



ASX RELEASE

24 January 2019

TITANIUM SANDS LIMITED

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Directors

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Ticket

ASX: TSL

QUARTERLY OPERATIONS REPORT TO 31 DECEMBER 2019

- **EGM to conclude Acquisition to be held 21 February 2020.**
- **Mannar Island shallow depth resource upgrade anticipated early 2020.**
- **Mannar Island scoping study nearing completion, expected to outline production Capex, Opex and timing.**
- **RC Air Core depth drilling program to 12m completed and advancing towards additional resource upgrade.**
- **Offtake discussions begin to take shape.**

ACQUISITION TENURE

Subsequent to the end of the quarter, Titanium Sands Ltd ("TSL" or "The Company") announced on 20/01/2020, the Notice of General Meeting seeking shareholder approval for the company to proceed with the proposed acquisition has been dispatched to shareholders. The meeting will take place on 21 February 2020 with TSL and the vendor agreeing to extend the due date of completion to 28 February 2020.

As previously announced (ASX: TSL 15/07/2019, 24/9/19, 25/10/19, 20/12/2019 and 20/01/2020) the proposed acquisition is of a group of companies that hold a substantive 38km² tenure package on Mannar Island. The tenure package holds an inferred mineral resource of 32Mt of HMS at 7.45%¹ ("Acquisition Tenure") (Figure 1) and complements the Company's existing assets at Mannar Island in North West Sri Lanka.

MANNAR ISLAND RESOURCE UPGRADE

The completed resource report updating the shallow surface exposed, high grade resource situated above the water table on Mannar Island is expected by February 2020. This resource update is in its final stages as the laboratory in South Africa has received and assessed the final samples from Mannar Island, as well as completing the final draft of the minerology report.

SCOPING STUDY

The Company is now well advanced in the preparation and completion of a scoping study of the Mannar Island project. First pass mining and processing engineering studies have been undertaken by third-party industry experts and the Company has been advised the study should be available for the board to review in the coming weeks.

DRILLING UPDATE

Initial reporting is anticipated in the coming weeks as laboratory analyses from the RC drilling program is received by the company. Resource modelling incorporating the entire RC Aircore drilling program, will confirm the size and mineralogy of the resource which incorporates 10m of unconsolidated sands that underly the existing shallow mineral resources, already reported for the Mannar island project.

The RC Aircore drilling program was completed on time and on budget and full samples were sent to the laboratory in South Africa. In total, 473 RC drill holes were completed for 5,632m of drilling. As previously announced (ASX: TSL 27/9/19 and 20/12/2019) the resource infill and extension drilling is targeting beneath the water table under parts of the shallow resource drilling and visual indication have shown consistent heavy mineral sand concentrations to a depth of 12m in over 90% of the holes drilled.

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 will continue offtake discussions with each of the above parties.

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. .

TSL Managing Director Dr James Searle said *“The first quarter of 2020 is shaping to be the most significant in the company’s history with various milestones approaching completion. Confirmation of the shareholder meeting in February to conclude the acquisition allows the company to commence forward planning and look at the options leading to further exploration, offtake and production. Although this will be a busy time for TSL, it is definitely the most exciting time as everything comes together”*.

