



titaniumsands
LTD

ABN 65 009 131 533

Titanium Sands Limited

**Annual Financial Report
For the year ended 30 June 2021**

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Corporate Information

Directors

James Searle
Jason Ferris
Lee Christensen

Company Secretary

Mr Alan Armstrong

Registered Office and Principal Place of Business

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

Share Registry

Computershare Investor Services Pty Limited
Level 11
172 St Georges Terrace
PERTH WA 6000
Telephone: (08) 6188 0800

Website

www.titaniumsands.com.au

Place of Incorporation

Western Australia

Auditors

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

Stock Exchange

ASX Limited
Exchange Plaza
Level 40
152-158 St Georges Terrace
PERTH WA 6000

ASX Code

TSL

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Titanium Sands Limited

Directors' report

For the year ended 30 June 2021

1. Directors

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

Name, qualifications and independence status

James Searle
Managing Director

Experience, special responsibilities and other directorships

Dr Searle was appointed as a Director of the Company on 2 March 2016.

Dr Searle has over 34 years' 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 is a Member of the Australian Institute of Mining and Metallurgy and has over 25 years' experience in executive and non-executive Director roles on Australian Securities Exchange listed public company boards.

Dr Searle holds 500,000 shares and 10,875,000 options in the Company as at the date of this report.

During the past three years, Dr Searle has served as a Director for the following other listed companies:

- Kinetiko Energy Limited – appointed 25 January 2010.

Jason Ferris
Non-Executive Director

Mr Ferris was appointed as a Director of the Company on 31 July 2014.

Mr Ferris has worked in financial services, property and corporate finance industries for more than 25 years. He is a Fellow of the Australian Institute of Management (FAIM) and is a Member of the Australian Institute of Company Directors (MAICD). He has also facilitated many joint venture opportunities in the property, tech and mining sectors.

Mr Ferris holds 333,333 shares in the Company as at the date of this report.

During the past three years, Mr Ferris has served as a Director for the following other listed companies:

- Connected IO Limited (formerly G8 Communications Limited) – appointed 28 April 2015, resigned 4 December 2018.

Lee Christensen
Non-Executive Director and Chairman

Mr Christensen was appointed as a Director of the Company on 16 April 2015.

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.

Mr Christensen holds 15,919,999 shares and 8,250,000 options in the Company as at the date of this report.

During the past three years, Mr Christensen has not served as a Director of any other listed company.

Titanium Sands Limited

Directors' report

For the year ended 30 June 2021

2. Company Secretary

Mr Alan Armstrong was appointed Company Secretary on 16 October 2020. Mr Armstrong is a Chartered Accountant with over 10 years' experience having spent most of his career providing accounting and advisory services to resource companies. Mr Armstrong has a Bachelor of Business (Accounting/Finance) from Charles Sturt University and is a member of the Institute of Australian Chartered Accountants. Additionally, Mr Armstrong is a graduate and member of the Australian Institute of Company Directors.

Mr David McEntaggart resigned as Company Secretary on 14 December 2020.

3. Directors' meetings

The number of meetings of the Company's Directors held during the year ended 30 June 2021, whilst each director was in office, and the number of meetings attended by each Director, were:

<i>Director</i>	<i>Board of Directors' Meetings</i>	
	<i>No. eligible to attend</i>	<i>No. attended</i>
James Searle	4	4
Jason Ferris	4	4
Lee Christensen	4	4

4. Principal activities

The current principal activity and key focus for the Group during the year is mineral exploration. During the year there has been no significant change in the state of affairs of the Group.

5. Operating and financial review

The net loss of the Group for the financial year ended 30 June 2021 amounted to \$1,507,879 (2020: loss \$1,497,446).

The current year loss was incurred from in the ordinary course of the business. The net assets of the group for the financial year ended 30 June 2021 amount to \$28,073,358 (2020: net assets \$31,563,383).

6. Events Subsequent to the Reporting Date

On 23 July, Titanium Sands Limited announced that it had been made aware that the appeal regarding EL327 and EL328 had been heard at the Ministry of Environment. Formal discussions with the GSMB continue with the outcome remaining unclear. Given the continued government shutdown due to the COVID-19 situation in Sri Lanka, the process to retain the exploration licences has not been finalised and an update will be provided as soon as the Company has clarity on the outcome. The Company's view on the merits of the process to retain the exploration licences remain the same as previously reported.

Other than as set out above, there were no other significant events after the reporting date.

Titanium Sands Limited
Directors' report (continued)
 For the year ended 30 June 2021

REVIEW OF OPERATIONS

Overview

The Mannar Island Heavy Mineral Sands Project in Northwest Sri Lanka is 100% controlled by Titanium Sands Ltd (Figures 1 and 2). The project is an ilmenite feedstock project with minor credits from other mineral components. The high quality ilmenite product is expected to find a ready market with titanium slag and sulphate route pigment producers in the Middle East, Korea, India, China and elsewhere.

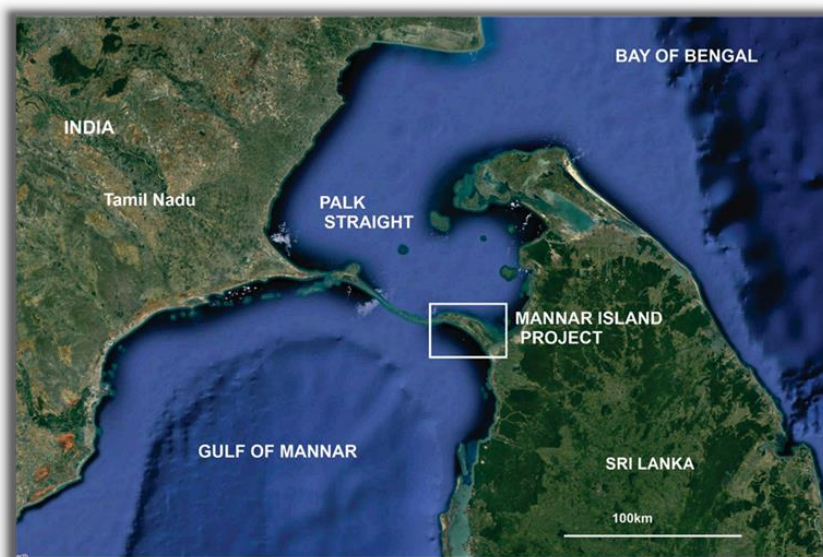


Figure 1 Location of the Mannar Island Heavy Mineral Sand Project, northwest Sri Lanka.

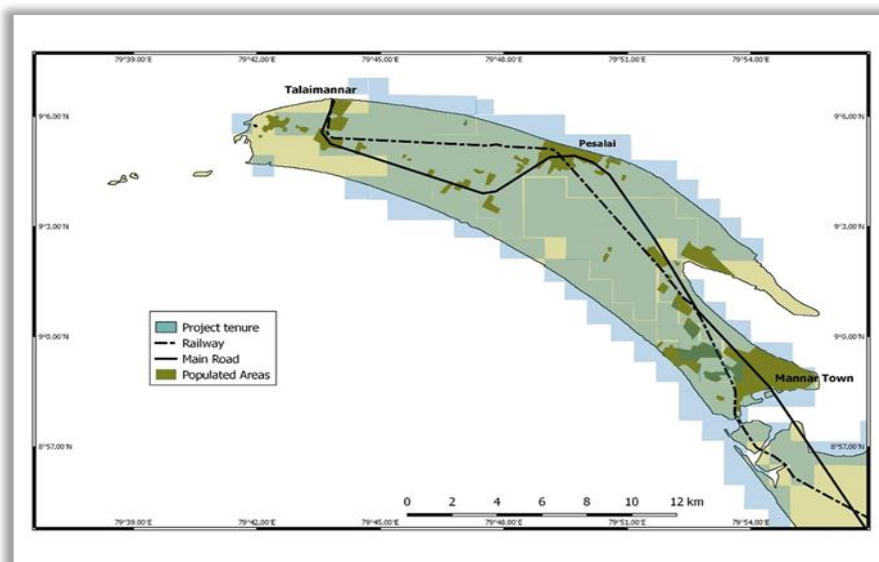


Figure 2 Mannar Island Project Tenure.

Activities at the project site have been significantly curtailed due to the Covid-19 pandemic with Sri Lankan Government imposed restrictions on movement and working and the need to maintain a safe working environment for Titanium Sands exploration teams and other local employees. However off site resource modelling, technical investigations, potential offtake partner discussions and preparations for resumption of site works have continued to progress the Mannar Project.

Titanium Sands Limited

Directors' report (continued)

For the year ended 30 June 2021

Covid-19 Pandemic Conditions in Sri Lanka

The impact of Covid-19 in Sri Lanka lagged many other part of the world until October 2020 when daily new case numbers began to rise from very low levels to hundreds by January 2021 to around 3,000 per day in June 2021. Government action in Sri Lanka though out the Covid-19 pandemic has been proactive and co-ordinated. The public health system is experienced in dealing with infectious diseases and delivery of health services nationally down to village level. There is also a comprehensive range of private health services. International borders were closed early in the pandemic and largely remain so. Internally district level restrictions have been applied to the movement of people and this has been varied as local conditions have changed. Restrictions on workers attending their workplaces or moving around the country have been implemented with varying levels of stringency.

However as experienced in most countries these actions have tended to only delay the inevitable rise of infections. The more infectious Delta variant of Covid-19 is now well established in Sri Lanka. Infections have reached over 400,000 and the death toll over 9,000. Vaccination programs with a range of vaccines are however accelerating with 7.7 million (35.3%) of the population of 20.1m million fully vaccinated and 57% having received at least one dose. It is expected that these increasing rates of vaccination will begin to be reflected in the daily infection rates over the next few months.

Regulatory restrictions on movement and work attendance and the need to protect Titanium Sands Ltd field teams and local communities has limited work at the project site. However progress has been possible with offsite project work in resource modelling, technical investigations, potential offtake partner discussions and preparations for resumption of site works.

