



titaniumsands
LTD

ABN 65 009 131 533

Titanium Sands Limited

**Annual Financial Report
For the year ended 30 June 2023**

For personal use only

Contents

| | Page |
|---|------|
| Corporate Information | 3 |
| Directors' report | 4 |
| Consolidated statement of profit or loss and other comprehensive income | 22 |
| Consolidated statement of financial position | 23 |
| Consolidated statement of changes in equity | 24 |
| Consolidated statement of cash flows | 25 |
| Notes to the consolidated financial statements | 26 |
| Directors' declaration | 48 |
| Auditor's report | 49 |
| Auditor's independence declaration | 53 |
| Schedule of exploration tenements | 54 |
| Additional shareholder information | 55 |

For personal use only

Corporate Information

| | |
|--|---|
| Directors | James Searle Jason Ferris Lee Christensen |
| Company Secretary | Mr Alan Armstrong |
| Registered Office and Principal Place of Business | Level 8, 216 St Georges Terrace PERTH WA 6000 Telephone: (08) 9481 0389 Facsimile: (08) 9463 6103 |
| Share Registry | Computershare Investor Services Pty Limited Level 17 221 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 Level 9, Mia Yellagonga Tower 2 Perth WA 6000 |
| Stock Exchange | ASX Limited Exchange Plaza Level 40 152-158 St Georges Terrace PERTH WA 6000 |
| ASX Code | TSL |

For personal use only

Titanium Sands Limited

Directors' report

For the year ended 30 June 2023

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 | Experience, special responsibilities and other directorships |
|---|---|
|---|---|

James Searle
Managing Director

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 600,000 shares 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, resigned 24 February 2021.

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 2,940,000 shares in the Company as at the date of this report.

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

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 21,672,000 shares 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 2023

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.

3. Directors' meetings

The number of meetings of the Company's Directors held during the year ended 30 June 2023, 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 | 5 | 5 |
| Jason Ferris | 5 | 5 |
| Lee Christensen | 5 | 5 |

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 2023 amounted to \$1,234,028 (2022: loss \$1,160,713). 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 2023 amount to \$20,252,605 (2022: net assets \$16,327,092).

The Company is focused upon exploring and developing the Mannar Island Project in Sri Lanka. Material business risks that may impact the results of future operations include tenure risks, environmental risks, ore reserve and mineral resources estimates, Sri Lankan country risk, exploration, development, mining and processing risks, access risks, debt funding risks, future commodity prices and currency exchange risks, government and regulatory risk, reliance on key personnel, operating risks, capital costs, operating costs, safety, political and regulatory risks and contract risk. Subsequent to the end of the financial on 19 July 2023 the Group lodged an Entitlement Issue Prospectus with ASX and ASIC which included a number of specific and general risks relevant to the Group.

Titanium Sands Limited
Directors' report (continued)
For the year ended 30 June 2023

6. Events Subsequent to the Reporting Date

On 13 July 2023 the Company announced a two tranche Placement to raise \$1,100,000 (before costs) to sophisticated and professional investors at \$0.005 per share with one free attaching option for each share subscribed exercisable at \$0.023 and expiring on 16 February 2026. On 20 July 2023 the Company completed tranche 1 of the Placement by issuing 210,959,675 ordinary shares to raise \$1,054,798 (before costs). The remaining shares are expected to be issued following shareholder approval in September 2023.

On 4 August 2023 the Company announced the closure of the Rights Issue with applications received for 81,947,180 ordinary shares at \$0.005 per share to raise \$409,736 with one free attaching option for every share subscribed exercisable at \$0.023 and expiring on 16 February 2026. The shares were issued on 8 August 2023. On 8 September 2023 the Company issued 60,000,000 shares forming part of the shortfall to the Rights Issue at \$0.05 per share. A further 139,332,604 shortfall shares are still available to be placed by the Company.

On 9 August 2023 the Company issued 12,500,000 ordinary shares to employees under the Company's Employee Incentive Securities Plan at a deemed issue price of \$0.005 per share.

On 24 August 2023 the Company announced via the Notice of General Meeting to shareholders that the convertible note holders had agreed to convert their convertible facilities to Placement shares at an issue price of \$0.005 per share with one free attaching option per share issued, thereby extending the due date for repayment of the convertible notes from 8 September 2023 to a date following shareholder approval at the general meeting on 28 September 2023. The balance of the convertible notes at 30 June 2023 was \$250,000, with a further \$150,000 drawn down subsequent to year end.

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 2023

REVIEW OF OPERATIONS

Overview

The Mannar Island Heavy Mineral Sands Project in Northwest Sri Lanka is 100% controlled by Titanium Sands Ltd (Figures 1). 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.

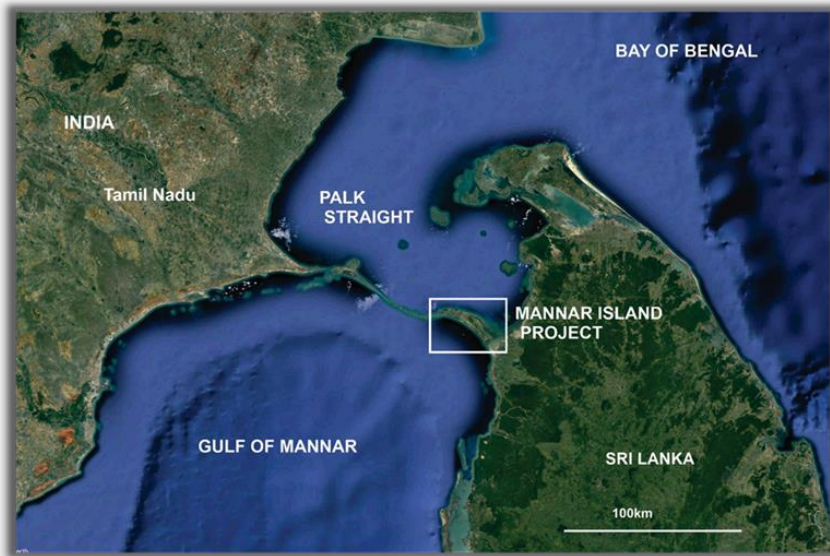


Figure 1 Location of the Mannar Island Heavy Mineral Sand Project, northwest Sri Lanka.

As Covid-19 conditions began to improve in early 2022 Sri Lanka has experienced significant economic and political issues . Deterioration of the national accounts due to a combination of the economic consequences of Covid-19, principally on the inbound tourism industry, and longer term national economic management issues led to significant inflation and drastic deterioration in the balance of payments. The resulting social and political disruptions combined with a drastic shortage of transport and other fuels further disrupted operations from time to time.

However in the 12 months since June 2022, a new interim multiparty government has resulted in some stabilisation in both the economic and political situation. This has enabled the government to engage with the International Monetary Fund and sovereign debt holders to try and negotiate a long term national economic plan for the country.

Receding Covid-19 issues and stabilisation of the political and economic situation in the latter half 2022 allowed the resumption of resource definition and extension reverse circulation/air core drilling at the project site. As reported (¹ [ASX Announcement: 25/8/ 2022](#)) previously a 315 hole RC/aircore resource infill and extension drilling program was completed in August. The results were then incorporated into an updated mineral resource estimate (MRE) (² [ASX Announcement: 14/3/2023](#)). The updated MRE was then used as the basis for a scoping study (³ [ASX announcement 12/5/2023](#)) which confirmed the potential for a major long life financially robust heavy mineral dredging project.

Titanium Sands Limited
Directors' report (continued)
For the year ended 30 June 2023

MINERAL RESOURCES UPDATE

The resource extension and infill drilling completed in 2022 was focussed on a continuous high grade zone 8 km long by 1 to 2km wide termed Domains 2 and 8 (Figure 1, inset map A). The previous MRE was completed in 2020 (⁴ [ASX Announcement: 14/9/2020](#)).

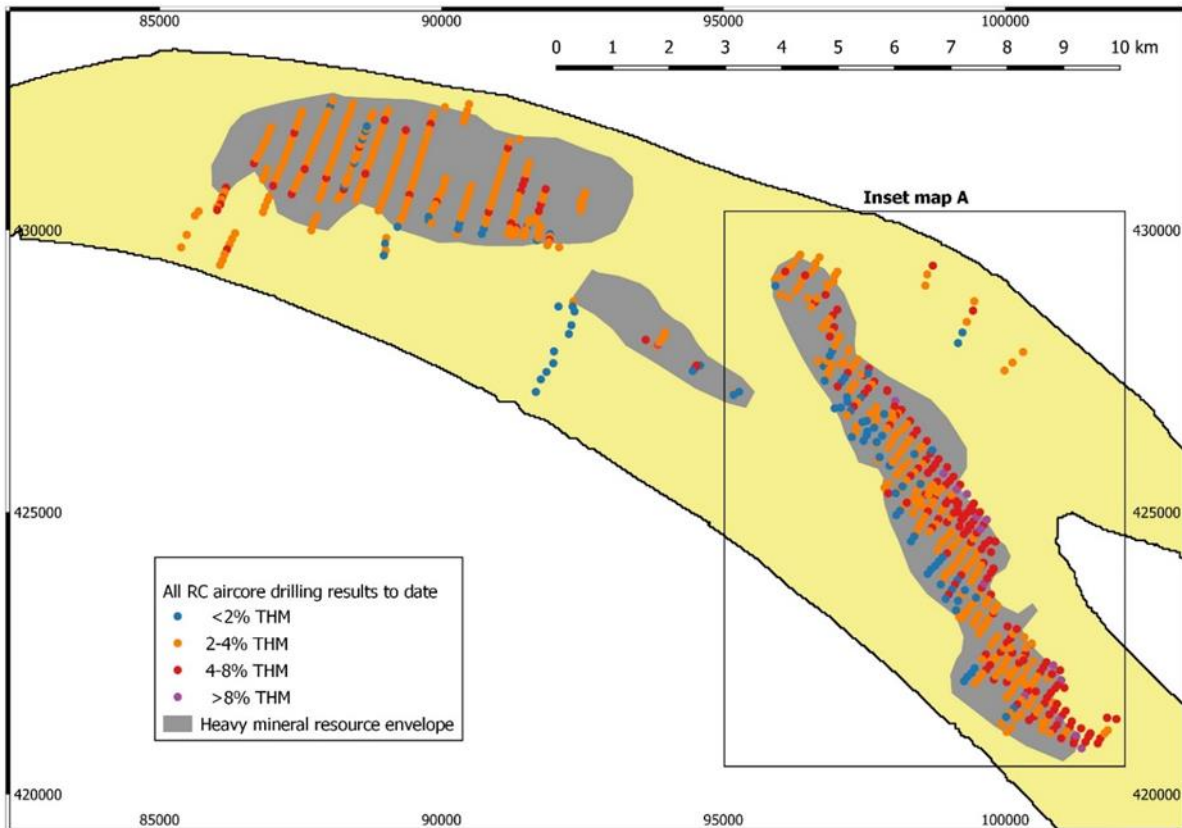


Figure 1 All RC aircore drilling results for the Mannar Heavy Minerals Project. Inset map A shows the Domain 2 and 8 zone in which the infill and extension drilling was undertaken and incorporated in the updated mineral resource estimate.

