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titaniumsands LTD

ASX RELEASE

27 October 2020

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ASX: TSL

QUARTERLY OPERATIONS REPORT TO 30 SEPTEMBER 2020

- **Successfully completed fully subscribed placement to raise $2.2m**
- **Announcement Share Purchase Plan to raise up to a further $1m**
- **Garnet added to the mineral resource estimate valuable heavy minerals suite [1].**
- **Subject to COVID-19 related conditions 6 week program of resource upgrade RC-aircore drilling planned for November.**
- **The project mineral resources remain wholly open at depth and partially laterally, further drilling will support project optimisation in future more definitive studies.**
- **Product offtake discussions advancing with a range of interested parties.**

GARNET ADDED TO MINERAL RESOURCE ESTIMATE

Mineralogical work on the garnet component of the heavy mineral suite has enabled garnet to be added to the mineral resource estimate for the Mannar island Project (ASX Announcement 14th of September 2020, which contains the full resource statement in compliance with JORC 2012 reporting requirements)[1]. The garnet inclusive mineral resource statement is as follows:

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

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

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

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

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

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

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

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

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

*Notes to tables 1,2,3 and 4 above:

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



Figure 1 Mannar Island project garnet (pink), 200-250 µm.

The garnet component of the heavy mineral suite has been shown to be an almandine garnet. Chemical and physical characteristics of the garnet are consistent with that of other commercial garnet products in the marketplace. The median size range of 200 to 250µm of the Mannar garnet would potentially make it suitable for water jet cutting and blast cleaning. Garnet products of this type can achieve long term pricing at levels around US$250/tonne[3].

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RESOURCE CONVERSION DRILLING

Further RC-aircore drilling is planned in the higher-grade resource zone (Table 4) on which the project scoping study was based. A program of 350 holes are planned to infill the existing resource drilling. This is expected to enable a remodelling of the mineral resources in this zone to convert the proportion of indicated category resources from 31.2% to over 60%. The program will take around 6 weeks to complete, with results and a recalculation of the mineral resource estimate for this zone available in Q1 2021. Commencement is planned for November but is subject to local COVID-19 conditions which remain uncertain.

Increasing the indicated resources in this manner will enable the release of further scoping study results with respect to production rates, OPEX, CAPEX and other project parameters that will guide the further development of the project.

CORPORATE

During the quarter, Titanium Sands Ltd completed a fully subscribed placement from sophisticated investors to raise $2,200,000 (before costs) of 50,000,000 ordinary shares at an issue price of $0.044 per share. The Placement Shares have been issued using the Company's existing ASX Listing Rule 7.1A capacity

The subscribers to the Placement were also offered 1 free attaching option, exercisable at $0.10 and expiring 3 years from the date of issue for every 2 Placement Shares subscribed, being a total of 25,000,000 Options.

In addition to the placement, TSL has also undertaken a Share Purchase Plan (**SPP**) to raise $500,000 (with the ability to accept oversubscriptions of an additional $500,000), pursuant to which existing eligible shareholders are able to acquire up to $30,000 worth of ordinary shares, at an issue price of $0.044 per share.

The subscribers to the SPP will also be offered 1 free attaching option, exercisable at $0.10 and expiring 3 years from the date of issue for every 2 SPP Shares subscribed. The SPP Attaching Options will be on the same terms as the Placement Attaching Options

OFFTAKE DISCUSSIONS

The Company has been approached by a number of potential offtake partners on an introductory basis discussing the TSL resource. Discussions to date have included parties from China, Japan, India and UAE. No formal MOU's or agreements have been entered into at this stage, and subject to the recommendations of the Scoping Study, the board is continuing offtake discussions with each of the above parties.

COVID-19 IMPACT ON OPERATIONS

During the September Quarter completion of mineralogical work and incorporation of the results into a revised mineral resource estimate were not further impacted by COVID-19 conditions in South Africa where laboratory and activities have resumed after a period of shut down earlier in the year.

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In Sri Lanka proactive and early co-ordinated responses COVID-19 have been effective in keeping infections at a very low level over the last 6 months. Currently internal movement and work activities in regional areas are largely unrestricted. However, the operations of Government Departments and Agencies continue to be hampered resulting in slower than normal turnaround of even routine approvals. Sri Lanka remains closed to international travellers and only nationals and permanent residents are being allowed to return with comprehensive testing and quarantine provisions. There remains considerable uncertainty about a fresh wave of infections which even if at low levels by international standards would result in authorities rapidly implementing domestic travel and country wide work restrictions.

To minimise COVID-19 related work issues at Mannar it is planned to only involve the local Mannar teams who have been trained up to operational standards over the last 18 months for the proposed drilling program and supervisory staff based in Mannar.

Corporate activities in Australia are being handled in keeping with local recommendations with everything being done via the internet with no significant change from normal.

TENURE

In accordance with ASX Listing Rule 5.3.3, the Company has 9 exploration licenses on Mannar Island and the adjacent mainland coast, covering an area of 204 square kilometres (Table 1). The Company had a 100% interest in all exploration licenses and there were no changes in interest in the licenses during the quarter.

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

Table 1 Mannar Island Project tenure*.

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

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USE OF FUNDS

In accordance with obligations under ASX Listing Rule 5.3.4, Titanium Sands Limited provides the following information with respect to its Use of Funds Statement set out in its Prospectus dated 29 March 2018 and its actual expenditure since its reinstatement to official quotation on 18 December 2018.