An additional consequence of Covid-19 related regulatory restrictions in Sri Lanka has been the substantial disruption to the normal operations of government departments including the Geological Survey and Mines Bureau. Government departments over the last 12 months have been subjected to stay at home orders, staggered attendances, and limited functions. This has significantly disrupted routine regulatory functions including exploration licence renewals and the issuance of new exploration licences.

Resource Drilling and Mineral Resource Estimate

An updated mineral resource estimate (MRE) was completed in September 2020 with garnet added to the heavy mineral suite (Table 1) ([ASX Announcement of the 14th of September 2020](#)¹). Based on a 2% THM (Total Heavy Mineral) lower cut-off grade the MRE stands at 264.93 Mt at 4.38% THM.

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 1 Mineral Resource Estimate based on a 2% THM lower cut off. A complete JORC2012 compliant statement of this MRE is contained in [ASX Announcement of the 14th of September 2020](#)¹

A continuous higher grade zone measuring 10km by 2km and down to depth of 8-12m (the zone remains largely open at depth) was identified within the above mineral resource (Figure 3). Using the 2% lower cut off the higher grade resource contains 92.56Mt at 5.24% THM Table 2. This zone was used as the basis for the scoping study previously reported to the ASX ([ASX Announcement 16/06/2020](#)²).

Titanium Sands Limited
Directors' report (continued)
For the year ended 30 June 2021

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 2 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.

Scoping Study

A scoping study was announced in June 2020 ([ASX announcement 16th June 2020²](#)). The scoping study was based on the concept of production from the contiguous 10km by 2km zone of the mineral resource containing 92.56Mt at 5.24% THM shown in Figure 3 and Table 2. The scoping study base case of a single dredge led operation indicated the potential for an economically robust long life project. The study also indicated that there was the potential, subject to further technical studies, to expand the project to 2 or even 3 dredges based on processing the larger 264.93Mt resource.

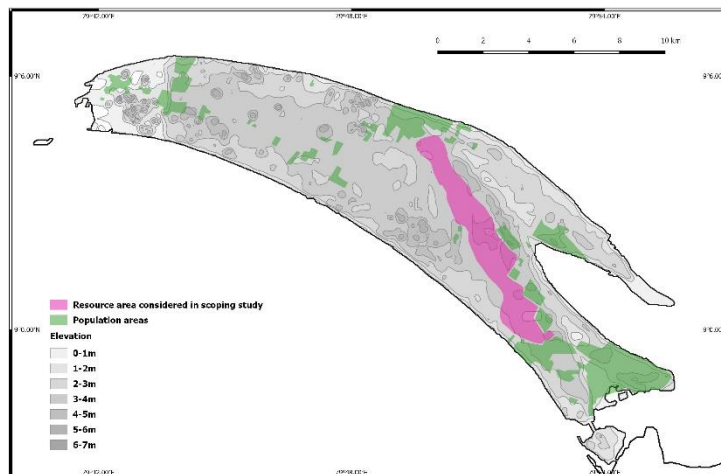


Figure 3 Portion of resource considered in the scoping study base case.

Metallurgical test work on composite drill hole samples was undertaken by a specialist metallurgical laboratory on composites of heavy minerals produced by heavy media separations in the analytical laboratory. The aim of the test work was to characterise the mineral products that could be produced by analyses representing standard processing techniques such as gravity, magnetic and electrostatic separation processes. This test work also gave indications of mineral recoveries that could be expected for the mineral products. This work while sufficient for a scoping study cannot be regarded as optimised. The potentially saleable products that were able to be separated during test work were:

- Ilmenite (including Hi Ti, leucoxene, and pseudorutile).
- Rutile
- Zircon
- Garnet

Titanium Sands Limited Directors' report (continued) For the year ended 30 June 2021

Mining studies carried out as part of the scoping study have indicated that dredge mining is the most viable and environmentally low impact means of sand recovery. The Mannar island heavy mineral sands are contained in near continuous bodies from 2-3m above the water table down to at least 10m below the water table. Drilling has shown there is little or no induration and the slimes (<45 micron) components are less than 1%. This makes dredge mining the most suitable option. The project concept for the scoping study is for a dredge mining down to 10m below the level of the dredge pond. The design of the dredge head has not yet been determined but is likely to be either a 'rose cone' design or a bucket wheel.

The dredge will feed a floating wet concentration plant (WCP). The primary concentrate would then be feed a centrally located mineral separation plant (MSP). It is anticipated that in an initial mining scenario the dredge will advance along the continuous 10km long and up to 2km wide zone (Figures 3 and 4) that the scoping study scenario is based on.

Sand tails will be discharged from the WCP to the dredge pond void to re-establish a landform for progressive rehabilitation. Fines from the WCP will be pumped through a thickener with water being returned to the dredge pond and the fines being utilised in the rehabilitation process. The exceptionally low <1% fines content is expected to allow very efficient water recirculation between the WCP and the dredge pond resulting in minimal disturbance of ground water levels. Further hydrologic modelling and monitoring are planned.

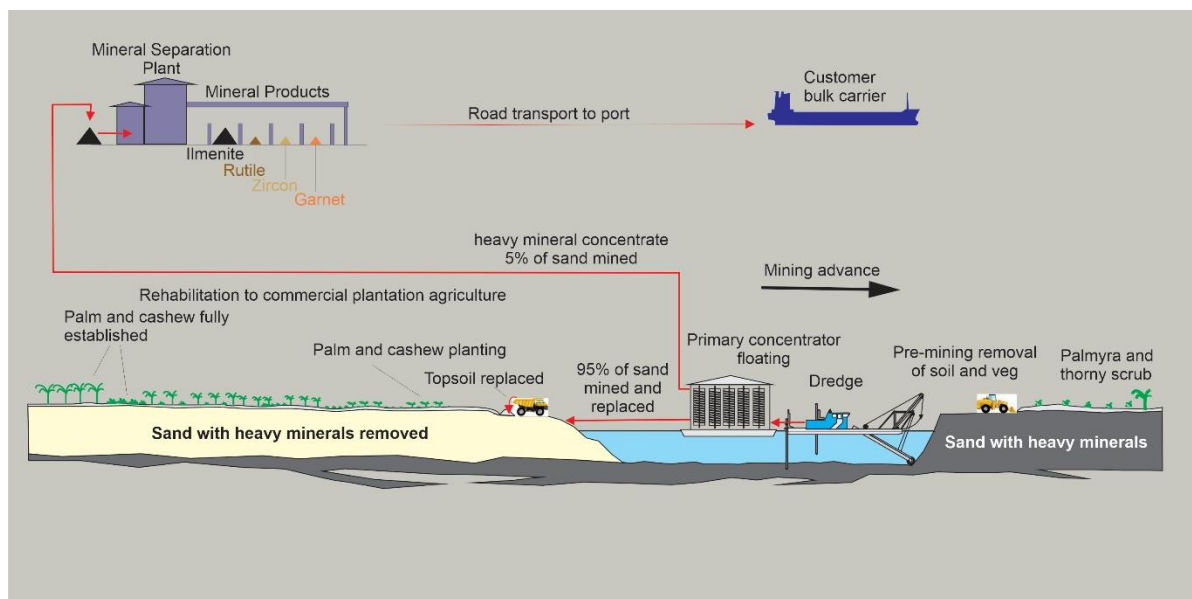


Figure 4 Dredge led sand recovery and progressive rehabilitation to enhanced productivity plantation agriculture.

A process flow sheet was developed based on the metallurgical test work (Figure 5). Concept level engineering designs and equipment specification for the wet concentrator circuit (WCP) and a mineral separation plant (MSP) were undertaken by Mineral Technologies Pty Ltd based on the process flow sheet.

Titanium Sands Limited
Directors' report (continued)
 For the year ended 30 June 2021

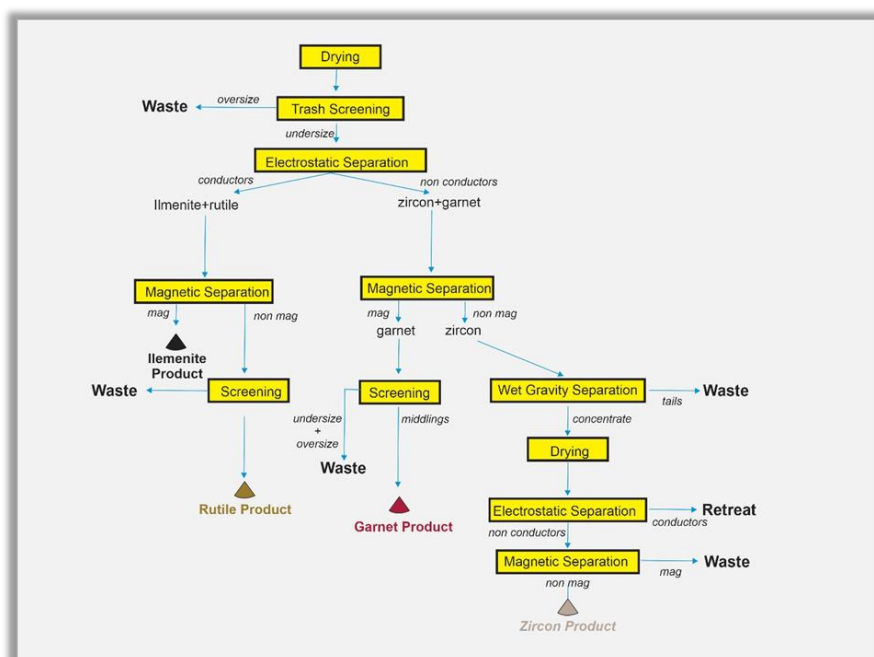


Figure 5 Mannar Island Project process flow sheet.

A quality and market review of the project's mineral products specifications were commissioned from TZ Minerals International Pty Ltd, a leading global consultancy group in mineral sands markets. The assessments were based on the metallurgical test work based on composite samples.

