October 2020)

Mr David McEntaggart (Resigned 14 December 2020)

Principal Activities

The current principal activity and key focus for the Group during the period is mineral exploration.

Operating Results

The net loss of the Company for the half year ended 31 December 2020 was \$859,510 (2019: net loss \$947,280).

Review of Operations during the Period

- Updated mineral resource estimate incorporating garnet completed for the Mannar Island Heavy Mineral Project.
- COVID-19 conditions in Sri Lanka have been managed by varying levels of movement restrictions between outbreak areas and the rest of the country.
- A resource infill definition drilling program designed to follow on from the Mannar Project scoping study completed in June 2020 continue to be delayed due to uncertainties associated with local COVID-19 operational restrictions.
- Offtake and strategic partner discussions continue.

Overview

Sri Lanka has had a very effective and co-ordinated approach to the COVID-19 pandemic resulting in low rates of infection and mortality. Consequently COVID-19 restrictions are being eased within Sri Lanka and this will allow TSL exploration work to recommence with the local workforce returning to site. TSL wish the people of Sri Lanka well during these difficult times and sincerely wish the best for the community during the pandemic.

Sri Lankan federal elections were held on August 5th and TSL congratulate the Sri Lankan Podujana Peramuna ("SLPP") and Prime Minister Mahinda Rajapaksa on their significant win with an almost 2/3rds majority. Under the guidance of the Prime Minister, Sri Lanka will continue to operate under strong democratic leadership and TSL will work closely with the government to continue to invest into the Sri Lankan community via foreign investment and to create employment and wealth generation for the people of Sri Lanka for generations to come.

Mannar Island Project Mineral Resource Estimate

An updated Mannar Island Project Mineral Resource Estimate incorporating garnet was completed ([ASX announcement 14/9/20](#)). This resource update was the results of detailed mineralogical analysis using qualitative X-Ray Diffraction (XRD) and automated-SEM (QEMSCAN) analyses to determine the bulk modal mineralogical composition, mineralogical calculated chemical composition, particle characteristics and associated particle size distribution. The garnet is present as almandine garnet. The mineralogical composition of magnetic and nonmagnetic components of the heavy mineral suite are shown in Figure 1.

