

31 January 2018

Company Announcements Office  
Australian Securities Exchange  
10<sup>th</sup> Floor, 20 Bond Street  
SYDNEY NSW 2000

## **QUARTERLY OPERATIONS REPORT TO 31 DECEMBER 2017**

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### **HIGHLIGHTS**

- **Titanium Sands Ltd shareholders approve the acquisition of the Mannar Island Heavy Mineral Sands Project in Sri Lanka.**
- **Results from a total of 859 drill holes were received from the project vendor during the December Quarter and subsequently during January of 2018, of which 697 have weighted average grades in excess of 2% Total Heavy Minerals (THM).**
- **Individual drill hole weighted averages are up to 23% THM (total heavy minerals) and numerous plus 8% drill hole averages occur in high grade zones.**
- **The drill holes results outline a nearly continuous heavy mineral concentration over a strike length of 12km and a cross strike width of up to 3km.**
- **The mineralisation is exposed at surface with essentially no overburden, the slimes component is very low (~1%) and the heavy mineral suite contains only minor amounts of low value magnetite.**
- **The results establish significant extension potential to the existing coastal JORC inferred mineral resource of 10.3 Mt with total heavy mineral (THM) of 11.7%\***

## CORPORATE

Titanium Sands Ltd shareholders approved the acquisition of Srinel Holdings Ltd at its Annual General Meeting held on 24 January 2018 (ASX announcement 24 January 2018). The transaction will see the acquisition of Srinel Holdings Ltd which holds three exploration licences and two exploration license applications covering 166km<sup>2</sup> that constitute the Mannar Island Heavy Mineral Sands Project in Sri Lanka.