The new MRE (incorporating the 2022 infill and extension drilling) shows an increase in indicated resources in Domain 2 and 8 from 31% to 75%, and an increase in tonnes from 92.6 million to 145.6 million based on a 2% lower Total Heavy Mineral (THM) grade cut off (Tables 1 and 2). For a 3% lower THM cut off the indicated portion of the resource increased from 42% to 75% and tonnes from 59 million to 82 million (Tables 3 and 4). When the updated Domain 2 and 8 MRE is incorporated into the total MRE for the project it is 318 million at 4.17% THM up from 264.9 million at 4.38% THM at a 2% THM lower cut off (Tables 5 and 6). At a 3% THM lower cut off the total MRE has increased from 164 million at 5.54% THM to 187 million at 5.36% THM (Tables 7 and 8).

Titanium Sands Limited
Directors' report (continued)
For the year ended 30 June 2023

| Resource Category | Volume (Mm ³) | Tonnes (M) | Thm % | Silt % | Ovz % | Ilm % | Leu % | Rut % | Zir % | Gar % |
|-------------------|---------------------------|--------------|-------------|-------------|--------------|-------------|-------------|-------------|-------------|-------------|
| Indicated | 62.4 | 109.1 | 4.32 | 2.04 | 23.05 | 1.92 | 0.35 | 0.07 | 0.09 | 0.53 |
| Inferred | 20.9 | 36.5 | 4.93 | 2.13 | 24.97 | 2.31 | 0.39 | 0.08 | 0.11 | 0.58 |
| Total | 83.3 | 145.6 | 4.48 | 2.07 | 23.53 | 2.02 | 0.36 | 0.07 | 0.10 | 0.54 |

Table 1 Domain 2 and 8 new mineral resource estimate at 2% THM lower cut off*.

| Resource Category | Volume (Mm ³) | Tonnes (M) | Thm % | Silt % | Ovz % | Ilm % | Leu % | Rut % | Zir % | Gar % |
|-------------------|---------------------------|-------------|-------------|-------------|--------------|-------------|-------------|-------------|-------------|-------------|
| Indicated | 17.0 | 29.5 | 7.25 | 0.75 | 20.39 | 3.25 | 0.62 | 0.10 | 0.12 | 0.90 |
| Inferred | 36.1 | 63.1 | 4.29 | 0.99 | 25.10 | 1.80 | 0.33 | 0.07 | 0.08 | 0.47 |
| Total | 53.0 | 92.6 | 5.24 | 0.92 | 23.60 | 2.27 | 0.42 | 0.08 | 0.09 | 0.61 |

Table 2 Domain 2 and 8 mineral resource estimate at a 2% THM lower cut off previously reported (⁴ASX 14/9/2020)*.

| Resource Category | Volume (Mm ³) | Tonnes (M) | Thm % | Silt % | Ovz % | Ilm % | Leu % | Rut % | Zir % | Gar % |
|-------------------|---------------------------|-------------|-------------|-------------|--------------|-------------|-------------|-------------|-------------|-------------|
| Indicated | 35.0 | 61.1 | 5.78 | 1.62 | 20.70 | 2.64 | 0.48 | 0.09 | 0.12 | 0.73 |
| Inferred | 12.0 | 21.0 | 6.78 | 1.71 | 22.59 | 3.27 | 0.53 | 0.10 | 0.14 | 0.82 |
| Total | 47.0 | 82.0 | 6.03 | 1.64 | 21.18 | 2.80 | 0.49 | 0.09 | 0.13 | 0.75 |

Table 3 Domain 2 and 8 new mineral resource estimate at 3% THM lower cut off*.

| Resource Category | Volume (Mm ³) | Tonnes (M) | Thm % | Silt % | Ovz % | Ilm % | Leu % | Rut % | Zir % | Gar % |
|-------------------|---------------------------|-------------|-------------|-------------|--------------|-------------|-------------|-------------|-------------|-------------|
| Indicated | 14.2 | 24.6 | 8.19 | 0.76 | 19.04 | 3.73 | 0.70 | 0.11 | 0.14 | 1.01 |
| Inferred | 19.7 | 34.4 | 5.79 | 0.96 | 21.30 | 2.47 | 0.45 | 0.09 | 0.11 | 0.64 |
| Total | 33.8 | 59.0 | 6.79 | 0.87 | 20.36 | 3.00 | 0.56 | 0.10 | 0.12 | 0.79 |

Table 4 Domain 2 and 8 mineral resource estimate at a 3% THM lower cut off previously reported (⁴ASX 14/9/2020)*.

| Resource Category | Volume (Mm ³) | Tonnes (M) | Thm % | Silt % | Ovz % | Ilm % | Leu % | Rut % | Zir % | Gar % |
|-------------------|---------------------------|--------------|-------------|-------------|--------------|-------------|-------------|-------------|-------------|-------------|
| Indicated | 83.3 | 145.7 | 4.28 | 1.76 | 18.41 | 1.90 | 0.35 | 0.08 | 0.09 | 0.44 |
| Inferred | 98.5 | 172.3 | 4.07 | 1.31 | 16.37 | 1.87 | 0.31 | 0.08 | 0.10 | 0.30 |
| Total | 181.7 | 318.0 | 4.17 | 1.52 | 17.30 | 1.88 | 0.33 | 0.08 | 0.10 | 0.37 |

Table 5 Project all domain new mineral resource estimate at 2% THM lower cut off with updated Domain 2 and 8 incorporated*.

| Resource Category | Volume (Mm ³) | Tonnes (M) | Thm % | Silt % | Ovz % | Ilm % | Leu % | Rut % | Zir % | Gar % |
|-------------------|---------------------------|--------------|-------------|-------------|--------------|-------------|-------------|-------------|-------------|-------------|
| Indicated | 37.8 | 66.1 | 5.54 | 0.83 | 11.63 | 2.48 | 0.46 | 0.10 | 0.10 | 0.51 |
| Inferred | 113.6 | 198.8 | 3.99 | 1.06 | 17.56 | 1.77 | 0.30 | 0.08 | 0.10 | 0.30 |
| Total | 151.4 | 264.9 | 4.38 | 1.00 | 16.08 | 1.95 | 0.34 | 0.08 | 0.10 | 0.35 |

Table 6 Project all mineral resource estimate at a 2% THM lower cut off previously reported (⁴ASX 14/9/2020)*.

Titanium Sands Limited

Directors' report (continued)

For the year ended 30 June 2023

| Resource Category | Volume (Mm ³) | Tonnes (M) | Thm % | Silt % | Ovz % | Ilm % | Leu % | Rut % | Zir % | Gar % |
|-------------------|---------------------------|------------|-------|--------|-------|-------|-------|-------|-------|-------|
| Indicated | 50.7 | 88.7 | 5.45 | 1.39 | 15.54 | 2.48 | 0.44 | 0.10 | 0.11 | 0.58 |
| Inferred | 56.2 | 98.4 | 5.27 | 1.26 | 15.50 | 2.48 | 0.40 | 0.11 | 0.13 | 0.41 |
| Total | 106.9 | 187.0 | 5.36 | 1.32 | 15.52 | 2.48 | 0.42 | 0.10 | 0.12 | 0.49 |

Table 7 Project all domain new mineral resource estimate at 3% THM lower cut off with updated Domain 2 and 8 MRE incorporated *.

| Resource Category | Volume (Mm ³) | Tonnes (M) | Thm % | Silt % | Ovz % | Ilm % | Leu % | Rut % | Zir % | Gar % |
|-------------------|---------------------------|------------|-------|--------|-------|-------|-------|-------|-------|-------|
| Indicated | 29.8 | 52.2 | 6.36 | 0.83 | 11.14 | 2.89 | 0.53 | 0.11 | 0.12 | 0.59 |
| Inferred | 63.9 | 111.8 | 5.15 | 1.08 | 15.96 | 2.33 | 0.39 | 0.10 | 0.12 | 0.40 |
| Total | 93.8 | 164.0 | 5.54 | 1.00 | 14.43 | 2.51 | 0.43 | 0.10 | 0.12 | 0.46 |

Table 8 Project all mineral resource estimate at a 3% THM lower cut off previously reported (⁴ASX 14/9/2020)*.

*Notes to tables 1-8:

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

SCOPING STUDY

As announced in full to the ASX (³ ASX announcement 12/5/2023) a scoping study of the Mannar Heavy Minerals Project confirmed the potential for a major long life financially robust heavy mineral dredging project producing a high quality ilmenite product expected to find a ready market with titanium slag and sulphate route pigment producers in the Middle East, South Korea, India, China and elsewhere. Subsidiary products will include rutile, zircon and garnet. The scoping study was focussed on Domains 1 and 8 of the new mineral resource estimate (Figure 2) (² ASX Announcement: 14/3/2023) which represent 44% of the total MRE (at a 3% lower cut off).

The scoping study project scenario was selected on a project format with a modest capital hurdle but of sufficient scale and project life that its products would be attractive to potential offtake partners. Consequently the study was based on a single dredge continuously mining a zone measuring 8km by 1-2km wide zone at rate of 4 million tonnes per annum over a period of 20 years. This zone contains 82million tonnes at 6.03% THM on a lower grade cut-off grade of 3% (Table 3) out of the total current mineral resource estimate of 187 million tonnes at 5.36%THM on a 3% THM lower cut off (Table 7).

A schematic representation of the operation is shown in Figure 3 and the conceptual process flow sheet in Figure 4.

This initial project scope was found to have an NPV_{10%} of A\$545 million (EBITDA, 10% discount rate), an IRR of 52%, a capital payback period of under 2 years and a globally competitive revenue to cost ratio of 2.75. CAPEX was estimated at AUD\$122 million.