Directors' Report
For the half year ended 31 December 2020

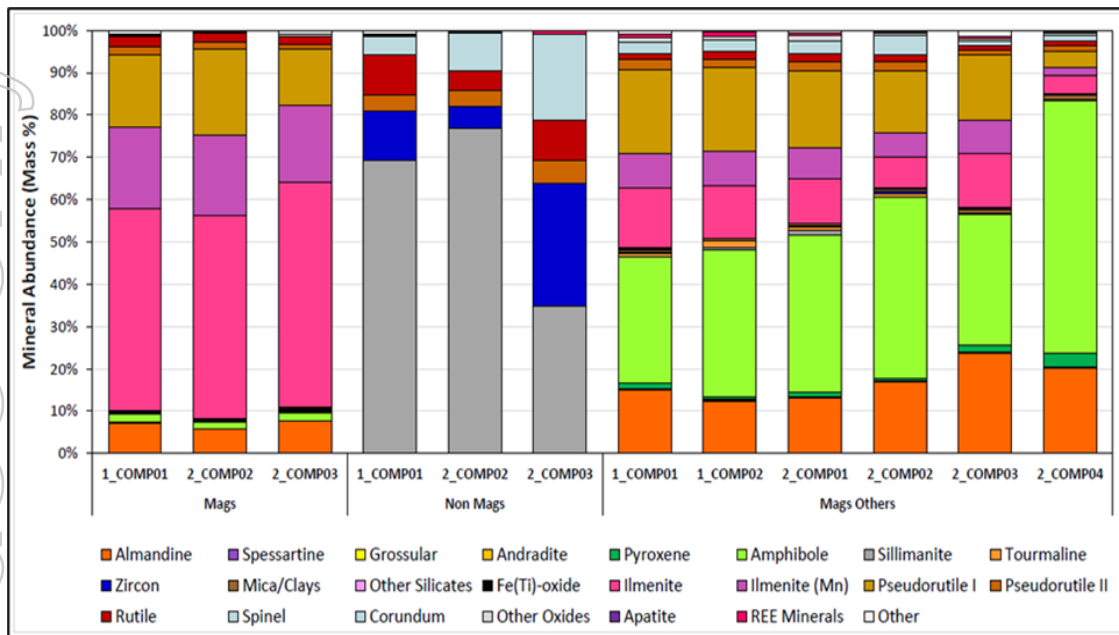


Figure 1. Results of the SEM/MLA analyses of the 12 composites. Note pseudo rutile and weathered ilmenite are reported as leucoxene.

The mineral resource estimate is tabulated in tables 1, 2 and 3 below correspond to lower grade cut offs of 0% (no lower grade cut off), 2% and 3%. A 2% lower cut off is considered most appropriate for this Mineral Resource Estimation in that it maintains satisfactory continuity of the resource zone and as far as can be determined at this project stage is not likely to be inconsistent with the economics of mining and treatment unconsolidated surface exposed low silt content mineral sand deposits in general.

Resource Category	Volume (Mm ³)	Tonnes (M)	Thm %	Silt %	Ovz %	Ilm %	Leu %	Rut %	Zir %	Gar %
Indicated	50.48	88.39	4.46	0.76	13.8	1.98	0.37	0.08	0.08	0.41
Inferred	226.44	396.26	3.35	0.94	18.51	1.47	0.26	0.07	0.07	0.27
Total	276.92	484.65	3.55	0.91	17.65	1.56	0.28	0.07	0.07	0.30

Table 1 Mineral Resource Estimate based on a 0% lower cut off*.

Resource Category	Volume (Mm ³)	Tonnes (M)	Thm %	Silt %	Ovz %	Ilm %	Leu %	Rut %	Zir %	Gar %
Indicated	37.78	66.14	5.54	0.83	11.63	2.48	0.46	0.1	0.1	0.51
Inferred	113.62	198.79	3.99	1.06	17.56	1.77	0.3	0.08	0.1	0.3
Total	151.4	264.93	4.38	1.00	16.08	1.95	0.34	0.08	0.10	0.35

Table 2 Mineral Resource Estimate based on a 2% lower cut off*.

Resource Category	Volume (Mm ³)	Tonnes (M)	Thm %	Silt %	Ovz %	Ilm %	Leu %	Rut %	Zir %	Gar %
Indicated	29.84	52.22	6.36	0.83	11.14	2.89	0.53	0.11	0.12	0.59
Inferred	63.91	111.8	5.15	1.08	15.96	2.33	0.39	0.1	0.12	0.4
Total	93.75	164.02	5.54	1.00	14.43	2.51	0.43	0.10	0.12	0.46

Table 3 Mineral Resource Estimate based on a 3% lower cut off*.

Directors' Report

For the half year ended 31 December 2020

A continuous higher grade zone measuring 10km by 2km was identified within the above mineral resource. Using the 2% lower cut off the higher grade resource contains 92.56Mt at 5.24% THM Table 4. This zone was used as the basis for the scoping study previously reported to the ASX (*ASX Announcement 16/06/2020*).

Resource Category	Volume (Mm ³)	Tonnes (M)	Thm %	Silt %	Ovz %	Ilm %	Leu %	Rut %	Zir %	Gar %
Indicated	16.96	29.51	7.25	0.75	20.39	3.25	0.62	0.1	0.12	0.9
Inferred	36.07	63.05	4.29	0.99	25.10	1.80	0.33	0.07	0.08	0.47
Total	53.03	92.56	5.24	0.92	23.60	2.27	0.42	0.08	0.09	0.61

Table 4 Mineral resource estimate for a higher grade zone contained within the resources Tabulated above for a 2% lower cut off*.