The ilmenite product was judged a high quality product with potential end users in the titanium slag and sulphate route pigment producers. The other mineral products (rutile, zircon, and garnet) were also considered likely to find ready markets. Discussions with a number of potential offtake parties are ongoing.

Operational Design and Integrated Development of Sustainable Plantation Agriculture

Operational design and integrated rehabilitation concepts are being developed based on the concept of progressive establishment of areas of productive palm and nut plantation agriculture as well as areas of natural vegetation. This offers the opportunity for the development of a major sustainable long term commercial agricultural activity owned by, operated by and employing local people and communities. This concept is being developed further in consultation with landowners, local communities, regulators and Sri Lankan agronomists.

The heavy mineral resource zones in the interior of Mannar Island do not contain areas of extensive habitation or more than localised patches of formal agricultural activity (Figure 6). Operational design is being based on excluding areas of formal agricultural activities and maintaining suitable buffer zones with adjacent populated areas outside the resource zones.

Integral to the operation of the project is the continuous reformation and rehabilitation of the land surface as operations move (Figure 7). This will also involve the development of commercial, sustainable plantation agriculture and protection barriers of regenerated and transplanted natural vegetation. It is anticipated that around 7 hectares of mixed commercial and sustainable plantation agriculture and 5 hectares of natural vegetation protection will be established each year throughout the project's life. The commercial plantations will include coconut palm, cashew bushes and potentially other crops, and will be owned and operated by local landowners and communities, employing local people.

Titanium Sands Limited
Directors' report (continued)
 For the year ended 30 June 2021

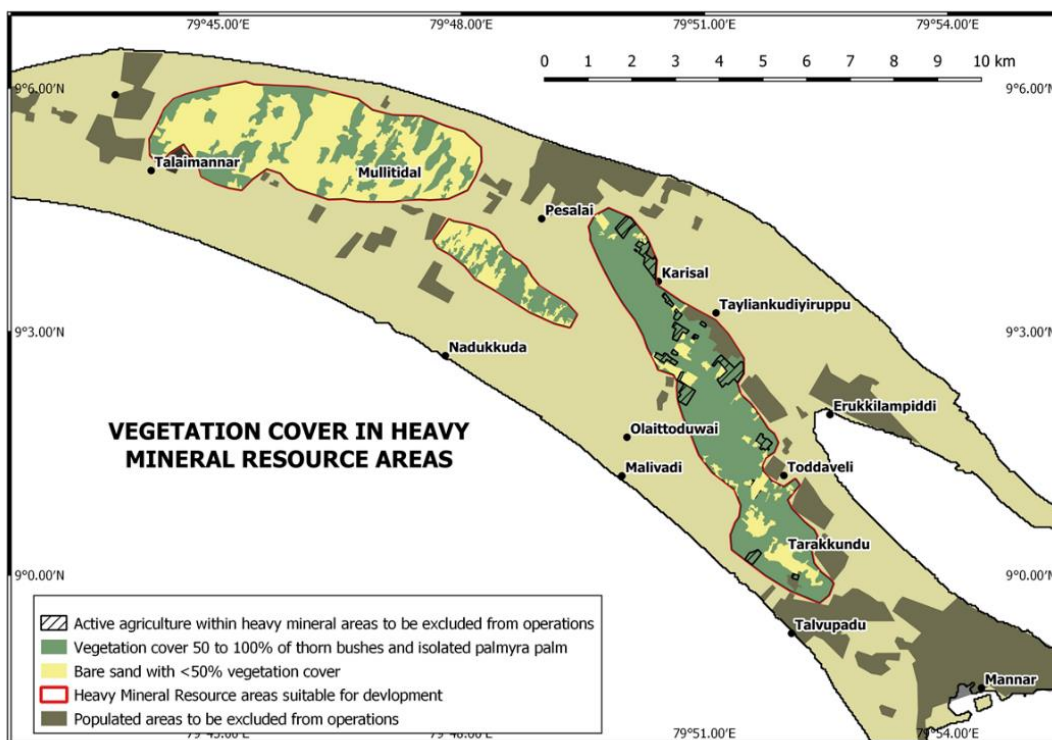


Figure 6 Potential operational areas, active agriculture and population areas.

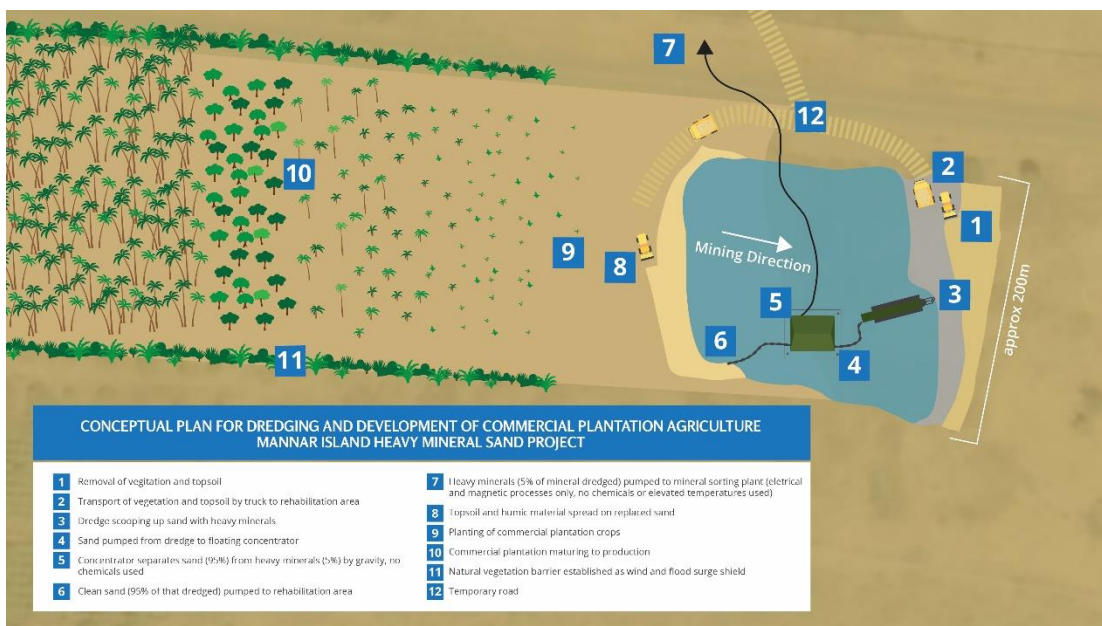


Figure 7 Operational concepts and development of commercial sustainable plantation agriculture as part of rehabilitation.

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Titanium Sands Limited

Directors' report (continued)

For the year ended 30 June 2021

Operational Outlook

The operational outlook for the project is necessarily dependent on the progression of the Covid-19 pandemic. However as with elsewhere Sri Lanka is looking towards Covid-19 control with high levels of vaccinations being achieved as soon as possible. Titanium Sands is ready to resume site operations with its Sri Lankan field team as soon as conditions and regulations permit. Meanwhile progress will continue to occur in aspects of the project that do not require site operations.

The operational outlook over the next 12 months (subject in some cases to the uncertainties of the Covid-19 situation in Sri Lanka) include :

- Commencing the processes for the issue of an Industrial Mining License (IML) for the Project.
- As part of the IML application completing a comprehensive Environmental Impact Assessment and Management Plan.
- Advancing discussion with offtake partners.
- Infill resource drilling to convert more inferred material to indicated.
- Resource extension drilling laterally and then for depth extensions.
- Investigation for extending the production concept of a one dredge operation to two or even three dredge operation.

Tenure

The Company has 9 exploration licenses on Mannar Island and the adjacent mainland coast, covering an area of 195 square kilometres (Table 4). The most recent tenure renewal was for EL370/R/1 which was renewed for an area of 31km² for a further 2 years on the 4th of May 2021. Regulatory and other functions of the GSMB and other Government Departments have been significantly compromised by Covid-19 conditions and restrictions in Sri Lanka.

As previously advised ([ASX announcement 23rd of July 2021³](#)) an appeal was lodged with the Geological Survey and Mines Bureau (GSMB) against their decision to not renew exploration licenses EL/327/R/1 and EL/328/R1.

The company's view on the merits of the appeal remain the same as previously reported.

Exploration licence	EL validity		Area	Renewal date
EL 370/R/1	04.05.2021	03.05.2023	31km ²	03.03.2023
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	195km ²	

Table 3 Mannar Project tenure*.

**All necessary applications and submissions for the renewal of tenure have been lodged and are expected to be renewed in due course.*

Titanium Sands Limited

Directors' report (continued)

For the year ended 30 June 2021

Previously Reported Information Footnotes

This report includes information that relates to Exploration Results and Mineral Resources prepared and first disclosed under JORC Code 2012 and references to other ASX announcements. The information was extracted from the Company's previous ASX announcements as follows:

- ¹ A resource update in full compliance with JORC 2012 requirements titled **"TSL Mannar Island Project Resource Tonnage Tripled"** announced to the ASX on the 6th of May 2020.
- ² A scoping study announcement titled **"Scoping Study Confirms Potential for Major Dredging Project"** announced to the ASX on the 16th of June 2020.
- ³ A tenure update titled **"Mineral Resource Appeal update"** announced to ASX on the 23rd of July 2021.

These announcements are available to view on the Company's website www.titaniumsands.com.au

The Company confirms that it is not aware of any new information or data that materially affect the information included in the relevant market announcements 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 with respect to the resource block model and total heavy mineral content and have not materially changed with the exception noted in the text of this report that in future resource updates are likely to include block modelling of the garnet content in addition. The Company confirms that the form and context in which the Competent Persons' findings are presented have not been materially modified from the relevant original market announcements.

Titanium Sands Limited

Directors' report (continued)

For the year ended 30 June 2021

7 Remuneration report (audited)

7.1 Principles of compensation

This report outlines the remuneration arrangements in place for directors of Titanium Sands Limited in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purpose of this annual financial report, Key Management Personnel (KMP) of the Company are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly.