The scoping study has also highlighted the potential for second and possibly third dredge expansion opportunities over and above the first stage 4Mtpa project and indicate further studies into expanded processing capacities are clearly warranted.

Titanium Sands Limited Directors' report (continued) For the year ended 30 June 2023

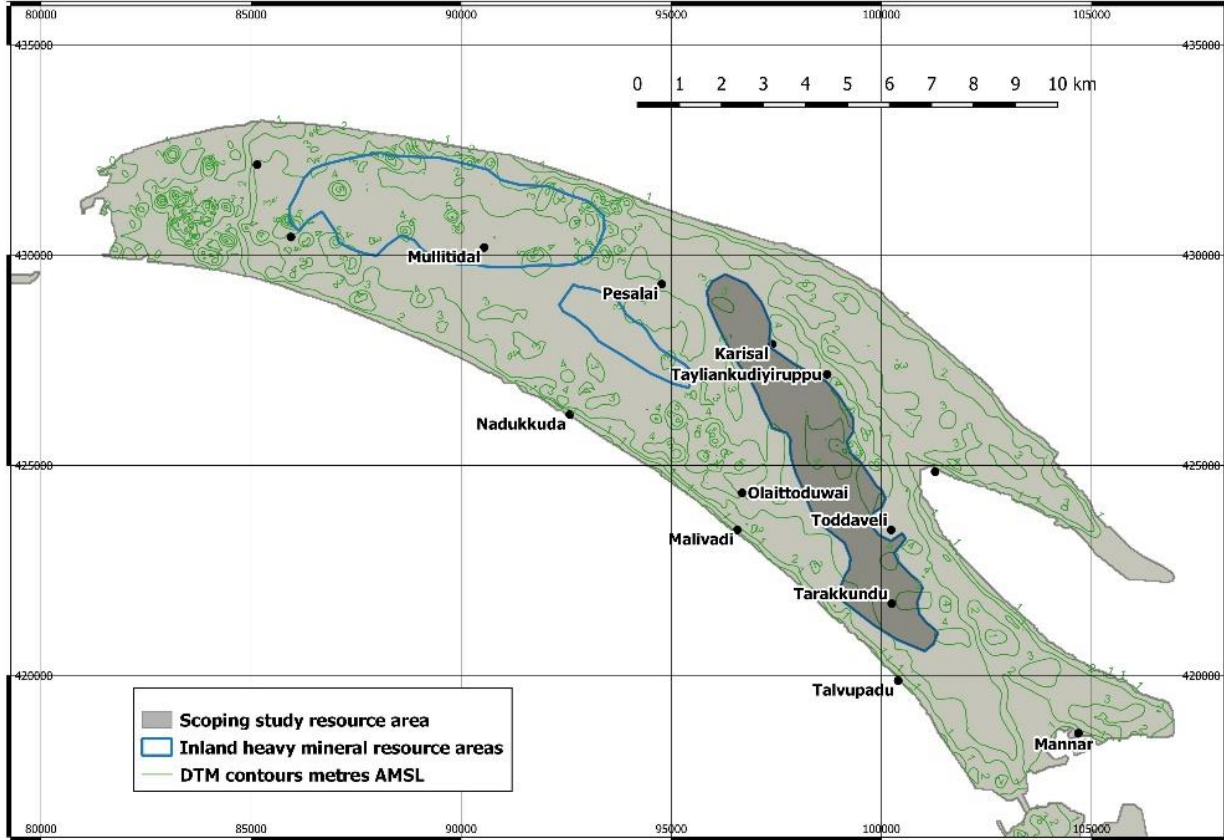


Figure 2 Mineral resource areas including scoping study mineral resource area.

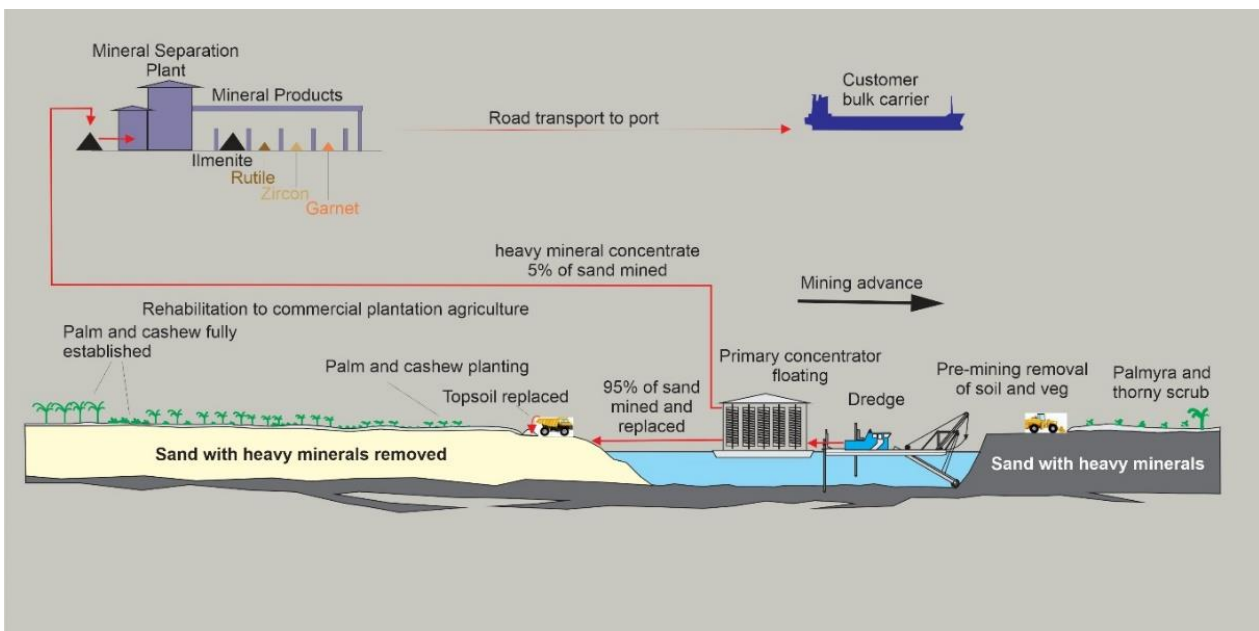


Figure 3 Dredge led sand recovery and progressive rehabilitation to enhanced productivity plantation agriculture.

For personal use only

Titanium Sands Limited
Directors' report (continued)
 For the year ended 30 June 2023

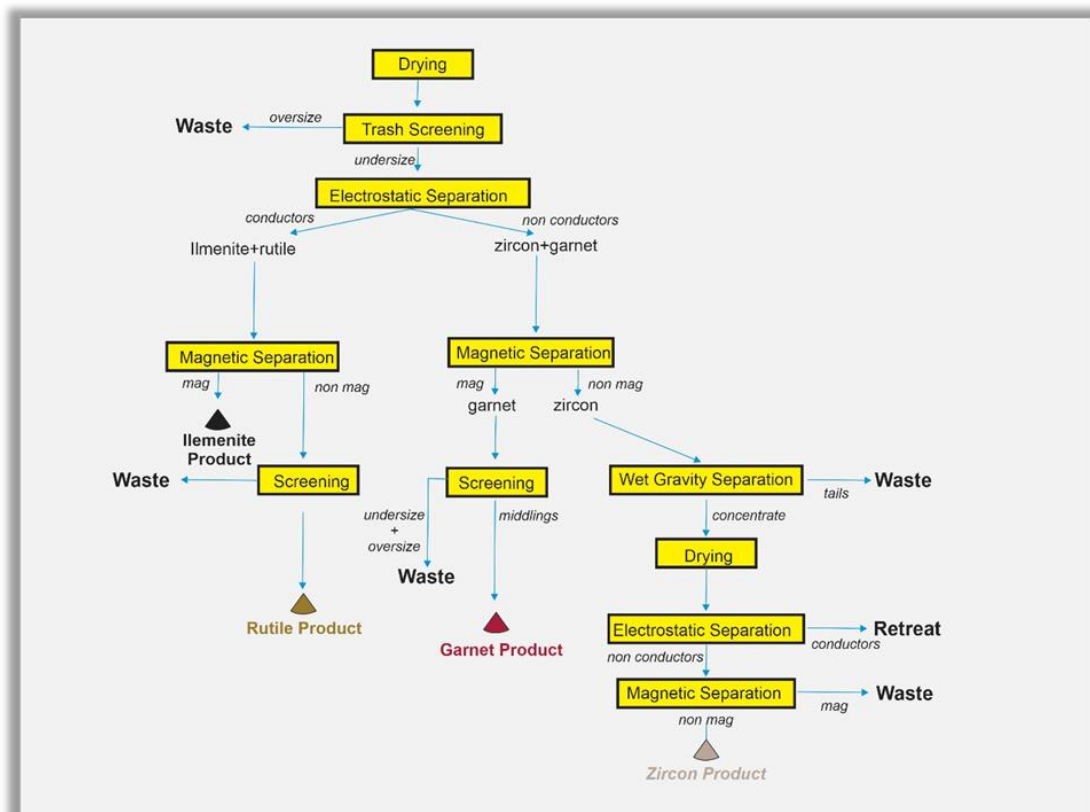


Figure 4 Mannar Island Project process flow sheet.

JOINT VENTURE AND STRATEGIC PARTNERSHIP WITH JAT HOLDINGS

Titanium Sands entered into a binding term sheet to acquire James Global (Pvt) Ltd (⁵ASX announcement 2/5/2023), an associate company of JAT Holdings PLC. JAT Holdings is a major diversified Colombo Stock Exchange listed company, which has various businesses including supplying finishing and furnishing solutions including coatings and paints and accessories to local and international markets and the direct sourcing of titanium dioxide based pigments used its products.

James Global holds heavy mineral sand exploration tenure on the NE Coast of Sri Lanka TSL and JAT Holdings intend to form a joint venture for the further exploration and development of ground held by James Global. As part of the agreement JAT will also assist with Sri Lankan management and operational matters for TSL Sri Lankan subsidiaries.

The existing ground held by James Global compliments TSL's existing Mannar Island project and future growth plans. TSL remains focused on delivering a high-grade HMS project in Sri Lanka and the proposed acquisition and joint venture with JAT Holdings PLC secures a very strong in-country partner to assist in meeting these objectives.