*Notes to tables:

- Mineral assemblage is reported as in situ weight percentage of the resource.
- Appropriate rounding of the numbers has been applied.

Ongoing Exploration and Resource Potential for the Mannar Island Project

The Mannar Island Project has substantial resource extension and exploration potential. Further infill drilling is planned to convert more of the current mineral resources from inferred to indicated resources. Drilling has yet to establish the base of the mineralisation below the currently defined mineral resource. The modelled mineral resource remains partially open laterally.

Resumption of the infill drilling is awaiting further stabilisation of the COVID-19 situation in Sri Lanka; however preparations have been made so that it can proceed as soon as conditions permit.

Offtake Partner Discussions

Offtake partner discussions have continued and progressed to where larger mineral product samples are required for customer testing. Provision of the larger product samples will be from the next phase of process optimisation test work using drilling sample splits retained from the resource drilling. This metallurgical work will also look in more at the spatial trends in mineral composition across the deposit.

Mineral Tenure

The tenure within which this Mineral Resource Estimate lies is held 100% by Titanium Sands Ltd under 9 exploration licenses covering 204Km² (Table 5), which covers almost all of Mannar Island (Figure 2). The exploration licences are either current or in the process of being renewed with all necessary applications and submissions lodged with the Geological Survey and Mines Bureau, and the Company expects that they will be renewed in due course. COVID-19 restrictions in Sri Lanka has significantly impacted the regulatory functions of Government Departments causing delays in routine functions.

Exploration licence	EL validity		Area	Renewal date
EL 370	14.12.2017	13.12.2019	40km ²	13.10.2019
EL 180/R/3	05.03.2019	04.03.2021	45km ²	04.01.2021
EL 182/R/3	05.03.2019	04.03.2021	26km ²	04.01.2021
EL 372	26.02.2018	25.02.2020	51km ²	25.12.2019
EL 371	26.02.2018	25.02.2020	4km ²	25.12.2019
EL 351	13.12.2019	12.12.2021	15km ²	12.10.2021
EL 352	13.12.2019	12.12.2021	10km ²	12.10.2021
EL327/R/1	14.12.2018	13.12.2020	5km ²	13.10.2020
EL328/R/1	14.12.2018	13.12.2020	8km ²	13.10.2020
		Total	204km ²	

Table 5 Mannar Island Project tenure*.