Expenditure Item	**Use of Funds $'000**	**Actual Expenditure (18.12.18 – 30.09.20) $'000**	**Variance**	**Note**
Exploration on Sri Lankan Project	2,266	1,418	848	1
Scoping Study on the Sri Lankan Project	851	317	534	2
Cash reimbursement to Seller	450	182	268	3
Working Capital	1,907	2,969	(1,062)	4
Expenses of the Public Offer	526	546	(20)	
Capital raising income – post IPO	-	(2,200)	2,200	5
Capital raising costs – post IPO	-	2	(2)	5
Total	**6,000**	**3,234**	**2,766**	

Notes:

1. Actual Mineral Expenditure is currently under the use of funds budget by $848k. The variance is due to timing (use of funds being over a 24-month period) and also due to cost savings that the Company has been able to implement through the purchase of its own RC aircore drilling rig in March 2019 for $89k. The acquisition of the drilling rig in conjunction with the training of the local labour force in Sri Lanka has resulted in the Company not requiring the use of an external drilling contractor. The Company has drilled 2,182 drill holes, for 9,313m, and analysed 13,825 samples since its readmission in December 2018. The Company plans to complete a further 300 to 400 drill holes for 3,600 to 4,800m during 2020 subject to the lifting of certain COVID-19 related workplace restriction in Sri Lanka.

2. Actual Scoping Study Expenditure is currently under the use of funds budget by $534k. The variance is due to timing (use of funds being over a 24-month period) and also due to cost saving associated with early study investigations enabling a focus on fewer project development options for the scoping study to investigate. A significant number of higher cost components of the scoping study are being completed in early 2020 and it is expected that final cost of the entire scoping study will be closer to the budgeted use of funds estimated in 2018.

3. In lieu of cash reimbursement to the Seller (Cuprum Holdings Limited), the Company issued 13,371,450 shares at a deemed issue price of $0.02 on reinstatement to official quotation.

4. Actual working capital expenses are currently over the use of funds budget by $1,062k. The main reasons for the over expenditure is due to the following:
   - The Company completed the acquisition of Bright Angel Limited on 10 March 2020 having entered into a conditional sale agreement in July 2019. The completion process encountered some unforeseen delays including the renegotiation of the share sale agreement following the Company's due diligence process. The due diligence process required significant technical investigations. The costs associated with the acquisition including the use of both internal and external consultants were not budgeted as part of the use of funds statement set out in the Prospectus.
   - Following the significant resource upgrade in February 2019, January 2020 and May 2020 as well as the acquisition of the adjacent tenure at Mannar Island through the BAL acquisition, the Company has been approached by a number of potential offtake partners. These offtake discussions have commenced earlier than anticipated and resulted in additional costs not budgeted as part of the use of funds statement as set out in the Prospectus.
   - The Company originally lodged its Prospectus on 29 March 2018 to raise $6m to complete the acquisition Srinel Holdings Limited and re-compliance with Chapters 1 and 2 of the ASX Listing Rules to be re-instated to official quotation. Due to delays which resulted in the Company lodging a supplementary and second supplementary Prospectus on 21 June 2018 and 19 September 2018 respectively, the Company incurred legal, corporate and directors' fees over this period that were repaid on reinstatement.

5. In September 2020 the Company completed a capital raising of $2.2M to fund further drilling at Mannar Island with the aim of converting part of the inferred resource to a greater category of indicated as well as feasibility, environmental and social impact studies.

PAYMENTS TO RELATED PARTIES

The total amount paid to related parties of the Company and their associates, as per item 6.1 and 6.2 of the attached Appendix 5B was $93k and $35k respectively. These payments are for Directors fees, salaries and superannuation during the quarter.

OTHER ASX REQUIREMENTS

ASX Listing Rule 5.3.1: Exploration and Evaluation expenditure during the Quarter was $106k focussed on completion of the updated mineral resource estimate and the scoping study.
ASX Listing Rule 5.3.2: There were no mining production and development activities during the Quarter.

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Ends-

The Board of Directors of Titanium Sands Ltd authorised this announcement to be given to ASX.

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COMPLIANCE STATEMENTS

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.

Previously Reported information and other foot notes for reference

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

[1] *ASX announcement 14/9/20 Project update and garnet added to resource estimate.*

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

[2] *ASX Announcement 16/06/2020 Scoping Study Confirms Potential for Major Dredging Project.*

[3] *TZ Minerals Pty Ltd 2019 Product Quality Review. Mannar Island Project. Confidential Titanium Sands Ltd company report.*

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Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Titanium Sands Limited

ABN	**Quarter ended ("current quarter")**
65 009 131 533	30 September 2020

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers		
1.2	Payments for		
	(a) exploration & evaluation	-	-
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(106)	(106)
	(e) administration and corporate costs	(260)	(260)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(366)**	**(366)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) exploration & evaluation	(106)	(106)
	(e) investments	-	-
	(f) other non-current assets	-	-

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**(106)**	**(106)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	2,200	2,200
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(2)	(2)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	**2,198**	**2,198**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	1,040	1,040
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(366)	(366)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(106)	(106)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,198	2,198

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**2,766**	**2,766**

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter $A'000	Previous quarter $A'000
5.1	Bank balances	2,766	1,040
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**2,766**	**1,040**

6.	Payments to related parties of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	93
6.2	Aggregate amount of payments to related parties and their associates included in item 2	35

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

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7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	-	-

7.5	**Unused financing facilities available at quarter end**	
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.	

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(366)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(106)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(472)
8.4	Cash and cash equivalents at quarter end (item 4.6)	2,766
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	2,766
8.7	**Estimated quarters of funding available (item 8.6 divided by item 8.3)**	5.9

Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.

8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:

8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/a

8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/a

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8.8.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
Answer: N/a	
Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.	

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Date: 27 October 2020

Authorised by: By the Board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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