Titanium Sands Limited

Directors' report (continued)

For the year ended 30 June 2023

TENURE AND REGULATORY PROCESS

Sri Lankan Geological Survey and Mines Bureau (GSMB) has completed its required regulatory review of final exploration reports and has approved progression to an Environment Impact Assessment (EIA) and the mining lease application process (⁶ASX announcement 18/7/2023). As part of the review the GSMB is also required to assess the potential economic viability of the project. On receipt of the GSMB review of the project the Central Environment Agency (CEA) has confirmed the initiation of environmental clearance and has requested the Basic Information Questionnaire ("BIQ") be submitted for each license held. The Company is in the process of finalising these now for submission (⁷ASX announcement 27/7/2023).

The GSMB has approved the Company's application for the retention of the term of license EL370 has been granted. The retention has been granted for a further 1-year term expiring on 16 May 2024. The other 4 current exploration licences will be converted to similar retention licence status as they reach their anniversary dates. The intention being to convert all 5 core project exploration licences to mining licence status in due course.

Tenure renewals on the other 4 peripheral exploration licences remain pending.

| Exploration License | Holder | EL | Validity | Area | Status |
|---------------------|--------------------------------|------------|------------|--------------------|-------------------|
| EL 370 | Kilsythe Exploration (PVT) LTD | 4/05/2021 | 16/05/2024 | 31km ² | Current retention |
| EL 351 | Sanur Minerals (PVT) LTD | 13/12/2019 | 12/12/2023 | 15km ² | Current |
| EL 345 | Sanur Minerals (PVT) LTD | 29/10/2021 | 28/10/2023 | 10km ² | Current |
| EL 343 | Orion Minerals (PVT) LTD | 29/10/2021 | 28/10/2023 | 5km ² | Current |
| EL 344 | Orion Minerals (PVT) LTD | 29/10/2021 | 28/10/2023 | 8km ² | Current |
| EL 180/R/3 | Applex Ceylon (PVT) LTD | 5/03/2019 | 4/03/2021 | 45km ² | Renewal Pending |
| EL 182/R/3 | Applex Ceylon (PVT) LTD | 5/03/2019 | 4/03/2021 | 26km ² | Renewal Pending |
| EL 371 | Hammersmith Ceylon (PVT) LTD | 26/02/2018 | 25/02/2020 | 4km ² | Renewal Pending |
| EL 372 | Hammersmith Ceylon (PVT) LTD | 26/02/2018 | 25/02/2020 | 51km ² | Renewal Pending |
| | | | Total | 195km ² | |

Table 9 Mannar Project tenure.

Titanium Sands Limited

Directors' report (continued)

For the year ended 30 June 2023

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 **ASX Announcement: 25/5/2022: "Completion of infill and extension drilling program"**

² **ASX Announcement: 14/3/2023: "Update resource estimate-Mannar Heavy Mineral Project"**

³ **ASX Announcement 12/5/2023: "Scoping Study- Mannar Heavy Mineral Project"**

⁴ **ASX Announcement 14/9/2020: "Project Update and Garnet Added to Resource Estimate"**

⁵ **ASX Announcement 2/5/2023: "Acquisition of James Global, Partnership with JAT Holdings"**

⁶ **ASX Announcement 18/7/2023: "GSMB approve and identify Mannar Project as viable"**

⁷ **ASX Announcement 27/7/2023: "CEA confirms initiation of environmental clearance"**

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

COMPLIANCE STATEMENTS

Previously Reported Exploration Results and Mineral Resources

This report includes information (Tables 1-8) that relates to Exploration Results and Mineral Resources prepared and first disclosed under JORC Code 2012. The information was extracted from the Company's previous ASX announcement as follows:

ASX Announcement 15 March 2023: Updated resource Estimate- Mannar Heavy Mineral Project

This announcement is available to view on the Company's website www.titaniumsands.com.au

The summary Mineral Resource information and comments above have been compiled by James Searle BSc (hons), PhD, a Competent Person who is a Member of the Australian Institute of Mining and Metallurgy, with over 40 years of experience in metallic and energy minerals exploration and development, and as such has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Dr Searle is the Managing Director of Titanium Sands Limited and consents to the inclusion of this technical information in the format and context in which it appears.

The Company confirms that it is not aware of any new information or data that materially affect the information included in the relevant market announcement and, in the case of estimates of the Company's 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. The Company further 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.

Previously Reported Scoping Study Results

This report contains information that relates to a scoping study announced to the ASX as follows:

ASX Announcement: 12 May 2023 Scoping Study- Mannar Heavy Mineral Project.

The summary scoping study information and comments presented above have been compiled by James Searle BSc (hons), PhD, a Competent Person who is a Member of the Australian Institute of Mining and Metallurgy. Dr Searle is the Managing Director of Titanium Sands Limited and consents to the inclusion of this technical information in the format and context in which it appears.

The Company confirms that it is not aware of any new information or data that materially affect the information included in the relevant market announcement that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply with respect to the scoping study conclusions and have not materially changed. The Company further confirms that the form and context in which the 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 2023

Forward-Looking Statements

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

Competent Persons

Except where indicated, exploration and technical information above have been reviewed and compiled by James Searle BSc (hons), PhD, a Competent Person who is a Member of the Australian Institute of Mining and Metallurgy, with over 37 years of experience in metallic and energy minerals exploration and development, and as such has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Dr Searle is the Managing Director of Titanium Sands Limited and consents to the inclusion of this technical information in the format and context in which it appears.

For personal use only

Titanium Sands Limited Directors' report (continued)

For the year ended 30 June 2023

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 2023

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 current and prior financial year, the Group did not employ the use of remuneration consultants.

The Board's policy is to remunerate Non-Executive Directors based on market practices, duties and accountability. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by Shareholders at the Annual General Meeting ("AGM"). The maximum aggregate amount of fees payable has been set at \$480,000pa.

7.2

Relationship between the Remuneration Policy and Company Performance

| | 30 June 2023 | 30 June 2022 | 30 June 2021 | 30 June 2020 | 30 June 2019 |
|--------------------------------|--------------|--------------|----------------------|--------------|--------------|
| | \$ | \$ | \$ | \$ | \$ |
| Revenue | - | 1,101 | - | 4,125 | - |
| Basic loss per share (cents) | (0.09) | (0.09) | (0.12) | (0.18) | (0.28) |
| Diluted loss per share (cents) | (0.09) | (0.09) | (0.12) | (0.18) | (0.28) |
| Share price at year end | \$0.007 | \$0.015 | \$0.030 ¹ | \$0.049 | \$0.017 |

¹ Last traded price of 20 April 2021. Company shares recommenced trading on 4 January 2022.

Titanium Sands Limited

Directors' report (continued)

For the year ended 30 June 2023

7.3 Directors' and executive officers' remuneration – audited

The Company renewed a Non-Executive Director Agreement with Lee Christensen in December 2021 for the provision of services to the Company. 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 2021 for a period of 24 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 2022 for the provision of services to the Company. 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.

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 | Until terminated or resignation of director |
| Termination notice by the individual/company | 1 month |
| Other entitlements | N/A |

Unlisted Options

There were no options issued to key management personnel during the 2022 or 2023 financial year.

Titanium Sands Limited Directors' report (continued)

For the year ended 30 June 2023

Details of the nature and amount of each major element of the remuneration for the year ended 30 June 2023 and 30 June 2022 of each director of the Company and other key management personnel are:

| 2023 Directors | Short-term | | | Post employment benefits | Share-based payments | Total \$ | Proportion of remuneration |
|---------------------------------|---------------------|-------------|-------------|--------------------------------|-------------------------|----------------|----------------------------------|
| | Salary & fees \$ | Bonus \$ | Other \$ | Superannua- tion \$ | | | performance related % |
| Executive directors | | | | | | | |
| Dr James Searle ¹ | 120,300 | - | - | - | - | 120,300 | - |
| Non-executive directors | | | | | | | |
| Mr Jason Ferris ² | 265,800 | - | - | 18,900 | - | 284,700 | - |
| Mr Lee Christensen ³ | 90,000 | - | - | - | - | 90,000 | - |
| Total | 476,100 | - | - | 18,900 | - | 495,000 | |

¹ Dr Searle's director fees are paid to Earthsciences Pty Ltd, of which Dr Searle is a Director. Due to operational delays, 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 \$85,800 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.

| 2022 Directors | Short-term | | | Post employment benefits | Share-based payments | Total \$ | Proportion of remuneration |
|---------------------------------|---------------------|-------------|-------------|--------------------------------|-------------------------|----------------|----------------------------------|
| | Salary & fees \$ | Bonus \$ | Other \$ | Superannua- tion \$ | | | performance related % |
| Executive directors | | | | | | | |
| Dr James Searle ¹ | 151,200 | - | - | - | - | 151,200 | - |
| Non-executive directors | | | | | | | |
| Mr Jason Ferris ² | 296,055 | - | - | 18,000 | - | 314,055 | - |
| Mr Lee Christensen ³ | 90,000 | - | - | - | - | 90,000 | - |
| Total | 537,255 | - | - | 18,000 | - | 555,255 | |

¹ Dr Searle's director fees are paid to Earthsciences Pty Ltd, of which Dr Searle is a Director. Due to operational delays, 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 \$116,055 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 2023

7 Remuneration report (audited) (continued)

7.3.1 Loans to Directors

There were no loans to directors during the financial year ending 30 June 2023 (2022: 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 2023 was \$85,800 (2022: \$116,055) 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 2023 was \$120,300 (2022: \$151,200) 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 2023 was \$90,000 (2022: \$90,000) and are included as part of Directors remuneration in section 7.3.

Other Transactions

During the financial year the Company entered into a funding facility of up to \$350,000 with Cuprum Holdings Ltd which is controlled by Robert Nelson, who is Jason Ferris' father in law. The funding facility could be drawn down at any time prior to 30 June 2023 and repaid no later than 8 September 2023, unless extended by mutual agreement. Repayment is in cash or shares at the election of the funder. Any shares issued will be at a deemed issue price of \$0.023 per share and repayment in cash will attract an interest rate of 10% per annum. Cuprum will also receive 10,000,000 unlisted options exercisable at \$0.023 and expiring on 16 February 2026, the options will be issued following shareholder approval and have a deemed value of \$44,606, refer to Note 17. As at 30 June 2023 \$250,000 has been drawn down under the facility and interest of \$3,123 has been accrued. Subsequent to year end Cuprum agreed to convert their convertible facility to Placement shares at an issue price of \$0.005 per share with one free attaching option per share issued, thereby extending the due date for repayment from 8 September 2023 to a date following shareholder approval at the general meeting on 28 September 2023.