**Directors' Report
For the half year ended 31 December 2020**

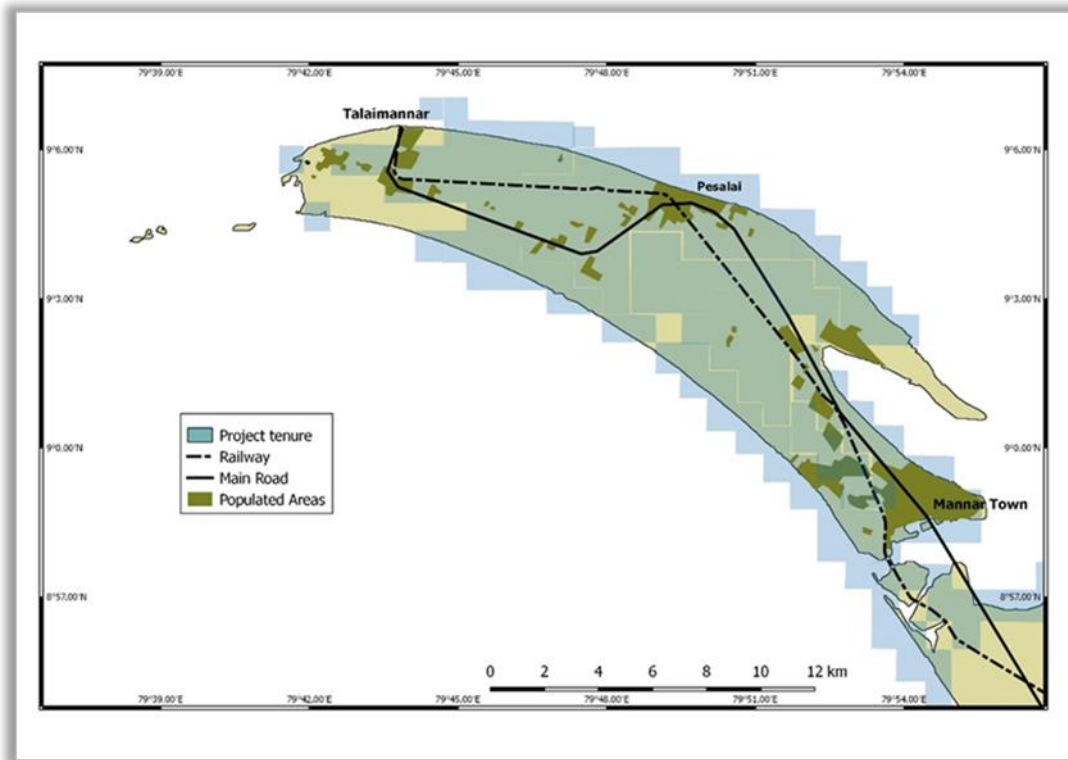


Figure 2 Titanium Sands Ltd exploration licence tenure on Mannar Island.

Competent Persons Statements

The summary of operations above have been compiled by James Searle BSc (hons), PhD, a Competent Person who is a Member of the Australian Institute of Mining and Metallurgy, with over 37 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.

Previously Reported information and other foot notes for reference

This report includes information that relates to announcements previously made to the ASX including exploration Results and Mineral Resources prepared and first disclosed under JORC Code 2012. The information was extracted from the Company’s previous ASX announcements as follows:

¹ ASX announcement 14/9/20 “Project update and garnet added to resource estimate.”

² ASX announcement 16/6/20 “Scoping study confirms potential for major dredging project.”

In relation to this announcement of mineral resource estimates the Company confirms that it is not aware of any new information or data that materially affects the information included in this announcement and that all material assumptions and technical parameters underpinning the mineral resource estimate in the relevant market announcements continue to apply with respect to the resource block model and total heavy mineral content and have not materially changed. The Company confirms that the form and context in which the Competent Persons’ finding are presented have not been materially modified from the relevant original market announcement. The mineral resource estimate referred to in the above announcement is reproduced in full in Tables 1,2,3 and 4 above.

Forward Looking Statements

This document may include forward-looking statements. Forward-looking statements include, but are not limited to, statements concerning the Company’s planned exploration program and other statements that are not historical facts. When used in this document, the words such as “could,” “plan,” “expect,” “intend,” “may”, “potential,” “should”, “further” and similar expressions are forward-looking statements. Although the Company believes that its expectations reflected in these forward- looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that further exploration will result in additional Mineral Resources.

For personal use only

Directors' Report For the half year ended 31 December 2020

Events Subsequent to the Reporting Date

There has been no events subsequent to the end of the period that would have had a material effect on the Group's financial statements as at 31 December 2020.

Dividends

No dividends have been paid or declared by the Company to members during the half year ended 31 December 2020.

Auditor's Independence Declaration

The auditor's independence declaration is included within this financial report and forms part of the directors' report for the half year ended 31 December 2020.

Dated at Perth on 12th March 2021.

Signed in accordance with a resolution of the directors.



