

Titan Completes on Sale of the Zaruma Mine & Portovelo Process Plant for US\$15.0 million

Highlights

- Sale of the Zaruma mine concessions and the Portovelo Process Plant completed
- Titan to receive US\$15.0 million in staged cash payments plus a 2% net smelter return royalty on future copper production from the Zaruma mine concessions
- Completion of sale strengthens Titan's cash position and balance sheet with US\$3.5m initial consideration payment now due and payable and a further US\$2.0 million due 31 August 2021
- Fully funded drilling program continues at the Cerro Verde Prospect at Titan's flagship Dynasty gold project

Further to the announcement on 15 April 2021, Titan Minerals Limited (ASX: TTM) ("Titan" or the "Company") is pleased to advise it has completed the sale of the Zaruma mine concessions and the Portovelo Process Plant assets to Pelorus Minerals Limited ("Pelorus") for consideration of US\$15.0 million in staged cash payments plus a 2% net smelter return royalty on future copper production from the Zaruma mine concessions (see "Transaction Summary" below for further details).

Completion of the asset sale will enable Titan to resolve the balance sheet issues it inherited following the acquisition of Core Gold Inc. in 2020 and to focus its full attention on the development of its flagship Dynasty gold project, and exploration at the Copper Duke project and the high-grade Linderos gold project in Ecuador.

Commenting on completion of the asset sale, Titan Minerals Managing Director, Laurie Marsland said:

"Titan's focus remains firmly set on developing the Dynasty gold project and advancing the Copper Duke project and Linderos gold project in Ecuador. Sale of the Zaruma mine and the Portovelo Process Plant strengthens our balance sheet and allows us to manage the liabilities we inherited following the Core Gold acquisition."

"It has been a lengthy process to get to this point and we appreciate the continued support shown by our shareholders. Given the improvement in our financial position as a result of this asset sale, we expect to continue drilling and deliver an updated JORC resource at Dynasty following completion of the Cerro Verde drill programme."

"We wish Pelorus every success for its IPO planned for later this year and for re-establishing operations at the Zaruma mine, which Titan shareholders will retain exposure to through the 2% net smelter return royalty on future copper production."

Transaction Summary

The transaction was completed pursuant to a Share Sale Agreement which documents the sale of shares (the "Sale Shares") by Titan of a number of its subsidiaries (the "Group Companies") to Pelorus. Coincidental with entering into the Share Sale Agreement, Titan and Pelorus also entered into a trust deed under which Pelorus pledged all the Sale Shares in favour of Titan to guarantee timely and complete payment of the staged cash consideration payments under the Share Sale Agreement.

The schedule of staged cash payments under the Share Sale Agreement is:

- US\$2.0 million non-refundable cash deposit paid on 30 April 2021
- US\$3.5 million Initial Consideration payment now due and payable
- US\$2.0 million First Deferred Consideration Payment, due by 31 August 2021
- US\$2.5 million Second Deferred Consideration Payment, due upon the earlier of:
 - 1 December 2021; and
 - receipt by Pelorus of the capital raising proceeds from its IPO, which Pelorus is proposing to complete by 31 October 2021
- US\$2.5 million Third Deferred Consideration Payment due by 1 March 2022
- US\$2.5 million Fourth Deferred Consideration Payment due by 1 June 2022

Certain low value assets are still in the process of being transferred to Pelorus post-completion and in the unlikely scenario these assets are not transferred by the time of the Fourth Deferred Consideration Payment, the value of these assets can be deducted from the fourth payment.

In addition, Titan will receive a 2% net smelter return royalty on the value of any recovered and realisable copper produced from the Zaruma mine concessions pursuant to royalty deeds to be entered into between Titan and each Group Company.

Pelorus may elect to accelerate payment of the Deferred Consideration Payments. If Pelorus fails to make any Deferred Consideration Payment on or before its due date for payment, interest will accrue daily from the due date until the date such amount is paid at a rate of 20% per annum. In the event the Pelorus IPO is delayed post-October 2021 by reason of force majeure or other limited circumstances, the dates of the Second, Third and Fourth Deferred Consideration Payments shall be extended to 1 June 2022 with interest accruing on the outstanding Deferred Consideration Payments from their due date, until the relevant payment is made. If the force majeure event is not rectified by 1 June 2022, Titan can elect to either enforce its security or require Pelorus to sell, as soon as practicable, assets sufficient in value to pay all of the outstanding consideration together with accrued interest on the outstanding consideration.

The intention is that the majority of employees of the Group Companies will transfer across to Pelorus on terms and conditions of employment which are no less favourable than those on which they were employed by Titan. Titan has also offered to assist Pelorus with regard to transition arrangements, initially for a period of up to 60 days.

Zaruma Mine and Portovelo Process Plant

The Zaruma mine is located in the Zaruma-Portovelo mining district and comprised of thirty (30) concessions totalling 7,615 Ha. The Portovelo Process Plant is a fully operational CIP milling operation located 9 km by road from the Zaruma mine's Cabo de Hornos portal.

The sale was completed on an 'as is, where is' basis and includes the Zaruma mining concessions, mine infrastructure, related mining equipment and machinery, geological data, permits and licences, the Portovelo process plant, process plant infrastructure including buildings and structures located on the property, and three tailings dams.

Advisers

Titan retained Bacchus Capital Advisers Ltd as its exclusive financial adviser, and Thomson Geer and Paz Horowitz as legal advisers, in relation to this transaction.

-ENDS-

Released with the authority of the Board.

For further information on the Company and our projects, please visit: www.titanminerals.com.au

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About Titan Minerals Ltd

Titan Minerals is an exploration and development company focused on exploring and developing potential Tier One projects in Ecuador's southern Andean copper-gold belt. The Company's flagship asset is the Dynasty gold project that consists of a NI 43-101 mineral resource estimate of 2.1Moz at 4.5g/t gold. Titan's strategy is to conduct a drilling campaign across Dynasty and deliver a JORC resource during Q4 2020.

The Company is continuously evaluating additional projects in gold, copper, and other commodities within Ecuador and elsewhere for acquisition or joint venture to grow shareholder value.



Titan Minerals Project Map