

## Chairman's Letter to Shareholders

Dear Shareholder,

By any measure, 2020 has been a year like no other, and Titan Minerals Limited ("Titan" or the "Company") has had a very different year to any of the times since its incorporation. Titan remains focused on the exploration and development of tier one mineral projects in Ecuador's southern Andean copper-gold belt. This letter provides an overview of the year to date from the Company's perspective, an update on further asset sales and renegotiation of outstanding debt obligation.

### **Core Gold Inc.**

In January, the Company successfully passed all conditions precedent in its offer to acquire all of the issued and outstanding shares in Core Gold and, in doing so, acquired a suite of significant gold assets in Ecuador to supplement its existing assets in Peru.

In February, initial steps were taken to assess the assets, review in-country management, identify additional resources required to advance existing and proposed projects, ensure that appropriate permitting was in place and, from a corporate position, commence the de-listing of Core Gold from the TSX.

### **Consolidation of Core Gold**

In May, shareholders approved a consolidation of outstanding shares in Core Gold, the ultimate effect of which was that the Company became the sole shareholder of Core Gold. The process of distributing Titan shares to Core Gold shareholders, the consideration under the takeover, was then completed.

### **Historical results**

In May, the Company commenced relogging of the historical drilling undertaken in 2019/early 2020. As announced on 19 May, a drilling programme was planned and sampling commenced on the Dynasty gold project. This project has a foreign resource estimate of 2.1M oz at an average of 4.5g/tonne of gold spread over the Papayal, Iguana and Cerro Verde prospects. As at May only 16% of drill results had been sampled.

For further details of the nature of the project and its potential, see the ASX released dated 19 May. Nothing in the work done to date has indicated that the original potential of the project has changed.

Reviews were also undertaken of historical sampling undertaken at the Copper Duke project, some 18k from the Dynasty project.

### **Divestment**

In August, the Company commenced the process of divesting itself of its Peruvian assets. Agreements were entered into in relation to the sale of the Coriorcco and Las Antas claims. This resulted in the Company receiving USD1.65M and shares in Western Pacific Resources Corporation equal to USD1.29M. That divestment concluded in October. A share purchase agreement was also entered into for the sale of the Vista gold plant.

### **Jerusalem Project**

Core Gold originally held this project, which had a resource estimated in 2014 to include 1.28M oz gold, averaging 14.5g/tonne, and 8.6M oz silver at 98 g/tonne (Canadian NI 43-101 compliant mineral resource). The concession was cancelled in 2017 by the Ecuadorian government but Titan successfully appealed to have the concession reinstated, as announced by the Company in September.

Nothing has occurred since the reinstatement to indicate that the resource estimate requires change.

The Company has also received an unsolicited offer to acquire the concession, which is being evaluated

### **Recommencement of operations**

Planned diamond drilling recommenced at the Dynasty gold project in late September, following the lifting of some restrictions associated with Covid 19. The drilling is intended to establish the currently estimated resource as a JORC Code compliant resource. Ongoing sampling of historical drilling cores occurred at the same time, as did a high resolution magnetic and radiometric geophysical survey focussing on the Dynasty and Copper Duke projects. The survey at Dynasty was completed in late October.

An additional drilling rig was mobilised at Dynasty.

During this period, the extensive legal and administrative work required to ensure the restructuring and reorganisation continued, as did such additional matters as securing access to a number of existing concessions to permit it drilling, engagement of local workforces and finalisation of permitting.

The last quarter of the year has also seen the Company strengthen its in-country management and technical teams.

### **Divestment of Non-Core Assets**

In October, the Company announced that it had executed a binding share purchase agreement for the sale of the Vista Gold Plant for US\$3.5 million. The Company wishes to advise that it has entered into amended and restated share purchase agreement pursuant to which it has been agreed that the sale price of the Vista Gold Plant will be reduced to \$2,870,000. It is now unconditional with a further \$1m deposit received on 31 December 2020.

### **Debt position**

The Company refers to the ASX announcements dated 25 March 2019, 24 December 2019 and 5 June 2020 in respect to the Company's existing loan facilities (**Existing Facilities**) and wishes to advise that it has completed a partial refinancing via a new debt facility arrangement with sophisticated and professional investors (together, the **Lenders**) for an amount of up to US\$3,158,012 (**Facility**). The Facility will be utilised to discharge part of the outstanding amounts owing under the Existing Facilities.

The material terms of the Facility are as follows:

- Amount: US\$3,158,012 (**Loan Amount**).
- Interest: 15% interest per annum.
- Security: the Loan Amount will be secured against the assets of Titan.
- Termination and repayment: the Company must repay the Loan Amount it has drawn and all other amounts accrued or outstanding by 30 June 2021 (**Termination Date**).
- Conversion:
  - The Lenders may separately elect, by giving notice to the Company in writing at any time prior to the Termination Date, that their outstanding loan be satisfied through the issue of fully paid ordinary shares in Titan (**Shares**) rather than through the Company paying those amounts to that Lender in immediately available funds (**Conversion**).
  - The aggregate amount that may be converted into Shares is up to \$1,150,000 (**Conversion Amount**)
  - The number of Shares to be issued pursuant to a Conversion will be calculated by dividing the Conversion Amount for that Lender by the amount which is 40% less than the VWAP for Shares over the 30 trading days ending on the trading day immediately prior to the relevant election date.
  - Any Shares to be issued pursuant to the Conversion will be issued under the Company's existing Listing Rule 7.1 capacity. Refer to the Appendix 3B accompanying this announcement for further details.

- Early Repayment: Titan may, if it gives the Lenders not less than 5 business days' (or such shorter period as the Lenders may agree) prior notice, cancel the whole or any part of the Facility (but, if in part, by a minimum amount of \$100,000).
- Voluntary Prepayment: Titan may, if it gives the Lenders not less than 10 business days' (or such shorter period as the Lenders may agree) prior notice, prepay the whole or any part of the Loan Amount (but, if in part, by a minimum amount of \$100,000). If, after giving prior written notice of an intended prepayment, Titan receives a notice of election from one of the Lenders for a Conversion under the Facility, Titan must reduce the amount that it was going to prepay to the extent necessary to comply with the election notice.

In addition, the Company has issued 24,275,565 Shares to a Lender pursuant to the Company's prior debt arrangements. An appendix 2A accompanies this announcement.

### **Summary**

Much of the hard work has been done. The regulatory and administrative tasks inevitably associated with an acquisition by takeover are complete or nearing completion, as is the assessment of assets, rationalization of non-core assets and the building of teams and relationships in Ecuador.

This year has been challenging, and significant resources have been devoted to ensuring that the Company has a sound base from which to manage, explore and verify its assets.

The coming year promises to be exciting, as the attention of the Company is firmly focused on establishing JORC compliant resources in Ecuador and adding value for shareholders.

We have a great team and all results to date point to confirmation of the potential seen by the Company in the Core Gold assets.

Regards,

Michael Hardy

**Chairman**

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