James Searle
Director

For personal use only

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 December 2020

	31 Dec 2020	31 Dec 2019
	\$	\$
Other income	-	2,915
Administrative expenses	(343,732)	(446,418)
Audit expenses	(13,351)	(10,765)
Director fees	(159,407)	(228,876)
Corporate advisory fees	(30,000)	(48,000)
Consulting fees	(46,166)	-
Share based payment expense	(247,612)	(200,000)
Depreciation	(19,452)	(16,952)
Results from operating activities	(859,720)	(948,096)
Finance income	210	816
Finance expenses	-	-
Net finance (expenses)	210	816
(Loss) before income tax	(859,510)	(947,280)
Income tax expense	-	-
(Loss) for the period	(859,510)	(947,280)
Other comprehensive income		
Items that may be reclassified to profit and loss		
Exchange differences on translation of foreign operations	(3,075,716)	(23,775)
Other comprehensive income for the period	(3,075,716)	(23,775)
Total comprehensive (loss) for the period	(3,935,226)	(971,055)
(Loss) per share		
Basic and diluted (loss) per share (cents)	(0.07)	(0.15)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the notes to the financial statements.

Consolidated Statement of Financial Position

As at 31 December 2020

	Note	31 Dec 2020 \$	30 Jun 2020 \$
Current Assets			
Cash and cash equivalents		2,319,911	1,039,857
Trade and other receivables		50,169	59,374
Total current assets		2,370,080	1,099,231
Non-current assets			
Exploration and evaluation expenditure	2	27,688,767	30,595,978
Property, plant and equipment		107,145	129,728
Total non-current assets		27,795,912	30,725,706
Total assets		30,165,992	31,824,937
Current Liabilities			
Trade and other payables	3	153,524	261,554
Total current liabilities		153,524	261,554
Total liabilities		153,524	261,554
Net assets		30,012,468	31,563,383
Equity			
Issued capital	4	35,706,530	33,729,831
Reserves	4	1,694,863	4,362,967
Accumulated losses		(7,388,925)	(6,529,415)
Total equity		30,012,468	31,563,383

The above Consolidated Statement of Financial Position is to be read in conjunction with the notes to the financial statements.

Titanium Sands Limited

10

Consolidated Statement of Changes in Equity

For the six months ended 31 December 2020

	Contributed Equity	Options Reserve	Foreign Exchange Translation Reserve	Accumulated Losses	Total Equity
	\$	\$	\$	\$	\$
Balance as at 1 July 2019	12,075,664	2,906,667	(6,615)	(5,031,969)	9,943,747
Loss for the period	-	-	-	(947,280)	(947,280)
Foreign currency translation	-	-	(23,775)	-	(23,775)
Total comprehensive loss for the period	-	-	(23,775)	(947,280)	(971,055)
Shares issued	200,000	-	-	-	200,000
Transfer on conversion of options	2,666,667	(2,666,667)	-	-	-
Balance as at 31 December 2019	14,942,331	240,000	(30,390)	(5,979,249)	9,172,692
Balance as at 1 July 2020	33,729,831	5,854,552	(1,491,585)	(6,529,415)	31,563,383
Loss for the period	-	-	-	(859,510)	(859,510)
Foreign currency translation	-	-	(3,075,716)	-	(3,075,716)
Total comprehensive loss for the period	-	-	(3,075,716)	(859,510)	(3,935,226)
Shares issued	2,367,000	-	-	-	2,367,000
Share issue costs	(390,301)	-	-	-	(390,301)
Share based payment	-	407,612	-	-	407,612
Balance as at 31 December 2020	35,706,530	6,262,164	(4,567,301)	(7,388,925)	30,012,468

The above Consolidated Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements.

For personal use only

Consolidated Statement of Cash Flows

For the six months ended 31 December 2020

	Note	31 Dec 2020 \$	31 Dec 2019 \$
Cash flows from operating activities			
Cash paid to suppliers and employees		(655,157)	(588,915)
Interest received		210	816
Interest paid		-	(21,068)
Net cash used in operating activities		(654,947)	(609,167)
Cash flows from investing activities			
Payments for exploration assets		(213,270)	(618,381)
Payments for property, plant and equipment		-	(3,661)
Net cash used in investing activities		(213,270)	(622,042)
Cash flows from financing activities			
Proceeds from issue of shares (net of costs)		2,147,871	-
Proceeds from issue of options		400	-
Net cash received from financing activities		2,148,271	-
Net increase / (decrease) in cash and cash equivalents		1,280,054	(1,231,209)
Cash and cash equivalents at 1 July		1,039,857	3,255,656
Cash and cash equivalents at 31 December		2,319,911	2,024,447

The above Consolidated Statement of Cash Flows is to be read in conjunction with the notes to the financial statements.