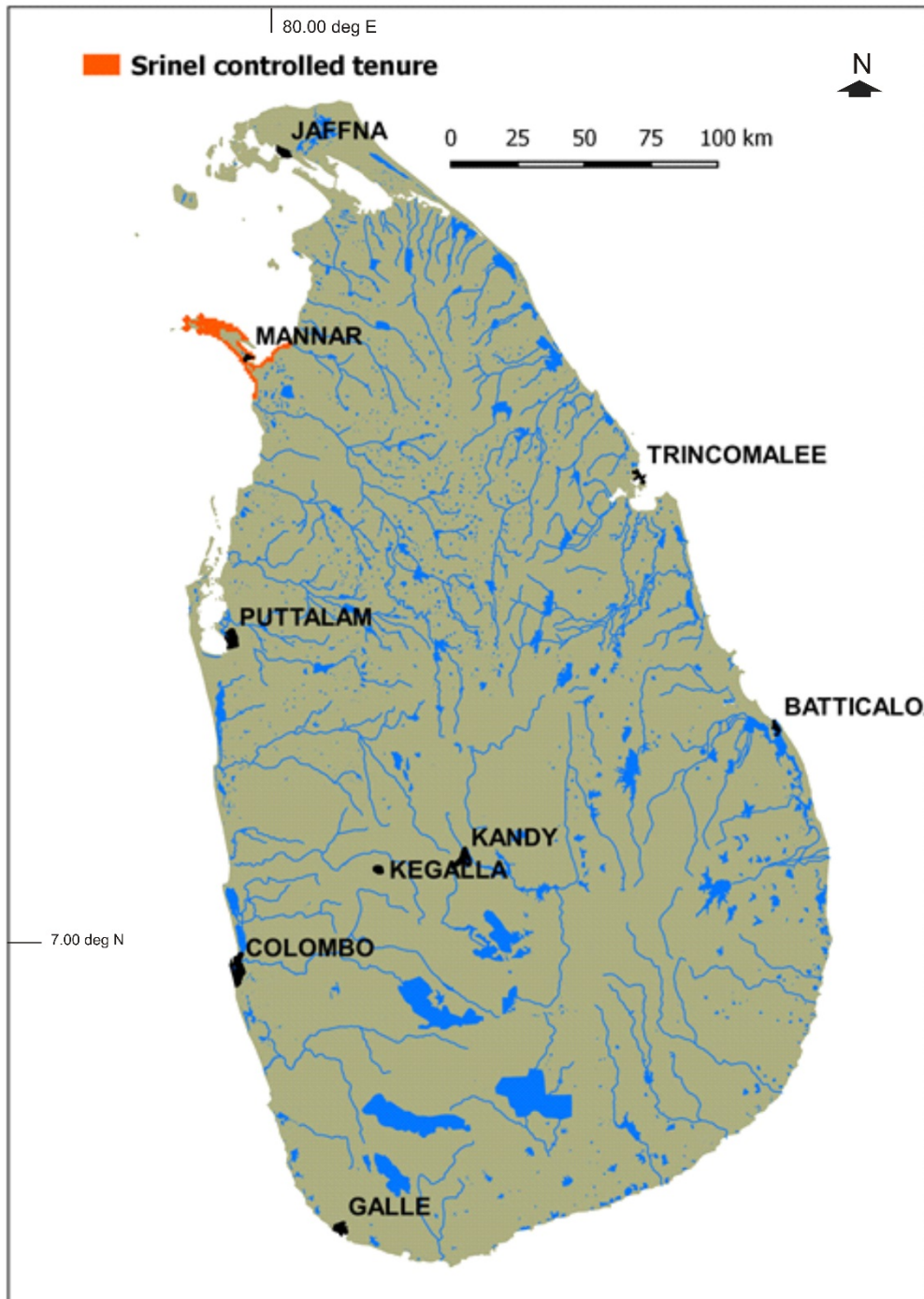


Figure 1 Location of the Mannar Island Project in Sri Lanka

## **OPERATIONS**

### **SRI LANKAN MINERAL SANDS PROJECT**

The vendor of the Mannar Island Heavy Mineral Sands Project, Srinel Holdings Ltd, has now advised Titanium Sands Ltd of laboratory results for 859 hand auger drill holes from the Mannar Island Project in Sri Lanka (Figures 1 and 2) (as reported in full to the ASX in two announcements on 30 October 2017, and then on 30 January 2018). The results from these drill holes confirm visual logging observations at the time of drilling that there are extensive areas of heavy mineral concentration in the interior of Mannar Island adjacent to the previously announced heavy mineral resources\*.

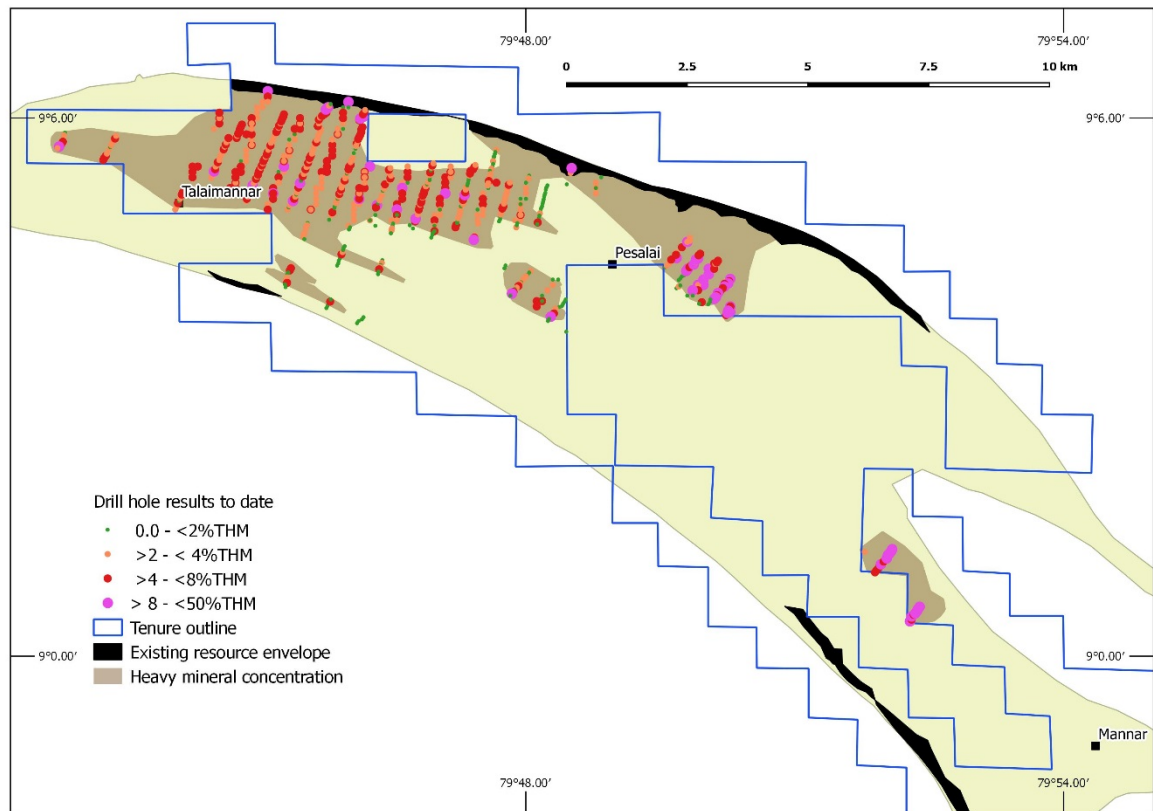
The mineralization defined by the drilling results to date (located outside the known resource along the coast) extends for a strike of 12km and has a cross strike width of up to 3km (Figure 2). It is up to 6m thick and averages around 1.5m. There is essentially no overburden and the mineralisation extends continuously down to the limit of the drilling at the water table. Drilling to date on the Mannar Project only extends down to the water table, the exploration potential for deeper mineralisation remains untested.