Details of Key Management Personnel during the year ended 30 June 2021

James Searle (appointed 2 March 2016)

Jason Ferris (appointed 31 July 2014)

Lee Christensen (appointed 16 April 2015)

Remuneration Policy

The Board is responsible for determining and reviewing compensation arrangements for the Directors. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. The Group does not link the nature and amount of the emoluments of such officers to the Group's financial or operational performance with the exception of options issued to the directors which were issued and vested on completion of the acquisition of Srinel Holdings Limited in December 2019. The expected outcome of this remuneration structure is to retain and motivate Directors. During the financial year, the Group did not employ the use of remuneration consultants.

7.2

Relationship between the Remuneration Policy and Company Performance

	30 June 2021	30 June 2020	30 June 2019	30 June 2018	30 June 2017
	\$	\$	\$	\$	\$
Revenue	-	4,125	-	-	-
Basic loss per share (cents)	(0.12)	(0.18)	(0.28)	(0.24) ¹	(0.33) ¹
Diluted loss per share (cents)	(0.12)	(0.18)	(0.28)	(0.24) ¹	(0.33) ¹
Share price at year end	\$0.030 ²	\$0.049	\$0.017	\$0.021	\$0.021

¹Basic and diluted loss per share has been restated to reflect the share consolidation as if it has taken place at the beginning of the period.

²Last traded price of 20 April 2021

Titanium Sands Limited
Directors' report (continued)
For the year ended 30 June 2021

7.3 Directors' and executive officers' remuneration – audited

The Company renewed a Non-Executive Director Agreement with Lee Christensen in December 2020 for the provision of services to the Company for a period of 12 months. Pursuant to the terms of the Agreement, the Company agreed to remunerate Mr Christensen \$7,500 (plus GST) per month. Either party may terminate the Agreement by providing three months written notice.

The Company renewed a Non-Executive Director Agreement with Jason Ferris in December 2020 for a period of 12 months. Pursuant to the terms of the Agreement, the Company has agreed to remunerate Mr Ferris \$15,000 (excluding superannuation) per month. Mr. Ferris also undertakes consultancy work which is not considered to be within his duties as a Non-Executive Director, when Mr. Ferris undertakes this work, he charges \$1,200 (plus GST) per day or pro rata for part days. Either party may terminate the Agreement by providing three months written notice.

The Company renewed the Executive Director Agreement with Dr James Searle in March 2021 for the provision of services to the Company for a period of 12 months. Pursuant to the terms of the Agreement, the Company has agreed to remunerate Dr Searle \$5,000 (plus GST) per month for Directors duties and \$1,200 (plus GST) per day for consultancy services, in consideration for which Dr Searle must provide for up to eight (8) days per month. This constitutes the minimum commitment by the Company to purchase services under the terms of the agreement. In addition to the fees disclosed above, shall Dr Searle be required to undertake any out of scope work, he will be remunerated at a rate of \$1,200 (plus GST) per day, or pro rata for part days.

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Titanium Sands Limited

Directors' report (continued)

For the year ended 30 June 2021

Executive Remuneration

The following table discloses the contractual arrangements with the Group's executive Key Management Personnel.

COMPONENT	Managing Director – Dr James Searle
Fixed remuneration	\$175,200 pa
Variable remuneration (out of scope work)	\$1,200 (plus GST) per day, or pro rata for part days
Contract duration	Expires on 28 March 2022
Termination notice by the individual/company	1 month
Other entitlements	N/A

Unlisted Options

The following Options were issued during the 2021 financial year.

Directors	Grant Date	Exercise Price	Expiry Date	Number of Unlisted Options
Dr James Searle	30 November 2020	\$0.044	29 November 2022	10,875,000
Mr Lee Christensen	30 November 2020	\$0.044	29 November 2022	8,250,000
Total				19,125,000

The Director Options were approved by Shareholders at the Annual General Meeting held on 30 November 2020. The options vested immediately, valued using the Black-Scholes model 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
Weighted Average Exercise Price (\$)	\$0.044
Share Price at Grant Date (\$)	\$0.03

There were no options issued during the 2020 financial year.

Titanium Sands Limited

Directors' report (continued)

For the year ended 30 June 2021

Details of the nature and amount of each major element of the remuneration for the year ended 30 June 2021 and 30 June 2020 of each director of the Company and other key management personnel are:

2021	Short-term			Post employment benefits	Share-based payments	Total	Proportion of remuneration
	Salary & fees	Bonus	Other	Superannuation			performance related %
Directors	\$	\$	\$	\$	\$	\$	%
Executive directors							
Dr James Searle ¹	167,900	-	-	-	140,799	308,699	46%
Non-executive directors							
Mr Jason Ferris ²	247,788	-	-	17,100	-	264,888	-
Mr Lee Christensen ³	90,000	-	-	-	106,813	196,813	54%
Total	505,688	-	-	17,100	247,612	770,400	

¹ Dr Searle's director fees are paid to Earthsciences Pty Ltd, of which Dr Searle is a Director. Due to operational delays related to COVID-19 pandemic conditions, minimum work commitments were not required to fulfil technical consulting and operational management requirements and as such, Dr Searle was paid a reduced rate.

² Mr Ferris' director and consulting fees of \$180,000 (excluding superannuation) are paid as a salary. Out of scope fees of \$67,788 are paid to J2J Investments Pty Ltd, of which Mr Ferris is a Director.

³ Mr Christensens' director fees are paid to Pooky Corporation Pty Ltd, of which Mr Christensen is a Director.

Note: there are no long-term remuneration benefits.

2020	Short-term			Post employment benefits	Share-based payments	Total	Proportion of remuneration
	Salary & fees	Bonus	Other	Superannuation			performance related %
Directors	\$	\$	\$	\$	\$	\$	%
Executive directors							
Dr James Searle ¹	203,600	-	-	-	-	203,600	-
Non-executive directors							
Mr Jason Ferris ²	253,176	-	-	17,100	-	270,276	-
Mr Lee Christensen ³	117,500	-	-	-	-	117,500	-
Total	574,276	-	-	17,100	-	591,376	

¹ Dr Searle's director fees are paid to Earthsciences Pty Ltd, of which Dr Searle is a Director.

² Mr Ferris' director and consulting fees of \$180,000 (excluding superannuation) are paid as a salary. Out of scope fees of \$73,176 are paid to J2J Investments Pty Ltd, of which Mr Ferris is a Director.

³ Mr Christensens' director fees are paid to Pooky Corporation Pty Ltd, of which Mr Christensen is a Director.

Note: there are no long-term remuneration benefits.

Titanium Sands Limited
Directors' report (continued)
For the year ended 30 June 2021

7 Remuneration report (audited) (continued)

7.3.1 Loans to Directors

There were no loans to directors during the financial year ending 30 June 2021 (2020: nil).

7.3.2 Other Transactions with Key Management Personnel

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. A number of these entities transacted with the Company in the reporting period. These are as follows:

Consultancy services:

Jason Ferris is a Director of J2J Investments Pty Ltd ("J2J"), which provided the Company with out of scope consultancy services. These services provided were based upon normal commercial terms and conditions no more favourable than those available to other parties. The amount incurred for the year ended 30 June 2021 was \$67,788 (2020: \$73,176) and are included as part of Directors remuneration in section 7.3.

Dr James Searle is a Director of Earthsciences Pty Ltd ("Earthsciences"), which provided the Company with director and consultancy services. These services provided were based upon normal commercial terms and conditions no more favourable than those available to other parties. The amount incurred for the year ended 30 June 2021 was \$167,900. (2020: \$203,600) and are included as part of Directors remuneration in section 7.3.

Mr Lee Christensen is a Director of Pooky Corporation Pty Ltd ("Pooky"), which provided the Company with director services. These services provided were based upon normal commercial terms and conditions no more favourable than those available to other parties. The amount incurred for the year ended 30 June 2021 was \$90,000 (2020: \$117,500) and are included as part of Directors remuneration in section 7.3.

Other Transactions

No other transactions other than those disclosed above, occurred during the year.

Amounts recognised as Liabilities:

At the end of the reporting period the following aggregate amounts were recognised as payables in relation to the above transactions:

	2021	2020
Current Liabilities	\$46,013	\$59,652

Titanium Sands Limited

Directors' report (continued)

For the year ended 30 June 2021

7.3.3 Directors' interests in shares

Fully paid ordinary shares issued by Titanium Sands Limited to Key Management Personnel during the year and as at 30 June 2021 are as follows:

2021	Balance at 1 July 2020	Allotment of Shares	Net other changes	Balance at 30 June 2021
DIRECTORS				
Mr Jason Ferris	333,333	-	-	333,333
Dr James Searle	500,000	-	-	500,000
Mr Lee Christensen	3,719,999	-	12,200,000 ¹	15,919,999
	4,553,332	-	12,200,000	16,753,332

¹On market and off market purchases

7.3.4 Share options

Share options issued by Titanium Sands Limited to Key Management Personnel during the year and as at 30 June 2021 are as follows:

2021	Balance at 1 July 2020	Issue of Options	Expiry of Options	Net other changes	Balance at 30 June 2021
DIRECTORS					
Mr Jason Ferris	10,875,000	-	(10,875,000)	-	-
Dr James Searle	10,875,000	10,875,000	(10,875,000)	-	10,875,000
Mr Lee Christensen	8,250,000	8,250,000	(8,250,000)	-	8,250,000
	30,000,000	19,125,000	(30,000,000)	-	19,125,000

7.3.5 Analysis of bonuses included in remuneration

There were no short term cash bonuses paid during the reporting period.

8. Voting and comments made at the Company's 2020 Annual General Meeting

The Company received 99.2% of votes, of those shareholders who exercised their right to vote, in favour of the remuneration report for the 2021 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

This is the end of the Audited Remuneration Report.

9. Dividends

No dividends have been paid or declared by the Company to members during the 2021 or 2020 financial years.