Notes to the consolidated financial statements For the half year ended 31 December 2020

1. Reporting Entity

Titanium Sands Limited is a company domiciled in Australia. The interim financial report of the Group is as at and for the half year ended 31 December 2020.

Statement of compliance

The interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001. Selected explanatory notes are included to explain events and transactions that are significant to gain an understanding of the changes in the financial position and performance of the Group since the last annual financial report as at and for the year ended 30 June 2020.

The interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the annual financial report of the Company as at and for the year ended 30 June 2020. The interim financial report is approved by the Board of Directors on 12th March 2021.

Estimates

Preparing interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements as at and for the year ended 30 June 2020.

Significant accounting policies

The accounting policies applied by the Group in this interim financial report are the same as those applied by the Company in its annual financial report as at and for the year ended 30 June 2020.

New or amended standards adopted by the entity

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Segment reporting

The Group operates in one reportable segment, being mineral exploration in Sri Lanka. The Board of Directors review internal management reports on a regular basis that are consistent with the information provided in the statement of profit or loss and other comprehensive income, statement of financial position and statement of cash flows. As a result no reconciliation is required because the information as presented is what is used by the Board to make strategic decisions.

For personal use only

Titanium Sands Limited

13

Notes to the consolidated financial statements For the half year ended 31 December 2020

2. Exploration and evaluation expenditure

	31 December 2020	30 June 2020
	\$	\$
Exploration and evaluation assets		
Balance at the beginning of period	30,595,978	6,647,935
Acquisition of Bright Angel Limited tenements ¹	-	24,454,951
Exploration costs capitalised	153,872	1,022,319
Foreign currency translation	(3,061,083)	(1,529,227)
Balance at the end of reporting period	<u>27,688,767</u>	<u>30,595,978</u>

The ultimate recoupment of balances carried forward in relation to areas of interest still in the exploration or valuation phase is dependent on successful development, and commercial exploitation, or alternatively sale of the respective areas. The Group conducts impairment testing on an annual basis when indicators of impairment are present at the reporting date.

¹ During the financial year ended 30 June 2020 the exploration and evaluation assets include an amount of \$24,454,951 being the identifiable exploration assets acquired upon the acquisition of Bright Angel Limited's Sri Lankan tenements. It is considered the acquisition of Bright Angel was not a business combination, but rather an acquisition of assets, refer below:

Purchase consideration:	\$
417,500,000 Ordinary shares – Vendor consideration ²	18,787,500
208,750,000 Unquoted options ³	5,614,552
	<u>24,402,052</u>
Identifiable assets/(liabilities) acquired:	
Cash	1,088
Exploration tenements	24,454,951
Trade and other payables	(53,987)
	<u>24,402,052</u>

² The 417,500,000 Ordinary Shares issued were valued at \$0.045 per share being the closing share price on the date of acquisition being 10 March 2020.

³ The 208,750,000 Unquoted options issued as part of the acquisition consideration, are exercisable at \$0.05, expiring 10 March 2023.

