



ASX RELEASE

31 July 2020

TITANIUM SANDS LIMITED

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Ticket

ASX: TSL

QUARTERLY OPERATIONS REPORT TO 30 JUNE 2020

- Mineral Resource estimates for the Mannar Island Project now stand at a total of 265Mt at 4.38% THM¹.
- Mannar Island Heavy Mineral Sands Scoping Study Confirms Potential for Major Dredging Project².
- Initial production possible on mineral resource zone of 93Mt at 5.24%THM representing 35% of the total current mineral resource estimate of 265Mt at 4.38%THM¹.
- Project Scoping Study based on inland areas of Mannar Island away from areas of habitation and cultivation.
- Quality assessments of the minerals recovered from the metallurgical test work and long term pricing trends indicate the ilmenite minerals product could achieve a price of A\$305/t and to be of a high quality and likely to find ready markets globally².
- 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 continuing with a range of interested parties.

MINERAL RESOURCE UPDATE

A mineral resource estimate update was completed and reported during the June Quarter¹. Indicated and inferred resources for the project based on a 2% lower cut of heavy minerals were estimated at 263Mt @ 4.38%THM(Table 1). The resource includes a continuous zone 8km long containing 92.56Mt @5.24% THM.

Cut	Cat.	Tonnes M	Thm %	Silt %	Ovz %	Ilm %	Leu %	Rut %	Zir %
0%	Ind	88.39	4.46	0.76	13.80	1.98	0.37	0.08	0.08
	Inf	307.86	3.03	0.99	19.86	1.32	0.23	0.06	0.07
	Total	396.26	3.35	0.94	18.51	1.47	0.26	0.07	0.07
2%	Ind	66.14	5.54	0.83	11.63	2.48	0.46	0.10	0.10
	Inf	198.79	3.99	1.06	17.56	1.77	0.30	0.08	0.10
	Total	264.93	4.38	1.00	16.08	1.95	0.34	0.09	0.10
3%	Ind.	52.22	6.36	0.83	11.14	2.89	0.53	0.11	0.12
	Inf.	111.80	5.15	1.08	15.96	2.33	0.39	0.10	0.12
	Total	164.02	5.53	1.00	14.43	2.51	0.43	0.11	0.12

Table 1 Mineral Resource Estimates for 0%, 2% and 3% THM lower cut offs.

MANNAR ISLAND PROJECT SCOPING STUDY

A scoping study on the Mannar Island Project was completed and reported during the June Quarter². The Scoping Study indicated that a long life dredging project could be economically robust and produce a sought after quality sulphate ilmenite product along with minor rutile, zircon and garnet products.

The exceptionally low slime content(1%) , lack of overburden and clean mineral grains would enable efficient mining and processing. High quality mineral products can be produced with conventional gravity wet concentration and industry standard magnetic and electrostatic mineral separation.

The study indicated that an initial one dredge mining and processing scenario had a modest capital hurdle and robust economics. However with the scale of the current mineral resources there was potential for second or even third dredge operations with expanded processing facilities offering even better capital and operating efficiencies.

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 June Quarter operations focussed on completion of the mineral resource update and completion of the scoping study, which were only marginally impacted by the Covid-19 pandemic.

Sri Lanka as an island nation with an effective health system and well developed disease control measures has to date been successful in minimising COVID-19 cases to low levels by international standards. Mitigation measures including restrictions on inbound travel, domestic population movement and clear guidelines for infection management have been implemented with speed and efficiency. There may be some challenges as restrictions are eased particularly in association with elections in early August. Titanium Sands continues to monitor the situation and will look towards recommencing activities when prudent to do so and in compliance with local and national Sri Lankan regulations.

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.

HMS INDUSTRY AND MARKET

Mineral product test work for Mannar Island heavy mineral sands, indicates it is most likely to find a market for its ilmenite (ilmenite-leucoxene) minerals as a quality feedstock for sulphate route TiO₂ pigment production. Potential also exists for smaller volume specialist rutile, zircon and garnet products.

TiO₂ forms the basis for pigmented products used in a wide range of paints, plastics, paper, self-cleaning coatings. Other uses of ilmenite minerals include the production of titanium metal (light,

strong, corrosion-resistant), for aerospace industries and increasingly in motor vehicles and medical implants and welding rods (flux coating).

Market indications suggest a base case pricing for premium sulphate ilmenite feedstock product of between USD\$180-220p/t (\$240 high grade) and rutile at around USD\$1,118 p/t.

Zircon is processed into zirconium compounds, intermediate products and zirconium metal for a variety of applications including ceramics / tiles / toilets (55% demand), foundry sands / castings (14% demand), refractories / furnace linings (10% demand) and chemicals / gemstones / nuclear reactors (14% demand). Specialty uses include fibre optics, glass, paints, catalysts, underarm deodorants, adhesives, cosmetics, dental ceramics plus various research applications. Market indications suggest that zircon is selling for around USD\$973p/t.