10. Likely Developments and Expected Result of Operation

Further information, other than as disclosed in this report, about likely developments in the operations of the Company and the expected results of those operations in future periods has not been included in this report as disclosure of this information would be likely to result in unreasonable prejudice to the Company.

Titanium Sands Limited
Directors' report (continued)
For the year ended 30 June 2021

11. Environmental Regulations

The Company's operations are not subject to significant environmental regulations under the law of the Commonwealth or of a State, or Territory or in Sri Lanka.

12. Indemnification and insurance of officers and auditors
Indemnification

The Company has agreed, subject to and so far as may be permitted by the Corporations Act 2001, to indemnify each current director and officer at the date of the report against all liabilities that may arise from their position as directors and officers of the Company. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses. No indemnification has been paid with respect to the Company's auditors.

13. Corporate governance

The Company continued to follow best practice recommendations as set out by 4th edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. Where the Company has not followed best practice for any recommendation, explanation is given in the Corporate Governance Statement which is available on the Company's website at <http://titaniumsands.com.au/corporate-governance/>.

14. Audit Services

BDO Audit (WA):

Audit and review of financial reports

	2021	2020
	\$	\$
	39,465	39,810
	39,465	39,810

There were no non audit services provided for the financial year ended 30 June 2021 (2020: Nil).

15. Lead auditor's independence declaration

The Lead auditor's independence declaration is included and forms part of the directors' report for financial year ended 30 June 2021.

This report is made with a resolution of the directors:



James Searle
Director

Dated at Perth this 29 September 2021

Titanium Sands Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2021

	Note	2021 \$	2020 \$
Other income		-	4,125
Administrative expenses	6	(863,535)	(834,720)
Depreciation		(33,636)	(33,881)
Director fees		(363,399)	(430,676)
Share based payments	16	(247,612)	(200,000)
Loss before financing expenses		(1,508,182)	(1,495,152)
Financial income	7	303	1,316
Financial expenses	7	-	(3,610)
Net financing income		303	(2,294)
Loss before tax		(1,507,879)	(1,497,446)
Income tax expense	10	-	-
Loss for the year after income tax		(1,507,879)	(1,497,446)
Other comprehensive income			
Items that may be reclassified to profit and loss			
Exchange differences on translation of foreign operations		(4,366,457)	(1,484,970)
Other comprehensive loss for the year		(4,366,457)	(1,484,970)
Total comprehensive loss for the year		(5,874,336)	(2,982,416)
Loss per share for the year attributable to the members of TSL			
Basic and diluted loss per share (cents)	14	(0.12)	(0.18)

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.

Titanium Sands Limited
Consolidated Statement of Financial Position
As at 30 June 2021

	Note	2021 \$	2020 \$
Current assets			
Cash and cash equivalents	11	1,573,514	1,039,857
Trade and other receivables	12	77,679	59,374
Total current assets		1,651,193	1,099,231
Non-current assets			
Exploration and evaluation expenditure	8	26,505,822	30,595,978
Property, plant and equipment	9	86,818	129,728
Total non-current assets		26,592,640	30,725,706
Total assets		28,243,833	31,824,937
Current liabilities			
Trade and other payables	13	170,475	261,554
Total current liabilities		170,475	261,554
Total liabilities		170,475	261,554
Net assets		28,073,358	31,563,383
Equity			
Issued capital	15	35,706,530	33,729,831
Reserves	16	404,122	4,362,967
Accumulated losses		(8,037,294)	(6,529,415)
Total equity		28,073,358	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
Consolidated Statement of Changes in Equity
For the year ended 30 June 2021

	Share Capital \$	Options Reserve \$	Foreign exchange translation Reserve \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2019	12,075,664	2,906,667	(6,615)	(5,031,969)	9,943,747
<i>Total comprehensive loss for the period:</i>					
Loss for the period	-	-	-	(1,497,446)	(1,497,446)
Foreign currency translation	-	-	(1,484,970)	-	(1,484,970)
Total other Comprehensive loss	-	-	(1,484,970)	(1,497,446)	(2,982,416)
<i>Transactions with owners:</i>					
Share based payments	200,000	5,614,552	-	-	5,814,552
Transfer on conversion of performance shares	2,666,667	(2,666,667)	-	-	-
Shares Issued (net of share issue costs)	18,787,500	-	-	-	18,787,500
Balance at 30 June 2020	33,729,831	5,854,552	(1,491,585)	(6,529,415)	31,563,383
Balance at 1 July 2020	33,729,831	5,854,552	(1,491,585)	(6,529,415)	31,563,383
<i>Total comprehensive loss for the period:</i>					
Loss for the period	-	-	-	(1,507,879)	(1,507,879)
Foreign currency translation	-	-	(4,366,457)	-	(4,366,457)
Total other Comprehensive loss	-	-	(4,366,457)	(1,507,879)	(5,874,336)
<i>Transactions with owners:</i>					
Share based payments	-	407,612	-	-	407,612
Shares Issued (net of share issue costs)	1,976,699	-	-	-	1,976,699
Balance at 30 June 2021	35,706,530	6,262,164	(5,858,042)	(8,037,294)	28,073,358

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

Titanium Sands Limited
Consolidated Statement of Cash Flows
For the year ended 30 June 2021

	Note	2021 \$	2020 \$
Cash flows from operating activities			
Cash paid to suppliers and administrators		(1,278,758)	(1,088,063)
Interest received		303	1,316
Interest paid		-	(24,678)
Net cash used in operating activities	18a	(1,278,455)	(1,111,425)
Cash flows from investing activities			
Payments for exploration expenditure		(324,587)	(1,101,904)
Payments for property, plant and equipment		-	(3,558)
Cash on acquisition of subsidiary		-	1,088
Net cash used in investing activities		(324,587)	(1,104,374)
Cash flows from financing activities			
Proceeds from issue of shares (net of costs)		2,136,299	-
Proceeds from issue of options		400	-
Net cash from financing activities		2,136,699	-
Net increase / (decrease) in cash and cash equivalents		533,657	(2,215,799)
Opening cash and cash equivalents at 1 July		1,039,857	3,255,656
Closing cash and cash equivalents	11	1,573,514	1,039,857

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

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Titanium Sands Limited

Notes to the consolidated financial statements

For the year ended 30 June 2021

1. Reporting entity

This annual financial report includes the financial statements and notes of Titanium Sands Limited (“the Company”) and the entities it controlled during the year ended 30 June 2021 (“the Group”). The Group is a for-profit entity primarily involved in exploration of mineral reserves and is domiciled in Australia. Its registered address is Level 11, 216 St George’s Terrace, Perth, Western Australia.

2. Basis of preparation

(a) Statement of compliance

The annual financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (‘AASBs’) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (‘AASB’) and the Corporations Act 2001. The annual financial report complies with International financial Reporting Standards as adopted by the International Accounting Standards Board. The annual financial report was authorised for issue by the directors on 29 September 2021.

(b) Basis of measurement

The annual financial report has been prepared on the historical cost basis. The methods used to measure fair values are discussed further in note 4.

(c) Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Group’s functional currency.

(d) Going Concern

For the year ended 30 June 2021 the Group has incurred a net loss of AUD\$1,507,879 (2020: AUD\$1,497,446), experienced net cash outflows from operations of AUD\$1,278,455 (2020: AUD\$1,111,425) and net cash outflows from investing activities of AUD\$324,587 (2020: outflow AUD\$1,104,374). As at 30 June 2021 the cash balance is \$1,573,514 (2020: \$1,039,857).

The Directors have reviewed the cash flow requirements in the next 12 months and recognise that the ability of the Group to continue as a going concern is dependent on securing additional funding through equity to continue to fund its exploration activities.

These conditions indicate a material uncertainty that may cast a significant doubt about the Group’s ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements have been prepared on the basis that the Group is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons:

- The Directors are confident the Group will be successful in sourcing further capital from the issue of additional equity securities to fund the ongoing operations of the Group having previously been successful when raising funds through equity issues; and
- The ability of the Group to further scale back certain parts of their activities that are non-essential so as to conserve cash.

Should the Group not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements and that the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the company not continue as a going concern.

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Titanium Sands Limited
Notes to the consolidated financial statements (continued)
For the year ended 30 June 2021

3. Significant accounting policies

The accounting policies of the Group are consistent with prior period. New standards applicable from 1 July 2020 have had no material effect on the Group.

(a) Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables. Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled. Cash and cash equivalents comprise cash balances and call deposits. Accounting for finance income and expense is discussed in note 3(i).

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(b) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(c) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the financial year but not distributed at reporting date.

(d) Exploration and evaluation assets

Exploration and evaluation costs, comprising net direct costs (including the costs of acquiring licences) and an appropriate portion of related overhead expenditure directly attributable to the exploration property, relating to current areas of interest are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Group has obtained the legal rights to explore an area are recognised in the Statement of Profit or Loss and comprehensive income.

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

- (i) the exploration and evaluation costs are expected to be recouped through successful development and exploitation 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 other wise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Titanium Sands Limited
Notes to the consolidated financial statements (continued)
For the year ended 30 June 2021

3. Significant accounting policies (continued)
(d) Exploration and evaluation assets (continued)

Exploration and evaluation assets are assessed for impairment if one or more of the following facts and circumstances arise:

- (i) the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- (ii) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- (iii) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- (iv) sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

In any such case, or similar cases, the entity shall perform an impairment test in accordance with AASB 136. Any impairment loss is recognised as an expense in accordance with AASB 136.

For the purposes 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 from intangible assets to mining property and development assets.

In the event that an area of interest is abandoned, accumulated costs carried forward are written off to the Statement of Profit of Loss and Other Comprehensive Income in the year in which that assessment is made. Expenditure is not carried forward in respect of any area of interest, unless the Group's right of tenure to that area of interest is current.

(e) Principles of consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent, Titanium Sands Limited and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non-controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

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Titanium Sands Limited
Notes to the consolidated financial statements (continued)
For the year ended 30 June 2021

3. Significant accounting policies (continued)

(e) Principles of consolidation (continued)

Asset Acquisition

Where an acquisition does not meet the definition of a business combination the transaction is accounted for as an asset acquisition. The consideration transferred for the acquisition of an asset comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs with regards to the acquisition are capitalised. Identifiable assets acquired and liabilities assumed in the acquisition are measured at their fair value at the acquisition date.