Titanium Sands Limited

Notes to the consolidated financial statements For the half year ended 31 December 2020

3. Trade and other payables

	31 Dec 2020	30 Jun 2020
	\$	\$
Current		
Trade payables	94,746	196,945
Accrued expenses	58,778	64,609
	<u>153,524</u>	<u>261,554</u>

4. Capital and Reserves

a) Share capital	Number	\$
<i>Fully paid ordinary shares</i>		
On issue at 1 July 2019	635,316,138	12,075,664
Share based payment ¹	10,000,000	200,000
Conversion of Class C Performance shares into ordinary shares – 20/12/2019 ¹	133,333,333	2,666,667
Shares issued – Bright Angel acquisition ²	417,500,000	18,787,500
On issue at 30 June 2020	<u>1,196,149,471</u>	<u>33,729,831</u>
On issue at 1 July 2020	1,196,149,471	33,729,831
Placement – 30/09/2020 ³	50,000,000	2,200,000
Share purchase plan – 18/11/2020 ⁴	3,795,447	167,000
Share issue costs	-	(390,301)
On issue at 31 December 2020	<u>1,249,944,918</u>	<u>35,706,530</u>

¹ On 20 December 2019, the Company issued 10,000,000 shares at an issue price of \$0.02 per share to CPS Capital for corporate advisory services provided. On the same date the Directors approved the conversion of 133,333,333 Class C Performance Shares at an issue price of \$0.02 to Ordinary shares.

² On 10 March 2020, the Company completed the acquisition of Bright Angel Limited. 417,500,000 shares were issued as part of the consideration for the acquisition, at a deemed issue price of \$0.045, refer to Note 2.

³ During the period the Company completed a Placement of 50,000,000 shares at an issue price of \$0.044 with one free attaching option for every 2 shares subscribed. The options are exercisable at \$0.10 and expire on 17 November 2023.

⁴ During the period the Company issued 3,795,447 shares as part of a Share Purchase Plan Placement to eligible shareholders at an issue price of \$0.044 with one free attaching option for every 2 shares subscribed. The options are exercisable at \$0.10 and expire on 17 November 2023.

5. Reserves

	31 December 2020	30 June 2020
	\$	\$
Reserves		
Option and equity settled reserve ¹ (a)	6,262,164	5,854,552
Foreign currency translation reserve ²	(4,567,301)	(1,491,585)
	<u>1,694,863</u>	<u>4,362,967</u>

¹ The Option and Equity Settled Reserve is used to record the fair value of equity incentives issued.

² The Foreign Currency Translation Reserve is used to record exchange rate differences arising on translation of foreign subsidiaries.

For personal use only

**Notes to the consolidated financial statements
For the half year ended 31 December 2019**

a) Option and equity settled reserve	\$
Opening balance at 1 July 2019	2,906,667
Options issued – Bright Angel acquisition ¹	5,614,552
Transfer of Class C to share capital (refer note 4a)	<u>(2,666,667)</u>
Closing balance at 30 June 2020	<u>5,854,552</u>
Opening balance at 1 July 2020	5,854,552
Options issued – Director options ²	247,612
Options issued – Broker options ³	<u>160,000</u>
Closing balance at 31 December 2020	<u>6,262,164</u>

¹On 10 March 2020 the Company issued 208,750,000 unquoted options exercisable at \$0.05, expiring 10 March 2023 as part of the acquisition of Bright Angel Limited with a fair value of \$5,614,552.

²The Director Options were approved by Shareholders at the Annual General Meeting held on 30 November 2020. The options vested immediately and the following table lists the inputs to the model used in the valuation of the Director options:

Grant Date	30/11/2020
Expected Volatility	100%
Expected Life	2 years
Fair Value	\$0.01295
Number Issued	19,125,000
Dividend Yield	Nil
Exercise Price (\$)	\$0.044
Share Price at Grant Date (\$)	\$0.03

³The Company issued 40,000,000 listed options to CPS Capital Pty Ltd as part consideration for managing the Placement during the period. The options were issued at an issue price of \$0.0001, exercisable at \$0.10 and expiring on 17 November 2023. The Company could not determine the value of the services provided and therefore valued the options in accordance with AASB 2. The cost of the options issued was determined with reference to the market value at grant date being \$0.004 which vested immediately.