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:

| | 2023 | 2022 |
|---------------------|----------|----------|
| Current Liabilities | \$95,905 | \$40,249 |

Titanium Sands Limited Directors' report (continued)

For the year ended 30 June 2023

7.3.3 Directors' interests in shares

Fully paid ordinary held by Titanium Sands Limited to Key Management Personnel during the year and as at 30 June 2023 are as follows:

| 2023 | Balance at 1 July 2022 | Allotment of Shares | Net other changes | Balance at 30 June 2023 |
|--------------------|---------------------------|------------------------|----------------------|----------------------------|
| DIRECTORS | | | | |
| Mr Jason Ferris | 2,449,999 | - | - | 2,449,999 |
| Dr James Searle | 500,000 | - | - | 500,000 |
| Mr Lee Christensen | 15,919,999 | 2,140,000 | - | 18,059,999 |
| | 18,403,332 | 2,140,000 | - | 20,543,332 |

7.3.4 Share options

Share options held by Titanium Sands Limited to Key Management Personnel during the year and as at 30 June 2023 are as follows:

| 2023 | Balance at 1 July 2022 | Issue of Options | Expiry of Options | Net other changes | Balance at 30 June 2023 |
|--------------------|---------------------------|---------------------|----------------------|----------------------|----------------------------|
| DIRECTORS | | | | | |
| Mr Jason Ferris | - | - | - | - | - |
| Dr James Searle | 10,875,000 | - | (10,875,000) | - | - |
| Mr Lee Christensen | 8,250,000 | - | (8,250,000) | - | - |
| | 19,125,000 | - | (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 2022 Annual General Meeting

The Company received 99.6% of votes, of those shareholders who exercised their right to vote, in favour of the remuneration report for the 2022 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 2023 or 2022 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 2023

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

| | 2023 | 2022 |
|--|---------------|---------------|
| | \$ | \$ |
| | 46,358 | 45,248 |
| | 46,358 | 45,248 |

There were no non audit services provided for the financial year ended 30 June 2023 (2022: 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 2023.

This report is made with a resolution of the directors:



James Searle
Director

Dated at Perth this 26 September 2023

Titanium Sands Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2023

| | Note | 2023 \$ | 2022 \$ |
|---|------|--------------------|---------------------|
| Other income | | - | 1,101 |
| Administrative expenses | 6 | (572,845) | (691,800) |
| Depreciation | | (35,038) | (33,645) |
| Director fees | | (393,745) | (432,368) |
| Share based payments | | (148,050) | - |
| Loss before financing expenses | | (1,149,678) | (1,156,712) |
| Financial income | 7 | 3,477 | 508 |
| Financial expenses | 7 | (87,827) | (4,509) |
| Net financing income | | (84,350) | (4,001) |
| Loss before tax | | (1,234,028) | (1,160,713) |
| Income tax expense | 10 | - | - |
| Loss for the year after income tax | | (1,234,028) | (1,160,713) |
| Other comprehensive income | | | |
| Items that may be reclassified to profit and loss | | | |
| Exchange differences on translation of foreign operations | | 3,529,190 | (10,647,924) |
| Other comprehensive loss for the year | | 3,529,190 | (10,647,924) |
| Total comprehensive loss for the year | | 2,295,162 | (11,808,637) |
| Loss per share for the year attributable to the members of TSL | | | |
| Basic and diluted loss per share (cents) | 15 | (0.09) | (0.09) |

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 2023

| | Note | 2023 \$ | 2022 \$ |
|--|------|-------------------|-------------------|
| Current assets | | | |
| Cash and cash equivalents | 11 | 68,530 | 534,379 |
| Trade and other receivables | 12 | 26,402 | 23,370 |
| Total current assets | | 94,932 | 557,749 |
| Non-current assets | | | |
| Exploration and evaluation expenditure | 8 | 20,572,535 | 16,371,142 |
| Property, plant and equipment | 9 | 7,123 | 42,637 |
| Total non-current assets | | 20,579,658 | 16,413,779 |
| Total assets | | 20,674,590 | 16,971,528 |
| Current liabilities | | | |
| Trade and other payables | 13 | 171,985 | 139,927 |
| Financial liabilities | 14 | 250,000 | 504,509 |
| Total current liabilities | | 421,985 | 644,436 |
| Total liabilities | | 421,985 | 644,436 |
| Net assets | | 20,252,605 | 16,327,092 |
| Equity | | | |
| Issued capital | 16 | 37,011,951 | 35,768,901 |
| Reserves | 17 | (6,327,311) | (10,243,802) |
| Accumulated losses | | (10,432,035) | (9,198,007) |
| Total equity | | 20,252,605 | 16,327,092 |

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 2023

| | Share Capital \$ | Options Reserve \$ | Foreign exchange translation Reserve \$ | Accumulated Losses \$ | Total Equity \$ |
|---|---------------------|-----------------------|---|--------------------------|--------------------|
| Balance at 1 July 2021 | 35,706,530 | 6,262,164 | (5,858,042) | (8,037,294) | 28,073,358 |
| <i>Total comprehensive loss for the period:</i> | | | | | |
| Loss for the period | - | - | - | (1,160,713) | (1,160,713) |
| Foreign currency translation | - | - | (10,647,924) | - | (10,647,924) |
| Total other Comprehensive loss | - | - | (10,647,924) | (1,160,713) | (11,808,637) |
| <i>Transactions with owners:</i> | | | | | |
| Share based payments | - | - | - | - | - |
| Shares Issued (net of share issue costs) | 62,371 | - | - | - | 62,371 |
| Balance at 30 June 2022 | 35,768,901 | 6,262,164 | (16,505,966) | (9,198,007) | 16,327,092 |
| Balance at 1 July 2022 | 35,768,901 | 6,262,164 | (16,505,966) | (9,198,007) | 16,327,092 |
| <i>Total comprehensive loss for the period:</i> | | | | | |
| Loss for the period | - | - | - | (1,234,028) | (1,234,028) |
| Foreign currency translation | - | - | 3,529,190 | - | 3,529,190 |
| Total other Comprehensive loss | - | - | 3,529,190 | (1,234,028) | 2,295,162 |
| <i>Transactions with owners:</i> | | | | | |
| Share based payments | - | 387,301 | - | - | 387,301 |
| Shares Issued (net of share issue costs) | 1,243,050 | - | - | - | 1,243,050 |
| Balance at 30 June 2023 | 37,011,951 | 6,649,465 | (12,976,776) | (10,432,035) | 20,252,605 |

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 2023

| | Note | 2023 \$ | 2022 \$ |
|--|------|------------------|--------------------|
| Cash flows from operating activities | | | |
| Cash paid to suppliers and employees | | (883,237) | (1,035,442) |
| Interest received | | 3,477 | 508 |
| Net cash used in operating activities | 19a | (879,760) | (1,034,934) |
| Cash flows from investing activities | | | |
| Payments for exploration expenditure | | (582,280) | (498,470) |
| Payments for acquisition of entities | | (100,000) | - |
| Net cash used in investing activities | | (682,280) | (498,470) |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares (net of costs) | | 1,380,861 | (5,731) |
| Proceeds from issue of options | | 330 | - |
| Receipts from financial liabilities | | 250,000 | 500,000 |
| Repayment of financial liabilities | | (535,000) | - |
| Net cash from financing activities | | 1,096,191 | 494,269 |
| Net increase / (decrease) in cash and cash equivalents | | (465,849) | (1,039,135) |
| Opening cash and cash equivalents at 1 July | | 534,379 | 1,573,514 |
| Closing cash and cash equivalents | 11 | 68,530 | 534,379 |

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

Titanium Sands Limited

Notes to the consolidated financial statements

For the year ended 30 June 2023

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 2023 (“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 8, 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 26 September 2023.

(b) Basis of measurement

The annual financial report has been prepared on the historical cost basis.

(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 2023 the Group has incurred a net loss of \$1,234,028 (2022: \$1,160,713), had a net working capital deficiency of \$327,053 (2022: \$86,687), experienced net cash outflows from operations of \$879,760 (2022: \$1,034,934) and net cash outflows from investing activities of \$682,280 (2022: outflow \$498,470). As at 30 June 2023 the cash balance was \$68,530 (2022: \$534,379).

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 Group successfully raised \$1,054,798 (before costs) subsequent to year end through a Placement to sophisticated and professional investors at \$0.005 per share and \$409,736 through a non-renounceable rights issue of at \$0.005 per share;
- The Group still has the ability to place the shortfall from the non-renounceable rights issue of \$996,663 and once shareholder approval is received in September 2023 will place Tranche 2 from the Placement to raise \$45,202 (before costs);
- The Directors have assessed the cash flow requirements for the 12 month period from the date of approval of the financial statements and its impact on the Group and believe there will be sufficient funds to meet the Group’s working capital requirements;
- The working capital deficiency contains amounts not currently owing but will be due to be settled within the next 12 months. The Directors are satisfied funds will be available when these obligations arise;
- The Directors are confident the Group will be successful in sourcing further capital from the issue of additional equity securities, if required, 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.

Titanium Sands Limited

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2023

3. Significant accounting policies

The accounting policies of the Group are consistent with prior period. New standards applicable from 1 July 2022 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).

Classification and measurement of financial liabilities

The Company's financial liabilities include borrowings, trade and other payables and derivative financial instruments. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

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.

Dividends

(c) 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.

Titanium Sands Limited
Notes to the consolidated financial statements (continued)
For the year ended 30 June 2023

3. Significant accounting policies (continued)

(d) Exploration and evaluation assets (continued)

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 otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

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.

Titanium Sands Limited
Notes to the consolidated financial statements (continued)
For the year ended 30 June 2023

3. Significant accounting policies (continued)

(e) Principles of consolidation (continued)

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.

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.

Titanium Sands Limited
Notes to the consolidated financial statements (continued)
For the year ended 30 June 2023

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.

Titanium Sands Limited
Notes to the consolidated financial statements (continued)
For the year ended 30 June 2023

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.

(m) Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method. The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

Convertible notes issued by the Group comprised convertible notes that could be converted to share capital at the option of the holder. The conversion feature is contingent on an event occurring and the conversion price is fixed. Furthermore upon conversion the holder was also entitled to free attaching options. Consequently the note fails the fixed for fixed requirement of AASB 132 and no equity component is recognised on initial recognition. The company had elected upon initial recognition of the convertible notes (including its embedded derivatives which is the free attaching options) to recognise the whole instrument as a financial liability carried at fair value through profit or loss.