Where settlement of any part of cash consideration is deferred and/or contingent, the probability of making these future payments is assessed as at acquisition date and measured accordingly. The amounts payable in the future are discounted to their present value as at the date of exchange. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(f) Foreign currency translation

The financial statement are presented in Australian dollars, which is the Group's functional and presentation currency.

Foreign currency transactions

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

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

(g) Impairment

Financial assets

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

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Titanium Sands Limited
Notes to the consolidated financial statements (continued)
 For the year ended 30 June 2021

3. Significant accounting policies (continued)

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax 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.

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 are largely independent from other assets and groups. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(h) Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(i) Finance income and expenses

Finance income comprises interest income on funds invested, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss and foreign currency gains that are recognised in profit or loss. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets, that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(j) Cash and cash equivalents

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

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Titanium Sands Limited
Notes to the consolidated financial statements (continued)
For the year ended 30 June 2021

3. Significant accounting policies (continued)

(k) Income tax

Income tax on the Statement of Profit or Loss and Other Comprehensive Income for the year comprises current and deferred tax. Income tax is recognised in the Statement of Profit of Loss and Other Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the Statement of Financial Position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(l) Share based payments

Equity-settled and cash-settled share-based payments are provided to employees and suppliers.

The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Titanium Sands Limited
Notes to the consolidated financial statements (continued)
For the year ended 30 June 2021

3. Significant accounting policies (continued)

(m) Plant and equipment

Items of plant and equipment are measured on the cost basis. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal.

The depreciable amount of all fixed assets is depreciated on a straight line basis commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss. When re-valued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(n) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

(o) Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 25.

(p) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Titanium Sands Limited
Notes to the consolidated financial statements (continued)
For the year ended 30 June 2021

3. Significant accounting policies (continued)

(q) New accounting standards and interpretations issued

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.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2021. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

The following new or amended Accounting Standards and Interpretations are not expected to have a significant impact on the Group's consolidated financial statements:

- AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current
- AASB 2020-3 Amendments to Australian Accounting Standards: Business Combinations
- AASB 2020-3 Amendments to Australian Accounting Standards: Financial Instruments
- AASB 2020-3 Amendments to Australian Accounting Standards: Provisions, Contingent Liabilities and Contingent Assets
- AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates.

4. Critical accounting estimates and judgement

- Impairment 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 Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale and maintains the rights to tenure.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to the environmental restoration obligations) and changes to commodity prices.

Given the stage of exploration of the Group, it is not possible to reliably estimate future cash flows. The carrying value of mineral properties is reviewed and assessed with reference to comparative transactions, the status of existing joint venture arrangements, market volatility and the significant changes in valuations for all mineral assets as a result of the recent significant discounting of equity markets. To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

- Acquisition of Bright Angel Limited

In determining the fair value of the purchase consideration for the acquisition of Bright Angel Limited in the 2020 financial year, the Company issued 417,500,000 Ordinary shares and 208,750,000 unlisted options with an exercise price of \$0.05 expiring 10/03/2023. The fair value of options with non-market conditions is determined by an internal valuation using a Black-Scholes option pricing model taking into account the terms and conditions upon which the instruments were granted. The fair value of shares is determined by the market price of the Company's shares at the date of grant. No estimate has been made for the 5% royalty payable to the vendor because it not considered probable (refer to Note 22).

- Share based payments

The Group measures the cost of equity-settled transactions with employees and external consultants by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of the options issued are determined by an internal valuation using a Black-Scholes option pricing model, using the assumptions detailed in the notes to the financial statements. The assumptions detailed in the note is also judgemental.

- Coronavirus (Covid-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the company based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the company operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the company unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

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Titanium Sands Limited

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2021

5. Financial risk management

Overview

The Group has exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk.

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this annual financial report. The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers as cash and cash equivalent.

Cash and cash equivalents

The Group holds cash and cash equivalents with reputable Australian banks currently rated AA-.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Group continually monitors its cash flow requirements. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 90 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, affect the Group's financial performance or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Group's foreign subsidiaries are affected by movements in the exchange rate of the Sri Lankan Rupee.

Interest rate risk

Interest rate risk arises as a result of the fluctuations in variable interest rates.

Capital management

Capital is defined as the share capital of the Company. The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company is not subject to externally imposed capital requirements. Refer to note 17.

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Titanium Sands Limited
Notes to the consolidated financial statements (continued)
For the year ended 30 June 2021

6. Administrative expenses

	2021	2020
	\$	\$
Legal expenses	25,044	57,573
Accounting, compliance and audit expenses	181,241	194,914
Corporate advisory fees	90,000	96,000
Marketing expenses	236,680	197,926
Other administrative expenses	330,570	288,307
	863,535	834,720

7. Finance income and expense

	2021	2020
	\$	\$
Interest received	303	1,316
Total finance income	303	1,316
Bank fees	-	(3,610)
Total finance expenses	-	(3,610)
Net finance expenses	303	(2,294)

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Titanium Sands Limited
Notes to the consolidated financial statements (continued)
For the year ended 30 June 2021

8. Exploration and evaluation expenditure

	2021 \$	2020 \$
Balance at the beginning of year	30,595,978	6,647,935
Acquisition of Bright Angel Limited	-	24,454,951
Exploration costs capitalised	261,372	1,022,319
Foreign currency translation	(4,351,528)	(1,529,227)
Balance at the end of the year	26,505,822	30,595,978

9. Property, plant and equipment

	2021 \$	2020 \$
Equipment at cost	165,526	170,420
Equipment – accumulated depreciation	(78,708)	(40,692)
Closing balance	86,818	129,728

Equipment

Opening balance	129,728	166,863
Additions	129	3,557
Disposals	(4,894)	-
Depreciation	(38,145)	(40,692)
Closing balance	86,818	129,728

10. Tax

a. The components of tax expense comprise:

	2021 \$	2020 \$
Current tax	-	-
Deferred tax	-	-
	-	-

b. the prima facie tax on loss before income tax is reconciled to the income tax as follows

Loss before income tax	(1,507,879)	(1,497,446)
Prima facie tax payable on loss before income tax at 30% (2020: 30%)	(452,364)	(449,234)
Tax effect of amounts which are not deductible/(taxable) in calculating taxation income:		
- Non assessable, non-exempt income, non-deductible	17,498	45,659
	(434,866)	(403,575)
Net deferred tax asset arising from carried forward losses not recognised	434,866	403,575
Income tax expense	-	-

The Group has unrecognised tax losses carried forward to the year ended 30 June 2021 of \$5,641,972 (2020: \$4,192,419) to which a deferred tax asset has not been recognised as there is no certainty of probable future taxable income to which they can be utilised.

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Titanium Sands Limited
Notes to the consolidated financial statements (continued)
For the year ended 30 June 2021

11. Cash and cash equivalents

	2021	2020
	\$	\$
Current		
Bank balances	1,573,514	1,039,857
	1,573,514	1,039,857

12. Trade and other receivables

	2021	2020
	\$	\$
Current		
Prepayment	38,593	41,521
GST receivable	39,086	17,853
	77,679	59,374

There have been no trade receivables during the financial year ended 30 June 2021.

13. Trade and other payables

	2021	2020
	\$	\$
Current		
Trade creditors	98,769	196,945
Accrued expenses	71,706	64,609
	170,475	261,554

14. Loss per share

Basic and diluted loss per share

The calculation of basic loss per share at 30 June 2021 of \$0.12 (2020: (\$0.18)) was based on the loss attributable to ordinary shareholders of \$1,507,879 (2020: \$1,497,446) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2021 of 1,236,033,775 (2020: 840,190,910).

Weighted average number of ordinary shares

	2021	2020
Weighted average number of ordinary shares at 30 June	1,236,033,775	840,190,910

Titanium Sands Limited
Notes to the consolidated financial statements (continued)
For the year ended 30 June 2021

15. Issued Capital	Number	\$
Fully Paid Ordinary Shares		
On issue at 1 July 2019	635,316,138	12,075,664
<i>Movements during the year</i>		
Shared based payment ¹	10,000,000	200,000
Conversion of Class C Performance shares into ordinary shares ¹	133,333,333	2,666,667
Ordinary shares issued – Bright Angel Limited acquisition ²	417,500,000	18,787,500
On issue at 30 June 2020	1,196,149,471	33,729,831
<i>Movements during the year</i>		
Placement ³	50,000,000	2,200,000
Share purchase plan ⁴	3,795,447	167,000
Share issue costs	-	(390,301)
On issue at 30 June 2021	1,249,944,918	35,706,530

- 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 ordinary shares were issued as part of the consideration for the acquisition, at a deemed issue price of \$0.045.
- 3 On 30 September 2020 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 On 18 November 2020 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.

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Titanium Sands Limited
Notes to the consolidated financial statements (continued)
For the year ended 30 June 2021

16. Reserves

	2021 \$	2020 \$
Share based payment reserve ¹	6,262,164	5,854,552
Foreign currency translation reserve ²	(5,858,042)	(1,491,585)
	404,122	4,362,967

¹The Share Based Payments Reserve is used to record the value of equity incentives issued to Directors, suppliers and employees.

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

Movement in share based payment reserve

	2021 \$	2020 \$
Opening balance	5,854,552	2,906,667
Options issued to vendor of Bright Angel Limited ¹	-	5,614,552
Director options ²	247,612	-
Broker options ³	160,000	-
Transfer of Class C to Share capital ⁴	-	(2,666,667)
Closing balance	6,262,164	5,854,552

¹ On 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. The following table lists the inputs to the model used in the valuation of the unlisted options granted on 10 March 2020.