b) Outstanding Share Options & Performance Shares

As at 31 December 2020 the Company had the following convertible securities outstanding:

Details	Type	Number
Options exercisable at \$0.10 expiring 17 November 2023	Listed options	66,897,716
Options exercisable at \$0.05 expiring 18 January 2021	Unlisted options	30,000,000
Options exercisable at \$0.021 expiring 25 January 2021	Unlisted options	14,285,714
Options exercisable at \$0.05 expiring 10 March 2023	Unlisted options	208,750,000
Options exercisable at \$0.044 expiring 29 November 2022	Unlisted options	19,125,000
Class B Performance Shares	Unlisted performance shares	33,333,333

Notes to the consolidated financial statements For the half year ended 31 December 2019

6. Commitments and Contingent Liabilities

The Company has agreed to pay CPS Capital Group Pty Ltd an option exercise fee of 6% upon the exercise of any of the listed options issued to CPS or their clients as part of the Placement being a total of 65,000,000 listed options exercisable at \$0.10 and expiring on 17 November 2023.

In the opinion of the directors, there were no other significant changes in commitments or contingent liabilities during the period ended 31 December 2020.

7. Related party transactions

On 4 December 2020 the Company issued 8,250,000 options to Mr Lee Christensen and 10,875,000 options to Mr James Searle following shareholder approval at the AGM on 30 November 2020. The options are unlisted and exercisable at \$0.044 expiring 29 November 2022 and vested immediately, refer to Note 5.

In the opinion of the directors, there were no other significant related party transactions during the period ended 31 December 2020.

8. Interest in Controlled Entities

Controlled entities	Country of incorporation	Percentage owned 31 December 2020	Percentage owned 30 June 2020
Srinel Holdings Limited	Mauritius	100%	100%
Kilsythe Investments (Pvt) Ltd	Sri Lanka	100%	100%
Kilsythe Exploration (Pvt) Ltd	Sri Lanka	100%	100%
Singha Lanka Investments (Pvt) Ltd	Sri Lanka	100%	100%
Hammersmith Ceylon (Pvt) Ltd	Sri Lanka	100%	100%
Applex Ceylon (Pvt) Ltd	Sri Lanka	100%	100%
Bright Angel Limited	Mauritius	100%	100%
Rotim Investments (Pvt) Ltd	Sri Lanka	100%	100%
Sanur Asia Investments (Pvt) Ltd	Sri Lanka	100%	100%
Hammersmith Investments (Pvt) Ltd	Sri Lanka	100%	100%
Orion Minerals (Pvt) Ltd	Sri Lanka	99%	99%
Melville Investments (Pvt) Ltd	Sri Lanka	100%	100%
Sanur Minerals Investments (Pvt) Ltd	Sri Lanka	100%	100%
Ambrosden Resources (Pvt) Ltd	Sri Lanka	100%	100%
Melville Resources (Pvt) Ltd	Sri Lanka	100%	100%

9. Events Subsequent to the Reporting Date

There are no events subsequent to the end of the period that would have had a material effect on the Group's financial statements as at 31 December 2020.

Titanium Sands Limited

Directors' Declaration

The Directors of Titanium Sands Limited declare that:

- a) the interim financial statements and notes thereto are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Group as at 31 December 2020 and of its performance for the six month period ended on that date; and
 - (ii) comply with Accounting Standards AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Dated at Perth on 12th March 2021.

Signed in accordance with a resolution of the directors:



James Searle
Director

For personal use only

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Titanium Sands Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Titanium Sands Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

For personal use only



Responsibility of the directors for the financial report

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

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

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

BDO Audit (WA) Pty Ltd

BDO


Jarrad Prue

Director

Perth, 12 March 2021

For personal use only

DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF TITANIUM SANDS LIMITED

As lead auditor for the review of Titanium Sands Limited for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Titanium Sands Limited and the entities it controlled during the period.



Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth, 12 March 2021

For personal use only