Titanium Sands Limited

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2023

3. Significant accounting policies (continued)

(m) Borrowings (continued)

On initial recognition the fair value of the convertible note equated to the proceeds received as no gain or loss on initial recognition can be recognised per the requirements of the accounting standards AASB9. The financial liability was subsequently measured at fair value at the end of the relevant reporting period and fair value movements were recognised in profit or loss as a finance cost.

The fair value of the liability took into account the value of the conversion feature (the discount and the free attaching options) and the probability of the contingent event occurring.

(n) 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.

(o) 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.

(p) 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 26.

(q) 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 2023

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 2023. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations are not expected to be significant.

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.

- 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 any 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.

Titanium Sands Limited

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2023

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 18.

Titanium Sands Limited
Notes to the consolidated financial statements (continued)
For the year ended 30 June 2023

6. Administrative expenses

| | 2023 | 2022 |
|---|----------------|----------------|
| | \$ | \$ |
| Legal expenses | 23,049 | 33,102 |
| Accounting, compliance and audit expenses | 186,829 | 181,868 |
| Corporate advisory fees | 35,000 | 110,000 |
| Marketing expenses | 46,886 | 74,309 |
| Other administrative expenses | 281,081 | 292,521 |
| | 572,845 | 691,800 |

7. Finance income and expense

| | 2023 | 2022 |
|-------------------------------|-----------------|----------------|
| | \$ | \$ |
| Interest received | 3,477 | 508 |
| Total finance income | 3,477 | 508 |
| Interest expense | (87,827) | (4,509) |
| Total finance expenses | (87,827) | (4,509) |
| Net finance expenses | (84,350) | (4,001) |

8. Exploration and evaluation expenditure

| | 2023 | 2022 |
|----------------------------------|-------------------|-------------------|
| | \$ | \$ |
| Balance at the beginning of year | 16,371,142 | 26,505,822 |
| Exploration costs capitalised | 727,688 | 413,658 |
| Foreign currency translation | 3,473,705 | (10,548,338) |
| Balance at the end of the year | 20,572,535 | 16,371,142 |

9. Property, plant and equipment

| | 2023 | 2022 |
|--------------------------------------|--------------|---------------|
| | \$ | \$ |
| Equipment at cost | 157,252 | 153,777 |
| Equipment – accumulated depreciation | (150,129) | (111,140) |
| Closing balance | 7,123 | 42,637 |
| Equipment | | |
| Opening balance | 42,637 | 86,818 |
| Additions | - | - |
| Depreciation | (35,038) | (33,645) |
| Foreign currency translation | (476) | (10,536) |
| Closing balance | 7,123 | 42,637 |

Titanium Sands Limited
Notes to the consolidated financial statements (continued)
For the year ended 30 June 2023

10. Tax

| | 2023 \$ | 2022 \$ |
|--|-------------|-------------|
| a. The components of tax expense comprise: | | |
| 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 | (1,234,028) | (1,160,713) |
| Prima facie tax payable on loss before income tax at 30% (2022: 30%) | (370,208) | (348,214) |
| Tax effect of amounts which are not deductible/(taxable) in calculating taxation income: | | |
| - Non assessable, non-exempt income, non-deductible | 60,461 | 28,175 |
| | (309,747) | (320,039) |
| Net deferred tax asset arising from carried forward losses not recognised | 309,747 | 320,039 |
| Income tax expense | - | - |

The Group has unrecognised tax losses carried forward to the year ended 30 June 2023 of \$7,741,260 (2022: \$6,708,771) 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. The future recovery of these losses is subject to the Company satisfying the requirements imposed by the regulatory taxation authorities and passing the required continuity of ownership and same business test rules at the time the losses are expected to be utilised.

11. Cash and cash equivalents

| | 2023 \$ | 2022 \$ |
|----------------|---------------|----------------|
| Current | | |
| Bank balances | 68,530 | 534,379 |
| | 68,530 | 534,379 |

12. Trade and other receivables

| | 2023 \$ | 2022 \$ |
|----------------|---------------|---------------|
| Current | | |
| Prepayment | 12,496 | 7,368 |
| GST receivable | 13,906 | 16,002 |
| | 26,402 | 23,370 |

There have been no trade receivables during the financial year ended 30 June 2023.

Titanium Sands Limited
Notes to the consolidated financial statements (continued)
For the year ended 30 June 2023

13. Trade and other payables

| | 2023 | 2022 |
|------------------|----------------|----------------|
| | \$ | \$ |
| Current | | |
| Trade creditors | 71,997 | 71,124 |
| Accrued expenses | 99,988 | 68,803 |
| | 171,985 | 139,927 |

14. Financial liabilities

| | 2023 | 2022 |
|---|----------------|----------------|
| | \$ | \$ |
| Current | | |
| Convertible notes | 250,000 | - |
| Placement funds to be converted to equity | - | 504,509 |
| | 250,000 | 504,509 |
| Opening balance | 504,509 | - |
| Proceeds from placement ¹ | - | 500,000 |
| Refund of placement funds ¹ | (500,000) | - |
| Convertible note funds received ² | 250,000 | - |
| Interest expense – unwinding of discount ¹ | (4,509) | 4,509 |
| | 250,000 | 504,509 |

¹ In May 2022 the Group entered into a Subscription Agreement with Bulk Commodity Holdings LLC (Investor) for the issue of placement shares. On 19 May 2022 the first tranche of placement funds of \$500,000 was received by the Company. In August 2022 the Group terminated the Subscription Agreement and paid \$535,000 to the Investor including \$500,000 refund of the placement funds. The Group also issued 10,575,000 ordinary shares as part of the termination of the Subscription Agreement (refer to Note 16).

² Convertible notes repayable no later than 8 September 2023, balance of \$250,000 owing to Robert Nelson, refer to Note 22. Repayment is in cash or shares at the election of the funder. Any shares issued will be at a deemed issue price of \$0.023 per share and repayment in cash will attract an interest rate of 10% per annum. The maximum facility amount is \$700,000, with an undrawn balance of \$450,000 as at 30 June 2023. The lenders will also receive 20,000,000 unlisted options exercisable at \$0.023 and expiring on 16 February 2026, the options will be issued following shareholder approval and have a deemed value of \$89,212, refer to Note 17.

15. Loss per share

Basic and diluted loss per share

The calculation of basic loss per share at 30 June 2023 of \$0.09 (2022: (\$0.09)) was based on the loss attributable to ordinary shareholders of \$1,234,028 (2022: \$1,160,713) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2023 of 1,389,345,492 (2022: 1,251,017,951).

Weighted average number of ordinary shares

| | 2023 | 2022 |
|---|----------------------|----------------------|
| Weighted average number of ordinary shares at 30 June | 1,389,345,492 | 1,251,017,951 |

Titanium Sands Limited
Notes to the consolidated financial statements (continued)
For the year ended 30 June 2023

16. Issued Capital

| | Number | \$ |
|---|----------------------|-------------------|
| Fully Paid Ordinary Shares | | |
| On issue at 1 July 2021 | 1,249,944,918 | 35,706,530 |
| <i>Movements during the year</i> | | |
| Fee shares issued to Bulk Commodities ¹ | 5,714,286 | 80,000 |
| Collateral shares issued to Bulk Commodities ² | 2,800,000 | - |
| Share issue costs | - | (17,629) |
| On issue at 30 June 2022 | 1,258,459,204 | 35,768,901 |
| <i>Movements during the year</i> | | |
| Placement | 137,363,642 | 1,511,000 |
| Fee shares issued to Bulk Commodities ³ | 10,575,000 | 148,050 |
| Share issue costs | - | (416,000) |
| On issue at 30 June 2023 | 1,406,397,846 | 37,011,951 |

- 1 On 16 May 2022 the Company issued 5,714,286 shares to Bulk Commodities LLC as a non-refundable fee to the value of \$80,000 under the terms of the Subscription Agreement.
- 2 On 16 May 2022 the Company issued 2,800,000 collateral shares to Bulk Commodities LLC which were to be deducted from the final number of shares to be issued as part of the first tranche placement, refer to Note 14.
- 3 Shares issued to Bulk Commodity Holdings LLC on conclusion of institutional investment at a deemed issue price of \$0.014 per share, refer to Note 14.

17. Reserves

| | 2023 \$ | 2022 \$ |
|---|--------------------|---------------------|
| Share based payment reserve ¹ | 6,649,465 | 6,262,164 |
| Foreign currency translation reserve ² | (12,976,776) | (16,505,966) |
| | (6,327,311) | (10,243,802) |

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.

Titanium Sands Limited
Notes to the consolidated financial statements (continued)
For the year ended 30 June 2023

| <i>Movement in share based payment reserve</i> | 2023 | 2022 |
|--|------------------|------------------|
| | \$ | \$ |
| Opening balance | 6,262,164 | 6,262,164 |
| Broker options ¹ | 298,088 | - |
| Lender options ² | 89,213 | - |
| Closing balance | 6,649,465 | 6,262,164 |

¹ Options issued to the Broker in February 2023 for services provided during the August Placement were approved at the Annual General Meeting held on 17 November 2022. The Company could not value the services provided and therefore used a Black & Scholes option pricing model to value the options. The options vest immediately and the following table lists the inputs to the model used in their valuation:

| | |
|--------------------------------|------------|
| Grant Date | 17/11/2022 |
| Expected Volatility | 100% |
| Expected Life | 3 years |
| Fair Value | \$0.00744 |
| Number Issued | 40,000,000 |
| Dividend Yield | Nil |
| Exercise Price (\$) | \$0.023 |
| Share Price at Grant Date (\$) | \$0.014 |

² In April 2023 the Company entered into a funding facility agreement with two major shareholders (refer to Note 14). Pursuant to the agreement the Company is to issue 20,000,000 unlisted options exercisable at \$0.023 on or before 16 February 2026. The options will be issued following shareholder approval and will vest immediately and the following table lists the inputs to the model used in their valuation:

| | |
|--------------------------------|------------|
| Grant Date | 26/04/2023 |
| Expected Volatility | 100% |
| Expected Life | 2.8 years |
| Fair Value | \$0.00446 |
| Number Issued | 20,000,000 |
| Dividend Yield | Nil |
| Exercise Price (\$) | \$0.023 |
| Share Price at Grant Date (\$) | \$0.01 |