Grant Date	10/03/2020
Expected Volatility	100%
Expected Life	3 years
Fair Value	\$0.0269
Number Issued	208,750,000
Dividend Yield	Nil
Exercise Price (\$)	\$0.05
Share Price at Grant Date (\$)	\$0.045

Titanium Sands Limited
Notes to the consolidated financial statements (continued)
For the year ended 30 June 2021

16. Reserves (continued)

² The Director Options were approved by Shareholders at the Annual General Meeting held on 30 November 2020. The unlisted options, valued using the Black-Scholes model 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 and were recognised as share issue costs.

⁴The Company issued 66,666,667 Class A and 133,333,333 Class C Performance Shares during the 2019 financial year with a fair value of \$0.02 per share as consideration for the acquisition of Srinel Holdings Limited. On 19 February 2019 the performance milestone attaching to the Class A Performance Shares was met, being a total Mineral Resource of 20 million tonnes of heavy mineral content of not less than 5% (or equivalent tonnage to heavy mineral content ratio) and were converted into fully paid ordinary shares. The Directors also determined that following the resource upgrade in February 2019 and drilling results there is a 100% probability that the Class C Performance Share milestone will be met, being a total Mineral Resource of 70 million tonnes of heavy mineral content of not less than 5% (or equivalent tonnage to heavy mineral content ratio). On 20 December 2019 the Performance shares were converted into fully paid shares. The Company also issued 33,333,333 Class B Performance Shares to the vendors of Srinel Holdings Limited that will convert into ordinary shares on satisfaction of the Group obtaining a grant of one or more mining licenses on the Sri Lankan Project. These Class B Performance Shares were issued at \$0.02 per share with the probability of achieving the non-market vesting condition deemed to be 0% and therefore the fair value is deemed nil. The probability of achieving these vesting conditions will be reassessed at each reporting period and at 30 June 2021 the probability was determined to be 0%. The consideration payable was determined to be a share based payment in accordance with AASB 2.

Outstanding Share Options & Performance Shares

As at 30 June 2021 the Group had the following share options and performance shares outstanding:

Details	Type	Number
Options exercisable at \$0.10 expiring 17 November 2023	Listed options	66,897,716
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

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Titanium Sands Limited
Notes to the consolidated financial statements (continued)
For the year ended 30 June 2021

17. Financial instruments

The totals for each category of financial instruments, measured in accordance with AASB 9 as detailed in the accounting policies to the financial statements, are as follows:

	2021	2020
	\$	\$
Financial assets		
Cash and cash equivalents	1,573,514	1,039,857
Total financial assets	1,573,514	1,039,857
Financial liabilities		
Trade and other payables	170,475	261,554
Total financial liabilities	170,475	261,554
Total net financial assets	1,403,039	778,303

Credit risk

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2021	2020
Cash and cash equivalents	1,573,514	1,039,857
	1,573,514	1,039,857

The Group does not currently earn revenue from operating assets, thus there is currently no credit risk on trade receivables at the reporting date by geographic region, customer type or by significant customer.

Impairment losses

There was no impairment expense during the current financial year (2020: nil). The Group does not have any receivables that are past due, nor is there a requirement to make any allowances for impairment in respect of other receivables.

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

Group	Carrying amount	Contractual cash flows	1-12 mths	1-2 years	2-5 years	More than 5 years
30 June 2021	\$	\$	\$	\$	\$	\$
Trade and other payables	170,475	170,475	170,475	-	-	-
Group						
30 June 2020						
Trade and other payables	261,554	261,554	261,554	-	-	-

Titanium Sands Limited
Notes to the consolidated financial statements (continued)
For the year ended 30 June 2021

Currency risk

Exposure to currency risk

The Group is exposed to foreign exchange rate arising from various currency exposures. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Group's functional currency.

The Group's exposure to foreign currency risk at the reporting date was as follows:

	2021		2020	
	AUD \$	LKR \$*	AUD \$	LKR \$*
Cash and cash equivalents	1,558,407	15,107	1,027,332	12,525
Trade and other payables	(159,813)	(10,662)	(216,859)	(44,696)
	<u>1,398,594</u>	<u>4,445</u>	<u>810,473</u>	<u>(32,171)</u>

* Amounts are shown in AUD equivalent

Interest rate risk

The Group's exposure to interest rate risk and the effective interest rate for classes of financial assets and financial liabilities is set out below:

	Floating interest rate \$	Fixed interest rate \$	2021 total \$	Floating interest rate \$	Fixed interest rate \$	2020 total \$
Financial assets						
-Within one year						
Cash and cash equivalents	1,573,514	-	1,573,514	1,039,857	-	1,039,857
Effective interest rate	0.05%		0.05%	0.05%		0.05%
Total financial assets	1,573,514	-	1,573,514	1,039,857	-	1,039,857
Financial liabilities						
-Within one year						
Trade creditors	170,475	-	170,475	261,554	-	261,554
Effective interest rate	0%		0%	0%		0%
Total financial liabilities	170,475	-	170,475	261,554	-	261,554

The Group is exposed to interest rate risk as the Group hold funds on deposit at floating interest rates.

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to Directors and represents management's assessment of the possible change in interest rates.

At reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's net revenue would increase by \$7,868 and decrease by \$7,868 respectively (2020: \$5,200).

Titanium Sands Limited
Notes to the consolidated financial statements (continued)
For the year ended 30 June 2021

18.a Reconciliation of cash flows from operating activities

	2021 \$	2020 \$
Cash flows from operating activities		
Loss for the period	(1,507,879)	(1,497,446)
Share based payment	247,612	200,000
Depreciation	33,636	33,881
(Increase) / decrease in trade and other receivables	(17,163)	26,207
(Decrease) / increase in trade and other payables	(34,662)	125,933
Net cash from operating activities	(1,278,455)	(1,111,425)

18.b Non-cash Financing and Investing Activities

The Group had no non-cash financing and investing activities during the financial year.

19. Related Party Transactions
Key management personnel compensation

	2021 \$	2020 \$
The key management personnel compensation are as follows:		
Short-term employee benefits	505,688	574,276
Share Based Payments	247,612	-
Post-employment benefits	17,100	17,100
	770,400	591,376

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. A number of these entities transacted with the Company in the reporting period.

Consultancy services

Jason Ferris is a Director of J2J Investments Pty Ltd ("J2J"), which provided the Company with out of scope consultancy services. These services provided were based upon normal commercial terms and conditions no more favourable than those available to other parties. The amount incurred for the year ended 30 June 2021 was \$67,788 (2020: \$73,176) and are included as part of Directors remuneration in section 7.3.

Dr James Searle is a Director of Earthsciences Pty Ltd ("Earthsciences"), which provided the Company with director and consultancy services. These services provided were based upon normal commercial terms and conditions no more favourable than those available to other parties. The amount incurred for the year ended 30 June 2021 was \$167,900. (2020: \$203,600) and are included as part of Directors remuneration in section 7.3.

Mr Lee Christensen is a Director of Pooky Corporation Pty Ltd ("Pooky"), which provided the Company with director services. These services provided were based upon normal commercial terms and conditions no more favourable than those available to other parties. The amount incurred for the year ended 30 June 2021 was \$90,000 (2020: \$117,500) and are included as part of Directors remuneration in section 7.3.

Other Transactions

There were no other transactions with Directors and key management personnel in the current financial year.

Titanium Sands Limited

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2021

20. 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 is 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.

21. Events Occurring after the Reporting Period

On 23 July, Titanium Sands Limited announced that it had been made aware that the appeal regarding EL327 and EL328 had been heard at the Ministry of Environment. Formal discussions with the GSMB continue with the outcome remaining unclear. Given the continued government shutdown due to the COVID-19 situation in Sri Lanka, the process to retain the exploration licences has not been finalised and an update will be provided as soon as the Company has clarity on the outcome. The Company's view on the merits of the process to retain the exploration licences remain the same as previously reported.

Other than that set out above, there were no other significant events after the reporting date.

22. Commitments and Contingencies

Exploration Expenditure

The Groups Sri Lankan tenements are subject to annual minimum expenditure commitments based on the area of land holding which the minimum expenditure commitment doubling on each renewal. The current expenditure commitment are:

	2021 \$	2020 \$
Within 12 months	66,595	59,907
Greater than 12 months but less than 5 years	638,100	880,891
	704,695	940,798

Other Commitments:

The 33,333,333 Class B issued during the year ended 30 June 2019 will convert to ordinary equity at \$0.02 per share based on the achievement of milestones (refer to Note 16 for specific milestones) arising from the acquisition of Srinel.

Contingent Liabilities:

The Group has entered into a royalty deed with Curprum Holdings Limited to pay 5% of the net proceeds from the sale of minerals on the tenements acquired from Srinel Holdings Limited. Further to this the Group has also entered into a royalty deed with Caudan Management Services LLC to pay 5% of net proceeds from the sale of mineral on the tenements acquired from Bright Angel Limited.

During the 2020 financial year the Group entered into a consultancy arrangement with a supplier in Sri Lanka for advisory services associated with the Company's projects. The engagement includes a bonus fee payable on the granting of mining licenses on the Group's tenements. The fee payable for the 5 mining licenses is \$100,000 per mining license granted, payable in shares.

The Group has no other contingent assets or liabilities at reporting date.

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Titanium Sands Limited

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2021

23. Auditors' Remuneration

Audit and other non-audit services

BDO Audit (WA):

Audit and review of financial reports

	2021	2020
	\$	\$
	39,465	39,810
	39,465	39,810

24. Interest in Controlled Entities

The consolidated financial statements incorporate the assets, liabilities and the results of the following subsidiaries in accordance with the accounting policy described in note 3(d):

Controlled entities	Country of incorporation	Percentage owned 30 June 2021	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%

Titanium Sands Limited
Notes to the consolidated financial statements (continued)
For the year ended 30 June 2021

25. Parent Entity information

Financial position	2021	2020
	\$	\$
Assets		
Current assets	1,629,998	1,080,080
Non-current assets	26,603,173	30,776,610
Total assets	28,233,171	31,856,690
Liabilities		
Current liabilities	159,813	216,859
Total liabilities	159,813	216,859
Equity		
Issued capital	35,706,530	33,729,831
Accumulated losses	(13,895,336)	(7,944,552)
Reserves	6,262,164	5,854,552
Total equity	28,073,358	31,639,832
Financial performance		
Loss for the year	(5,950,784)	(2,686,032)
Total comprehensive loss for the year	(5,950,784)	(2,686,032)

Guarantees:

The Company has not entered into any guarantees in the current or previous financial year, in relation to the debts of its subsidiaries.