Drilling results previously reported (ASX announcement 15 October 2017) were largely from drilling in 2016 carried out along lines 800m apart and drill holes 50m apart. The subsequent results (ASX announcement 30 January 2018) are from 2017 drilling that consisted of infill drilling and some mineralisation extension drilling. Much of the drilled mineralisation is now covered by a 400 by 50m drilling pattern.

The new drill hole results are summarised in Figure 2 along with the previously received results. Sample intervals were 0.5m down hole and all samples from assayed holes were submitted as individual samples with no compositing. Of these 859 drill holes 697 have returned weighted average grades in excess of plus 2% for the entire drill hole.

The Mannar mineralisation has an exceptionally low slimes (~1%) content and the total heavy mineral fraction is dominated by ilmenite and leucoxene with subsidiary zircon and rutile. Very little low value magnetite is present. Mineralogical analyses of the heavy mineral suite are being undertaken.

The company looks forward to completing the work necessary for an updated mineral resource statement and then to progress with evaluating the major exploration potential of the project both adjacent to the known mineralisation and immediately underlying beneath the water table.



**Figure 2 Summary illustration of 2016 and 2017 drilling assay results received to date, with weighted average (Total Heavy Mineral) THM% for each drill hole based on all samples and no lower cut off. The existing resource envelope refers to the previously reported JORC standard resource \*.**

*\*An initial JORC inferred mineral resource of 10.3 Mt with total heavy mineral (THM) of 11.7% compiled by independent consultants was reported in full to the Australian Securities Exchange on the 22 April 2015. This resource was based on a historical drill hole data base of 785 auger drill holes and from the 115 holes drilled in early 2015. The drilling and the defined resource envelope was largely confined to within 150m of the Mannar Island shoreline. The Company confirms that this resource statement remains current in regards to the areas covered by the drilling used in the resource model.*

*Except where indicated, exploration results above have been reviewed and compiled by James Searle BSc (hons), PhD, a Member of the Australian Institute of Mining and Metallurgy, with over 34 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.*