Outstanding Share Options & Performance Shares

As at 30 June 2023 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 \$0.023 expiring 16 February 2026 | Unlisted options | 314,727,284 |
| Class B Performance Shares | Unlisted performance shares | 33,333,333 |

Titanium Sands Limited
Notes to the consolidated financial statements (continued)
For the year ended 30 June 2023

18. 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:

| | 2023 | 2022 |
|---|------------------|------------------|
| | \$ | \$ |
| Financial assets | | |
| Cash and cash equivalents | 68,530 | 534,379 |
| Total financial assets | 68,530 | 534,379 |
| Financial liabilities | | |
| Trade and other payables | 171,985 | 139,927 |
| Placement funds to be converted to equity | - | 504,509 |
| Convertible notes | 250,000 | - |
| Total financial liabilities | 421,985 | 644,436 |
| Total net financial instruments | (353,455) | (110,057) |

Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;

Level 3: Unobservable inputs for the asset or liability.

| | Level 1 | Level 2 | Level 3 | Total |
|---|---------|---------|---------|---------|
| 2023 | \$ | \$ | \$ | \$ |
| Financial liabilities | | | | |
| Convertible notes | - | - | 250,000 | 250,000 |
| | - | - | 250,000 | 250,000 |
| 2022 | | | | |
| Financial liabilities | | | | |
| Placement funds to be converted to equity | - | - | 504,509 | 504,509 |
| | - | - | 504,509 | 504,509 |

Titanium Sands Limited
Notes to the consolidated financial statements (continued)
For the year ended 30 June 2023

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 | |
|---------------------------|-----------------|----------------|
| | 2023 | 2022 |
| Cash and cash equivalents | 68,530 | 534,379 |
| | 68,530 | 534,379 |

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 (2022: 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 30 June 2023 | Carrying amount \$ | Contractual cash flows \$ | 1-12 mths \$ | 1-2 years \$ | 2-5 years \$ | More than 5 years \$ |
|-------------------------------|--------------------------|---------------------------------|-----------------|-----------------|-----------------|----------------------------|
| Trade and other payables | 171,985 | 171,985 | 171,985 | - | - | - |
| Financial liabilities | 250,000 | 250,000 | 250,000 | - | - | - |
| Group 30 June 2022 | | | | | | |
| Trade and other payables | 139,927 | 139,927 | 139,927 | - | - | - |
| Financial liabilities | 504,509 | 504,509 | 504,509 | - | - | - |

Titanium Sands Limited
Notes to the consolidated financial statements (continued)
For the year ended 30 June 2023

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:

| | 2023 | | 2022 | |
|---|------------------|----------------|------------------|----------------|
| | AUD \$ | LKR \$* | AUD \$ | LKR \$* |
| Cash and cash equivalents | 66,718 | 1,812 | 532,547 | 1,832 |
| Trade and other payables | (169,093) | (2,892) | (136,390) | (3,537) |
| Placement funds to be converted to equity | (250,000) | - | (504,509) | - |
| | <u>(352,375)</u> | <u>(1,080)</u> | <u>(108,352)</u> | <u>(1,705)</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 \$ | 2023 total \$ | Floating interest rate \$ | Fixed interest rate \$ | 2022 total \$ |
|------------------------------------|---------------------------------|------------------------------|---------------------|---------------------------------|------------------------------|---------------------|
| Financial assets | | | | | | |
| -Within one year | | | | | | |
| Cash and cash equivalents | 68,530 | - | 68,530 | 534,379 | - | 534,379 |
| Effective interest rate | 0.55% | - | 0.55% | 0.29% | - | 0.29% |
| Total financial assets | 68,530 | - | 68,530 | 534,379 | - | 534,379 |
| Financial liabilities | | | | | | |
| -Within one year | | | | | | |
| Trade creditors | 171,985 | - | 171,985 | 139,927 | - | 139,927 |
| Effective interest rate | 0% | - | 0% | 0% | - | 0% |
| Financial liabilities | - | 250,000 | 250,000 | 504,509 | - | 504,509 |
| Effective interest rate | - | 10% | 5.9% | 0% | - | 0% |
| Total financial liabilities | 171,985 | 250,000 | 421,985 | 644,436 | - | 644,436 |

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 \$343 and decrease by \$343 respectively (2022: \$2,671).

Titanium Sands Limited

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2023

19.a Reconciliation of cash flows from operating activities

| | 2023 \$ | 2022 \$ |
|--|------------------|--------------------|
| Cash flows from operating activities | | |
| Loss for the period | (1,234,028) | (1,160,713) |
| Share based payment | 148,050 | 80,000 |
| Depreciation | 35,038 | 33,645 |
| Finance expense | 87,827 | 4,509 |
| (Increase) / decrease in trade and other receivables | (4,259) | 64,644 |
| (Decrease) / increase in trade and other payables | 87,612 | (57,019) |
| Net cash from operating activities | (879,760) | (1,034,934) |

19.b Non-cash Financing and Investing Activities

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

19.c Changes in liabilities arising from financing activities

| | Financial liabilities \$ | Total \$ |
|--|--------------------------------|----------------|
| Balance at 30 June 2022 | 504,509 | 504,509 |
| Net cash from/(used in) financing activities (net) | (250,000) | (250,000) |
| Interest expense – unwinding of discount | (4,509) | (4,509) |
| Balance at 30 June 2023 | 250,000 | 250,000 |

20. Related Party Transactions

Key management personnel compensation

| | 2023 \$ | 2022 \$ |
|--|----------------|----------------|
| The key management personnel compensation are as follows: | | |
| Short-term employee benefits | 476,100 | 537,255 |
| Share Based Payments | - | - |
| Post-employment benefits | 18,900 | 18,000 |
| | 495,000 | 555,255 |

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 2023 was \$85,800 (2022: \$116,055) and are included as part of Directors remuneration in section 7.3. The amount included in trade and other payables at 30 June 2023 was \$30,105 (2022: \$7,500).

Titanium Sands Limited

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2023

20. Related Party Transactions (continued)

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 2023 was \$151,200 (2022: \$151,200) and are included as part of Directors remuneration in section 7.3. The amount included in trade and other payables at 30 June 2023 was \$37,300 (2022: \$2,500).

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 2023 was \$90,000 (2022: \$90,000) and are included as part of Directors remuneration in section 7.3. The amount included in trade and other payables at 30 June 2023 was \$28,500 (2022: \$3,750).

Other Transactions

During the financial year the Company entered into a funding facility of up to \$350,000 with Cuprum Holdings Ltd which is controlled by Robert Nelson, who is Jason Ferris’ father in law. The funding facility could be drawn down at any time prior to 30 June 2023 and repaid no later than 8 September 2023, unless extended by mutual agreement. Repayment is in cash or shares at the election of the funder. Any shares issued will be at a deemed issue price of \$0.023 per share and repayment in cash will attract an interest rate of 10% per annum. Cuprum will also receive 10,000,000 unlisted options exercisable at \$0.023 and expiring on 16 February 2026, the options will be issued following shareholder approval and have a deemed value of \$44,606, refer to Note 17. As at 30 June 2023 \$250,000 has been drawn down under the facility and interest of \$3,123 has been accrued. Subsequent to year end Cuprum agreed to convert their convertible facility to Placement shares at an issue price of \$0.005 per share with one free attaching option per share issued, thereby extending the due date for repayment from 8 September 2023 to a date following shareholder approval at the general meeting on 28 September 2023.

During the 2022 financial year the Company entered into a funding facility of up to \$1,000,000 with Willis Holdings Ltd which is controlled by Robert Nelson. The funding facility could be drawn down at any time prior to 31 December 2022 and repaid no later than 10 March 2023. Repayment is in cash or shares at the election of the funder. Any shares issued will be at a deemed issue price of \$0.041 per shares and repayment in cash will attract an interest rate of 9% per annum. The funding facility was terminated on 9 May 2022 with no amounts having been drawn down under the facility.

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

21. 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.

Titanium Sands Limited

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2023

22. Events Occurring after the Reporting Period

On 13 July 2023 the Company announced a two tranche Placement to raise \$1,100,000 (before costs) to sophisticated and professional investors at \$0.005 per share with one free attaching option for each share subscribed exercisable at \$0.023 and expiring on 16 February 2026. On 20 July 2023 the Company completed tranche 1 of the Placement by issuing 210,959,675 ordinary shares to raise \$1,054,798 (before costs). The remaining shares are expected to be issued following shareholder approval in September 2023.

On 4 August 2023 the Company announced the closure of the Rights Issue with applications received for 81,947,180 ordinary shares at \$0.005 per share to raise \$409,736 with one free attaching option for every share subscribed exercisable at \$0.023 and expiring on 16 February 2026. The shares were issued on 8 August 2023. On 8 September 2023 the Company issued 60,000,000 shares forming part of the shortfall to the Rights Issue at \$0.05 per share. A further 139,332,604 shortfall shares are still available to be placed by the Company.

On 9 August 2023 the Company issued 12,500,000 ordinary shares to employees under the Company's Employee Incentive Securities Plan at a deemed issue price of \$0.005 per share.

On 24 August 2023 the Company announced via the Notice of General Meeting to shareholders that the convertible note holders had agreed to convert their convertible facilities to Placement shares at an issue price of \$0.005 per share with one free attaching option per share issued, thereby extending the due date for repayment of the convertible notes from 8 September 2023 to a date following shareholder approval at the general meeting on 28 September 2023. The balance of the convertible notes at 30 June 2023 was \$250,000 with a further \$150,000 drawn down subsequent to year end.

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

23. Commitments and Contingencies

Exploration Expenditure

The Group's 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. For those tenements where the GSMB has accepted exploration has been satisfactorily completed, the tenements have been converted to retention status and are subject to annual retention payments. The current exploration commitment are:

| | 2023 \$ | 2022 \$ |
|--|------------------|----------------|
| Within 12 months | 210,840 | 40,105 |
| Greater than 12 months but less than 5 years | 1,198,141 | 591,371 |
| | 1,408,981 | 631,476 |

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 on the Group obtaining a grant of one or more mining licenses on the Sri Lankan Project prior to 31 December 2023. Whilst significant progress has been made towards obtaining the mining licences during the financial year and management are optimistic they will be granted within the next 12 months, management continues to assess the probability of achieving this milestone by 31 December 2023 at 0%.