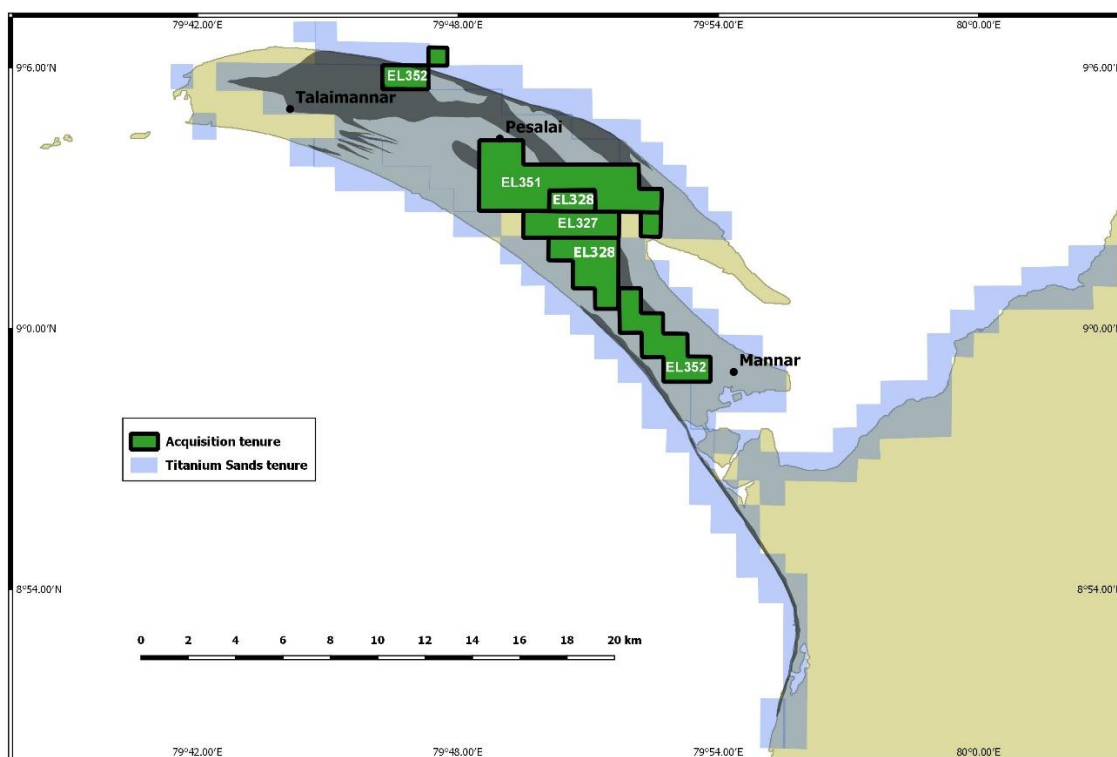


Figure 1 Existing Titanium Sands Ltd tenure over the Mannar Island Project and the Acquisition Tenure.

Tenure

The Company currently has 5 exploration licenses on Mannar Island and the adjacent mainland coast, covering an area of 166 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%	-

* All necessary submissions and applications for renewal of EL370 have been lodged and the Company expects to receive the renewal shortly.

Table 1 Current Titanium Sands Ltd tenure.

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.

¹ Refer to the ASX announcement on 11 February 2019, 18 September 2019 and 20 December 2019. The Company confirms that it is not aware of any new information or data that materially affects the information included in these announcements 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' findings are presented have not been materially modified from the relevant original market announcement.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Titanium Sands Limited

ABN

65 009 131 533

Quarter ended ("current quarter")

31 December 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(330)	(618)
(b) development	-	-
(c) production	-	-
(d) staff costs	(150)	(294)
(e) administration and corporate costs	(124)	(294)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	1
1.5 Interest and other costs of finance paid	(21)	(21)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(625)	(1,226)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	(6)
(b) tenements (see item 10)	-	-
(c) investments (Srinel consideration)	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans from other entities	-	-
2.5	Other	-	-
2.6	Net cash from / (used in) investing activities	-	(6)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
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	2,649	3,256
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(625)	(1,226)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(6)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	2,024	2,024

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	2,024	2,649
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (share application funds held)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,024	2,649

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	162
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

1. Director fees.
2. Consultancy fees.

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Mining exploration entity and oil and gas exploration entity quarterly report

9. Estimated cash outflows for next quarter		\$A'000
9.1	Exploration and evaluation	(306)
9.2	Development	-
9.3	Production	-
9.4	Staff costs	(83)
9.5	Administration and corporate costs	(150)
9.6	Other	-
9.7	Total estimated cash outflows	(539)

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	-Nil	-N.A.	-N.A.	-N.A.
10.2	Interests in mining tenements and petroleum tenements acquired or increased	-Nil	-N.A.	-N.A.	-N.A.

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.

Sign here: James Searle
(Managing Director)

Date: 24 January 2020

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.