Other Commitments and Contingencies:

The Company has no commitment to acquire property, plant and equipment and has no contingent liabilities other than those disclosed in Note 22.

Titanium Sands Limited Directors' Declaration

The directors of Titanium Sands Limited ("the Company" or "the Group") declare that:

- 1) the financial statements and notes thereto are in accordance with the Corporations Act 2001, including:
 - a) giving a true and fair view of the financial position of the Group as at 30 June 2021 and of its performance, as represented by the results of its operations and cash flows, for the financial year ended on that date; and
 - b) comply with Accounting Standards in Australia, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- 2) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
- 3) The financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295(a) of the Corporations Act 2001.

Dated at Perth this 29 September 2021

Signed in accordance with a resolution of the directors:



James Searle
Director

INDEPENDENT AUDITOR'S REPORT

To the members of Titanium Sands Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Titanium Sands Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, 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 year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Report section of our report. We are independent of the Group in accordance with the 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 our audit of the 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 in the same terms if given to the directors as at the time of this auditor's report.

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

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Material uncertainty related to going concern

We draw attention to Note 2 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Recoverability of Capitalised Exploration Expenditure

Key audit matter	How the matter was addressed in our audit
<p>At 30 June 2021 the carrying value of capitalised exploration expenditure was disclosed in Note 8.</p> <p>As the carrying value of the exploration assets represent a significant asset of the Group, we considered it necessary to assess whether any facts or circumstances exist to suggest that the carrying amount of these assets may exceed its recoverable amount.</p> <p>Judgement is applied in determining the treatment of exploration expenditure in accordance with Australian Accounting Standard AASB 6 Exploration for and Evaluation of Mineral Resources. In particular, whether facts and circumstances indicate that the exploration and evaluation assets should be tested for impairment.</p> <p>As a result, this is considered a key audit matter.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Obtaining a schedule of the exploration and evaluation expenditure held by the Company and assessing whether the rights to tenure of the Mannar Island Project remained current or were in the process of being renewed at balance date; • Considering the status of the ongoing exploration programmes in the Mannar Island Project by holding discussions with management, and reviewing the Group's exploration budgets, ASX announcements and director's minutes; • Considering whether the Mannar Island Project has reached a stage where a reasonable assessment of economically recoverable reserves existed; • Considering whether any facts or circumstances existed to suggest impairment testing was required; and • Assessing the adequacy of the related disclosures in Note 3(d) and Note 8 to the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

Responsibilities of the directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 19 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Titanium Sands Limited, for the year ended 30 June 2021, complies with section 300A of the Corporations Act 2001.

Responsibilities

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

BDO Audit (WA) Pty Ltd

BDO

A handwritten signature in black ink, appearing to read 'J Prue', is written over a faint, light-colored BDO logo.

Jarrad Prue

Director

Perth, 29 September 2021

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

As lead auditor of Titanium Sands Limited for the year ended 30 June 2021, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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, 29 September 2021

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Titanium Sands Limited Schedule of Exploration Tenements

The information was applicable as at 21 September 2021.

Exploration licence	EL validity		Area	Renewal date
EL 370/R/1	04.05.2021	03.05.2023	31km ²	03.03.2023
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	195km ²	

**All necessary applications and submissions for the renewal of tenure have been lodged and are expected to be renewed in due course.*

Titanium Sands Limited ASX Additional Information

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below. The information was applicable as at 23 September 2021.

A. Distribution of Equity Securities

Analysis of numbers of security holders by size of holding:

Shareholders:

Distribution	Number of Shareholders	Number of Shares	%
1 - 1,000	133	23,402	0.00
1,001 - 5,000	19	40,296	0.00
5,001 - 10,000	23	207,710	0.02
10,001 - 100,000	303	14,577,277	1.17
100,001 Over	368	1,235,096,233	98.81
Total	846	1,249,944,918	100.00

The number of shareholders holding less than a marketable parcel of ordinary shares is unable to be calculated given the shares are currently suspended.

Optionholders:

Distribution	Number of Shareholders	Number of Shares	%
1 - 1,000	2	546	0.00
1,001 - 5,000	0	0	0.00
5,001 - 10,000	0	0	0.00
10,001 - 100,000	39	2,768,567	4.14
100,001 Over	89	64,128,603	95.86
Total	130	66,897,716	100.00

B. Substantial Shareholders

An extract of the Company's Register of Substantial Shareholders (who hold 5% or more of the issued capital) is set out below:

Shareholder Name	Listed Ordinary Shares	
	Number	Percentage
Robert Nelson (Vuna Nominees LLC, Willis Holdings Ltd, King George V Nominees Ltd & Cuprum Holdings Limited)	455,910,261	36.48%
Gary Johnson Super Management Pty Ltd	105,000,000	8.40%

C. Top 20

The names of the twenty largest holders of quoted shares are listed below:

	Shareholder Name	Listed Ordinary Shares	
		Number	Percentage
1.	WILLIS HOLDINGS LTD	252,500,000	20.20
2.	CUPRUM HOLDINGS LIMITED	153,445,261	12.28
3.	REDASO PTY LTD <REDASO FAMILY A/C>	110,000,000	8.80
4.	GARY JOHNSON SUPER MANAGEMENT PTY LTD <GARY JOHNSON S/F NO 2 A/C>	105,000,000	8.40
5.	HEEDFUL PTY LTD <ASSURED S/F A/C>	59,700,000	4.78
6.	VUNA NOMINEES LLC	35,000,000	2.80
7.	SUNSET CAPITAL MANAGEMENT PTY LTD <SUNSET SUPERFUND A/C>	25,659,094	2.05
8.	BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD <DRP A/C>	25,345,933	2.03
9.	KING GEORGE V NOMINEES LTD	14,965,000	1.20
10.	ALITIME NOMINEES PTY LTD <HONEYHAM FAMILY A/C>	12,737,966	1.02
11.	MR LAURENT LEYENDECKER	12,714,000	1.02
12.	OFFENSE PTY LTD <THE RESTRAINT S/FUND A/C>	10,900,000	0.87
13.	MR HOWARD WILLIAM OTTEN	10,200,000	0.82
14.	CELTIC CAPITAL PTY LTD <THE CELTIC CAPITAL A/C>	10,000,000	0.80
15.	CHESTER ASSETS PTY LTD <CHESTER INVESTMENTS A/C>	10,000,000	0.80
16.	DRAGON FIRE HOLDINGS LTD	10,000,000	0.80
17.	MR PETER FITZGERALD	10,000,000	0.80
18.	QUATTRO STAGIONE PTY LTD	10,000,000	0.80
19.	EMERPUS ASIA LTD	9,800,363	0.78
20.	MR DAVID REGINALD KIRKWOOD + MRS SHAN LI	9,433,457	0.75
	TOTAL	897,401,074	71.80

The names of the twenty largest option holders of quoted options are listed below:

	Optionholder Name	Listed Options	
		Number	Percentage
1.	ZENIX NOMINEES PTY LTD	20,000,000	29.90
2.	CELTIC CAPITAL PTY LTD <INCOME A/C>	7,000,000	10.46
3.	CPS CAPITAL NO 4 PTY LTD	6,000,000	8.97
4.	DC & PC HOLDINGS PTY LTD <DC & PC NEESHAM SUPER A/C>	2,600,000	3.89
5.	ALITIME NOMINEES PTY LTD <HONEYHAM FAMILY A/C>	1,750,000	2.62
6.	TRINITY DIRECT PTY LTD	1,545,454	2.31
7.	THE 5TH ELEMENT MCTN PTY LTD	1,500,000	2.24
8.	BENJAY PTY LTD	1,340,909	2.00
9.	MR DAVID ARITI	848,678	1.27
10.	SUNSET CAPITAL MANAGEMENT PTY LTD <SUNSET SUPERFUND A/C>	829,547	1.24
11.	MR MICHAEL TAN	825,639	1.23
12.	ST BARNABAS INVESTMENTS PTY LTD <THE MELVISTA FAMILY A/C>	662,500	0.99
13.	FREYABEAR FHMN PTY LTD	625,000	0.93
14.	HONEYBEE ANHM PTY LTD	625,000	0.93
15.	HUNTERELAND HJDN PTY LTD	625,000	0.93
16.	P J ENTERPRISES PTY LTD <P J ENTERPRISES S/F A/C>	625,000	0.93
17.	QUATTRO STAGIONE PTY LTD	625,000	0.93
18.	BUCKMINSTER INVESTMENTS PTY LTD <BUCKMINSTER SUPER FUND A/C>	600,000	0.90
19.	MR SUNEEL BOMMIREDDY	500,000	0.75
20.	DIXTRU PTY LIMITED	500,000	0.75
21.	HINDSIGHT PTY LTD <MACTIER FAMILY A/C>	500,000	0.75
22.	MR SAI MANOJ NAMBURU	500,000	0.75
	TOTAL	50,627,727	75.68

D. Voting Rights

In accordance with the Company's Constitution, voting rights in respect of ordinary shares are on a show of hands whereby each member present in person (or representing a corporation who is a member) shall have one vote and upon a poll, each share will have one vote.

E. On-market buy-back

There is no current on-market buy-back.

F. Restricted Securities

There are currently no restricted securities.

G. Use of Funds

Between the date of re-listing on ASX and the date of this report the Company has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives and as set out in the Prospectus dated 29 March 2018 as varied by the Prospectus dated 21 June 2018 and second supplementary Prospectus dated 19 September 2018.

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