Titanium Sands Limited

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2023

Contingent Liabilities:

In May 2023 the Group entered into an agreement to acquire James Global (Pvt) Ltd, the acquisition is subject to a number of conditions precedent that hadn't been satisfied as at 30 June 2023. In consideration for the acquisition the Group is required to pay:

- US\$234,000 (\$352,941) on settlement;
- US\$400,000 (\$603,318) and issue of 50,000,000 TSL shares on the completion of 50 due diligence exploration holes which result in a total heavy mineral grade of at least 5% over 2 metres in at least 20 holes within, 3 months of settlement;
- US\$500,000 (\$754,148) and issue of 90,000,000 TSL shares on the receipt of a JORC 2012 compliant resource of at least 10Mt at a minimum grade of 5% total heavy minerals on the exploration permits held by James Global, within 9 months of settlement.

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.

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

24. Auditors' Remuneration

Audit and other non-audit services

BDO Audit (WA):

Audit and review of financial reports

| | 2023 | 2022 |
|--|---------------|---------------|
| | \$ | \$ |
| | 46,358 | 45,248 |
| | 46,358 | 45,248 |

25. 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(e):

| Controlled entities | Country of incorporation | Percentage owned | Percentage owned |
|--------------------------------------|--------------------------|------------------|------------------|
| | | 30 June 2023 | 30 June 2022 |
| 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 2023

26. Parent Entity information

| Financial position | 2023 | 2022 |
|---------------------------------------|-------------------|---------------------|
| | \$ | \$ |
| Assets | | |
| Current assets | 92,482 | 554,459 |
| Non-current assets | 17,420,251 | 16,413,532 |
| Total assets | <u>17,512,733</u> | <u>16,967,991</u> |
| Liabilities | | |
| Current liabilities | 419,093 | 640,899 |
| Total liabilities | <u>419,093</u> | <u>640,899</u> |
| Equity | | |
| Issued capital | 37,011,951 | 35,768,901 |
| Accumulated losses | (26,567,777) | (25,703,973) |
| Reserves | 6,649,465 | 6,262,164 |
| Total equity | <u>17,093,639</u> | <u>16,327,092</u> |
| Financial performance | | |
| Loss for the year | <u>(863,804)</u> | <u>(11,808,637)</u> |
| Total comprehensive loss for the year | <u>(863,804)</u> | <u>(11,808,637)</u> |

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 23.

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 2023 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 subject to the disclosure in note 2(d).
- 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 26 September 2023

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 2023, 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 2023 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.

Material uncertainty related to going concern

We draw attention to Note 2(d) 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.

Carrying Value of Exploration and Evaluation Assets

| <i>Key audit matter</i> | <i>How the matter was addressed in our audit</i> |
|--|--|
| <p>At 30 June 2023 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 2023, 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 16 to 20 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Titanium Sands Limited, for the year ended 30 June 2023, 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 the printed name.

Jarrad Prue

Director

Perth,

26 September 2023

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 2023, 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

26 September 2023

For personal use only

Titanium Sands Limited Schedule of Exploration Tenements

The information was applicable as at 18 September 2023.

| Exploration License | Holder | EL | Validity | Area | Status |
|---------------------|--------------------------------|------------|------------|--------------------|-------------------|
| EL 370 | Kilsythe Exploration (PVT) LTD | 4/05/2021 | 16/05/2024 | 31km ² | Current retention |
| EL 351 | Sanur Minerals (PVT) LTD | 13/12/2019 | 12/12/2023 | 15km ² | Current |
| EL 345 | Sanur Minerals (PVT) LTD | 29/10/2021 | 28/10/2023 | 10km ² | Current |
| EL 343 | Orion Minerals (PVT) LTD | 29/10/2021 | 28/10/2023 | 5km ² | Current |
| EL 344 | Orion Minerals (PVT) LTD | 29/10/2021 | 28/10/2023 | 8km ² | Current |
| EL 180/R/3 | Applex Ceylon (PVT) LTD | 5/03/2019 | 4/03/2021 | 45km ² | Renewal Pending |
| EL 182/R/3 | Applex Ceylon (PVT) LTD | 5/03/2019 | 4/03/2021 | 26km ² | Renewal Pending |
| EL 371 | Hammersmith Ceylon (PVT) LTD | 26/02/2018 | 25/02/2020 | 4km ² | Renewal Pending |
| EL 372 | Hammersmith Ceylon (PVT) LTD | 26/02/2018 | 25/02/2020 | 51km ² | Renewal Pending |
| | | | Total | 195km ² | |

* Tenure renewals on the other 4 peripheral exploration licences remain pending. 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 18 September 2023.

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 | 142 | 23,174 | 0.00 |
| 1,001 - 5,000 | 19 | 41,148 | 0.00 |
| 5,001 - 10,000 | 18 | 154,757 | 0.01 |
| 10,001 - 100,000 | 280 | 13,695,906 | 0.77 |
| 100,001 Over | 464 | 1,757,889,716 | 99.22 |
| Total | 923 | 1,771,804,701 | 100.00 |

There were 406 shareholders holding less than a marketable parcel of ordinary shares (at a price of \$0.006).

Optionholders:

| Distribution | Number of Shareholders | Number of Shares | % |
|------------------|------------------------|-------------------|---------------|
| 1 - 1,000 | 3 | 996 | 0.00 |
| 1,001 - 5,000 | 0 | 0 | 0.00 |
| 5,001 - 10,000 | 0 | 0 | 0.00 |
| 10,001 - 100,000 | 37 | 2,679,245 | 4.00 |
| 100,001 Over | 82 | 64,217,475 | 96.00 |
| Total | 122 | 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) | 462,710,261 | 26.12% |
| Timothy Paul Neesham | 156,301,068 | 8.82% |
| Redaso Pty Ltd <Redaso Family A/c> | 132,000,000 | 7.45% |
| Gary Johnson Super Management Pty Ltd | 113,000,000 | 6.38% |

C. Top 20

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

| | | Listed Ordinary Shares | |
|----|---|-------------------------------|-------------------|
| | Shareholder Name | Number | Percentage |
| 1 | WILLIS HOLDINGS LTD | 282,500,000 | 15.94 |
| 2 | REDASO PTY LTD <REDASO FAMILY A/C> | 132,000,000 | 7.45 |
| 3 | CUPRUM HOLDINGS LIMITED | 130,245,261 | 7.35 |
| 4 | GARY JOHNSON SUPER MANAGEMENT PTY LTD <GARY JOHNSON S/F NO 2 A/C> | 113,000,000 | 6.38 |
| 5 | ALITIME NOMINEES PTY LTD <HONEYHAM FAMILY A/C> | 80,371,887 | 4.54 |
| 6 | HEEDFUL PTY LTD <ASSURED S/F A/C> | 59,700,000 | 3.37 |
| 7 | SUNSET CAPITAL MANAGEMENT PTY LTD <SUNSET SUPERFUND A/C> | 37,363,640 | 2.11 |
| 8 | VUNA NOMINEES LLC | 35,000,000 | 1.98 |
| 9 | DC & PC HOLDINGS PTY LTD <DC & PC NEESHAM SUPER A/C> | 32,473,894 | 1.83 |
| 10 | MR DAVID REGINALD KIRKWOOD + MRS SHAN LI | 26,784,973 | 1.51 |
| 11 | STAR SECRETARIAL SERVICES LTD | 26,363,636 | 1.49 |
| 12 | ANGKOR IMPERIAL RESOURCES PTY LTD <TURKISH BREAD S/F A/C> | 26,278,385 | 1.48 |
| 13 | BNP PARIBAS NOMS PTY LTD <DRP> | 25,445,343 | 1.44 |
| 14 | MR HOWARD WILLIAM OTTEN | 20,745,456 | 1.17 |
| 15 | APNEA HOLDINGS PTY LTD <KELLY FAMILY A/C> | 16,500,000 | 0.93 |
| 16 | MEMPHIS HOLDINGS PTY LTD <SUPER FUND A/C> | 16,499,050 | 0.93 |
| 17 | CHESTER ASSETS PTY LTD <CHESTER INVESTMENTS A/C> | 16,375,000 | 0.92 |
| 18 | QUATTRO STAGIONE PTY LTD | 15,200,000 | 0.86 |
| 19 | KING GEORGE V NOMINEES LTD | 14,965,000 | 0.84 |
| 20 | CAVES ROAD INVESTMENTS PTY LTD | 14,385,682 | 0.81 |
| | TOTAL | 1,122,197,207 | 63.34 |

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

| | | Listed Options | |
|----|---|-----------------------|-------------------|
| | Optionholder Name | 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 | MR JOHN FRANCIS GEISLER | 4,000,000 | 5.98 |
| 4 | MR DAVID ARITI | 2,610,155 | 3.90 |
| 5 | DC & PC HOLDINGS PTY LTD <DC & PC NEESHAM SUPER A/C> | 2,600,000 | 3.89 |
| 6 | MR MICHAEL CRAIG MCGLINN | 2,000,000 | 2.99 |
| 7 | ALITIME NOMINEES PTY LTD <HONEYHAM FAMILY A/C> | 1,750,000 | 2.62 |
| 8 | THE 5TH ELEMENT MCTN PTY LTD | 1,500,000 | 2.24 |
| 9 | MR MICHAEL TAN | 1,243,820 | 1.86 |
| 10 | MR GERARD LLEWELLYN PHILANDERSON | 1,000,000 | 1.49 |
| 11 | SUNSET CAPITAL MANAGEMENT PTY LTD <SUNSET SUPERFUND A/C> | 829,547 | 1.24 |
| 12 | MR THOMAS ANDREW KEITH WILSON | 820,455 | 1.23 |
| 13 | MR BENJAMIN BROOKING HEATH | 700,000 | 1.05 |
| 14 | ST BARNABAS INVESTMENTS PTY LTD <THE MELVISTA FAMILY A/C> | 662,500 | 0.99 |
| 15 | FREYABEAR FHMN PTY LTD | 625,000 | 0.93 |
| 15 | HONEYBEE ANHM PTY LTD | 625,000 | 0.93 |
| 15 | HUNTERLAND HJDN PTY LTD | 625,000 | 0.93 |
| 15 | P J ENTERPRISES PTY LTD <P J ENTERPRISES S/F A/C> | 625,000 | 0.93 |
| 15 | QUATTRO STAGIONE PTY LTD | 625,000 | 0.93 |
| 20 | MR SHAUN DAVID WATERS | 525,000 | 0.78 |
| | TOTAL | 50,366,477 | 75.29 |

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.

For personal use only