## 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 2017**

| <b>Consolidated statement of cash flows</b>               | <b>Current quarter<br/>\$A'000</b> | <b>Year to date (6<br/>months)<br/>\$A'000</b> |
|---|------------------------------------|--|
| <b>1. Cash flows from operating activities</b>            |                                    |  |
| 1.1 Receipts from customers                               | -                                  | -  |
| 1.2 Payments for  |                                    |  |
| (a) exploration & evaluation                              | -                                  | -  |
| (b) development   | -                                  | -  |
| (c) production  | -                                  | -  |
| (d) staff costs   | -                                  | (12)   |
| (e) administration and corporate costs                    | (32)                               | (182)  |
| 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 Research and development refunds                      | -                                  | -  |
| 1.8 Other (provide details if material)                   | -                                  | -  |
| <b>1.9 Net cash from / (used in) operating activities</b> | <b>(32)</b>                        | <b>(195)</b>                                   |

|  |   |   |
|--|---|---|
| <b>2. Cash flows from investing activities</b> |   |   |
| 2.1 Payments to acquire:                       |   |   |
| (a) property, plant and equipment              | - | - |
| (b) tenements (see item 10)                    | - | - |
| (c) investments                                | - | - |
| (d) other non-current assets                   | - | - |

| <b>Consolidated statement of cash flows</b> |   | <b>Current quarter<br/>\$A'000</b> | <b>Year to date (6<br/>months)<br/>\$A'000</b> |
|---|---|------------------------------------|--|
| 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             | -                                  | -  |
| 2.4   | Dividends received (see note 3)                       | -                                  | -  |
| 2.5   | Other (provide details if material)                   | -                                  | -  |
| <b>2.6</b>                                  | <b>Net cash from / (used in) investing activities</b> | <b>-</b>                           | <b>-</b>                                       |

|             |   |          |            |
|-------------|---|----------|------------|
| <b>3.</b>   | <b>Cash flows from financing activities</b>                                 |          |            |
| 3.1         | Proceeds from issues of shares  | -        | 300        |
| 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  | -        | -          |
| 3.9         | Other (provide details if material)   | -        | -          |
| <b>3.10</b> | <b>Net cash from / (used in) financing activities</b>                       | <b>-</b> | <b>300</b> |

|            |  |            |            |
|------------|--|------------|------------|
| <b>4.</b>  | <b>Net increase / (decrease) in cash and cash equivalents for the period</b> |            |            |
| 4.1        | Cash and cash equivalents at beginning of period                             | 141        | 4          |
| 4.2        | Net cash from / (used in) operating activities (item 1.9 above)              | (32)       | (195)      |
| 4.3        | Net cash from / (used in) investing activities (item 2.6 above)              | -          | -          |
| 4.4        | Net cash from / (used in) financing activities (item 3.10 above)             | -          | 300        |
| 4.5        | Effect of movement in exchange rates on cash held                            | -          | -          |
| <b>4.6</b> | <b>Cash and cash equivalents at end of period</b>                            | <b>109</b> | <b>109</b> |

| 5.  | <b>Reconciliation of cash and cash equivalents</b><br>at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter<br>\$A'000 | Previous quarter<br>\$A'000 |
|-----|---|----------------------------|-----------------------------|
| 5.1 | Bank balances   | 109                        | 141                         |
| 5.2 | Call deposits   | -                          | -                           |
| 5.3 | Bank overdrafts   | -                          | -                           |
| 5.4 | Other (provide details)   | -                          | -                           |
| 5.5 | <b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>  | <b>109</b>                 | <b>141</b>                  |

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 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

| Current quarter<br>\$A'000 |
|----------------------------|
| -                          |
| -                          |

**7. Payments to related entities of the entity and their associates**

- 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

| Current quarter<br>\$A'000 |
|----------------------------|
| -                          |
| -                          |

**8. Financing facilities available**

*Add notes as necessary for an understanding of the position*

- |                                 | Total facility amount<br>at quarter end<br>\$A'000 | Amount drawn at<br>quarter end<br>\$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.

| <b>9. Estimated cash outflows for next quarter</b>                 | <b>\$A'000</b> |
|--|----------------|
| 9.1 Exploration and evaluation                                     | -              |
| 9.2 Development  | -              |
| 9.3 Production   | -              |
| 9.4 Staff costs  | -              |
| 9.5 Administration and corporate costs                             | (5)            |
| 9.6 Other - ASX re-compliance, notice of meeting and related costs | (80)           |
| <b>9.7 Total estimated cash outflows</b>                           | <b>(85)</b>    |

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

### 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:



(Director)

Date: 31 January 2018

Print name: Jason Ferris

### 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.