Garnet is used as an abrasive in high pressure paint stripping and industrial cleaning solutions and is sold for between USD\$200 – USD\$220p/t. .

TENURE

The Company has 9 exploration licenses on Mannar Island and the adjacent mainland coast, covering an area of 204 square kilometres (Table 1).

Exploration License #	Location	Area	EL Validity		Interest at Quarter End	Change in Interest During Quarter
			From	To		
EL180/R/3	Mannar Island, Sri Lanka	45 Sq. Km	05.03.2019	04.03.2021	100%	-
EL182/R/3	Mannar Island, Sri Lanka	26 Sq. Km	05.03.2019	04.03.2021	100%	-
EL370	Mannar Island, Sri Lanka	40 Sq. Km	14.12.2017	13.12.2019*	100%	-
EL371	Mannar Island, Sri Lanka	4 Sq. Km	26.02.2018	25.02.2020*	100%	-
EL372	Mannar Island, Sri Lanka	51 Sq. Km	26.02.2018	25.02.2020*	100%	-
EL351	Mannar Island, Sri Lanka	15 Sq. Km	13.12.2019	12.12.2021	100%	-
EL352	Mannar Island, Sri Lanka	10 Sq. Km	13.12.2019	12.12.2021	100%	-
EL327/R/1	Mannar Island, Sri Lanka	5 Sq. Km	14.12.2018	13.12.2020	100%	-
EL328/R/1	Mannar Island, Sri Lanka	8 Sq. Km	14.12.2018	13.12.2020	100%	-

Table 1 Mannar Island Project tenure*.

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

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 – 30.06.20) \$'000	Variance	Note
Exploration on Sri Lankan Project	2,266	1,347	919	1
Scoping Study on the Sri Lankan Project	851	281	570	2
Cash reimbursement to Seller	450	182	268	3
Working Capital	1,907	2,604	(697)	4
Expenses of the Public Offer	526	546	(20)	
Total	6,000	4,960	1,040	

Notes:

- Actual Mineral Expenditure is currently under the use of funds budget by \$919k. 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 500 to 600 drill holes for 6,000 to 9,000m during 2020 subject to the lifting of certain COVID-19 related workplace restriction in Sri Lanka.
- Actual Scoping Study Expenditure is currently under the use of funds budget by \$570k. 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.
- 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.
- Actual working capital expenses are currently over the use of funds budget by \$697k. 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. Following the completion of the Scoping Study offtake discussions are continuing with various parties.
- 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.

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 \$76k and \$24k 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 \$155k 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.

Ends-

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

Further information contact:

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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 foot notes

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 [6/05/20 TSL Mannar Island Project Resource Tonnage Tripled.](#)

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 resource statement from this announcement is appended here as Table 3 below :

Cut	Cat.	Tonnes M	Thm %	Silt %	Ovz %	Ilm %	Leu %	Rut %	Zir %
0%	Ind	88.39	4.46	0.76	13.80	1.98	0.37	0.08	0.08
	Inf	307.86	3.03	0.99	19.86	1.32	0.23	0.06	0.07
	Total	396.26	3.35	0.94	18.51	1.47	0.26	0.07	0.07
2%	Ind	66.14	5.54	0.83	11.63	2.48	0.46	0.10	0.10
	Inf	198.79	3.99	1.06	17.56	1.77	0.30	0.08	0.10
	Total	264.93	4.38	1.00	16.08	1.95	0.34	0.09	0.10
3%	Ind.	52.22	6.36	0.83	11.14	2.89	0.53	0.11	0.12
	Inf.	111.80	5.15	1.08	15.96	2.33	0.39	0.10	0.12
	Total	164.02	5.53	1.00	14.43	2.51	0.43	0.11	0.12

Table 2 Indicated and Inferred mineral resource estimates reported 28/01/20

² [16/6/20 Scoping Study Confirms Potential for Major Dredging Project](#)

Appendix 5B

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

Name of entity

Titanium Sands Limited

ABN

65 009 131 533

Quarter ended ("current quarter")

30 June 2020

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 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	(81)	(521)
	(e) administration and corporate costs	(34)	(560)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	1
1.5	Interest and other costs of finance paid	-	(21)
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	(115)	(1,101)

2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	
	(b) tenements	-	
	(c) property, plant and equipment	-	(3)
	(d) exploration & evaluation	(155)	(1,112)
	(e) investments	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 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	(155)	(1,115)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	-	-
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	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,310	3,256
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(115)	(1,101)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(155)	(1,115)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,040	1,040

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	1,040	1,310
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)	1,040	1,310

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	76
6.2	Aggregate amount of payments to related parties and their associates included in item 2	24
<i>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.</i>		

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

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	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)	(115)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(155)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(270)
8.4	Cash and cash equivalents at quarter end (item 4.6)	1,040
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	1,040
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	3.8
<i>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.</i>		
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		

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

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: 31 July 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.