

*No securities tendered to the Offer will be taken up until (a) more than 50% of the outstanding securities of the class sought (excluding those securities beneficially owned, or over which control or direction is exercised, by the Offeror (as hereinafter defined) or any Person (as hereinafter defined) acting jointly or in concert with the Offeror) have been tendered to the Offer, (b) the minimum deposit period under the applicable securities laws has elapsed, and (c) any and all other conditions of the Offer have been complied with or waived, as applicable. If these criteria are met, the Offeror will take up securities deposited under the Offer in accordance with applicable securities laws and extend the Offer for an additional minimum period of 10 days to allow for further deposits of securities.*

*This document is important and requires your immediate attention. If you are in doubt as to how to deal with it, you should consult your broker, investment dealer, bank manager, accountant, lawyer or other professional advisor. Additionally, if you have questions, please contact Gryphon Advisors Inc., Information Agent for the Offer, by telephone at 1.833.461.3651 (toll free in North America), or 1.416.661.6592 (collect calls outside North America) or by email at [inquiries@gryphonadvisors.ca](mailto:inquiries@gryphonadvisors.ca). Additional details for the Information Agent are set out on the back page of this document.*

*The Offer (as hereinafter defined) has not been approved or disapproved by any securities regulatory authority nor has any securities regulatory authority passed upon the fairness or merits of the Offer or upon the adequacy of the information contained in this document. Any representation to the contrary is unlawful.*

*The Offer and this document do not constitute an offer or a solicitation to any Person in any jurisdiction in which any such offer or solicitation is unlawful. The Offer is not being made to, nor will deposits be accepted from, or on behalf of, Core Shareholders (as hereinafter defined) in any jurisdiction in which the making or acceptance thereof would not be in compliance with the Laws (as hereinafter defined) of such jurisdiction. However, the Offeror may, in its sole discretion, take such action as it may deem necessary to extend the Offer to Core Shareholders in any such jurisdiction.*

September 30, 2019



**TITAN MINERALS LIMITED  
OFFER TO PURCHASE**

**all of the issued and outstanding common shares of  
CORE GOLD INC.**

**on the basis of 2.5 ordinary shares of Titan Minerals Limited for each common share  
of Core Gold Inc. subject to the terms and conditions provided herein.**

Titan Minerals Limited (the “Offeror” or “Titan”) hereby offers (the “Offer”) to purchase, on the terms and subject to the conditions of the Offer, all of the issued and outstanding common shares (“Core Shares”) of Core Gold Inc. (“Core”), including Core Shares that may become issued and outstanding after the date of the Offer but prior to the Expiry Time (as hereinafter defined) of the Offer upon the exercise, conversion or exchange of options, warrants or other securities of Core that are exercisable for, convertible into or exchangeable for Core Shares (collectively, the “Convertible Securities”) in accordance with the terms and subject to the conditions contained herein.

**The Offer is open for acceptance until 9:00 a.m. (Toronto time) (the “Expiry Time”) on  
January 14, 2020 (the “Expiry Date”), unless the Offer is accelerated, extended or  
withdrawn by the Offeror.**

**Financial Adviser to Titan Minerals Limited**



If you have any questions or need any assistance in depositing your Core Shares, please call  
Gryphon Advisors Inc., the Information Agent for the Offer, at:

**Toll Free (North America): 1.833.461.3651**

**Outside North America Call Collect: 1.416.661.6592**

**Email: [inquiries@gryphonadvisors.ca](mailto:inquiries@gryphonadvisors.ca)**

**North American Toll-Free Facsimile: 1.877.218.5372**

**Facsimile: 1.416.214.3224**

Pursuant to the Offer, shareholders of Core (“**Core Shareholders**”) who tender their Core Shares to the Offer (including Core Shares that may become issued and outstanding after the date of the Offer but prior to the Expiry Time upon the exercise, conversion or exchange of any Convertible Securities) will receive 2.5 ordinary shares in the capital of the Offeror (each whole ordinary share, a “**Titan Share**”) in exchange for each Core Share (the “**Offer Consideration**”). The Core Shares are listed and posted for trading on the TSX Venture Exchange (the “**TSXV**”) under the symbol “**CGLD**”. The Titan Shares are listed for trading on the Australian Securities Exchange (the “**ASX**”) under the symbol “**TTM**”.

**Based on a closing price of AU\$0.185 per Titan Share on the ASX as of June 25, 2019, the last trading day prior to Titan Shares being voluntarily suspended from trading until the public disclosure by the Offeror of its intention to pursue a takeover bid of Core, the implied Offer Consideration represents a premium of 164% to the closing price of Core Shares on the TSXV on September 13, 2019. Based on the volume-weighted average price of AU\$0.157 per Titan Share for the last ten trading days ended June 25, 2019, the implied Offer Consideration represents a premium of 130% to the volume-weighted average price of \$0.170 per Core Share for the last ten trading days ended September 13, 2019.**

**Titan Shares resumed trading on the ASX on September 16, 2019 following the public disclosure by the Offeror of its intention to pursue a takeover bid of Core. Based on a closing price of AU\$0.190 per Titan Share on the ASX as of September 27, 2019, the last trading day prior to the filing of this Offer, the implied Offer Consideration of \$0.426 represents a premium of 93% to the closing price of Core Shares on the TSXV on September 27, 2019 of \$0.220 per Core Share and represents a premium of 91% to the volume-weighted average price of \$0.223 per Core Share for the last ten trading days ended September 27, 2019.**

The number of Titan Shares to be issued in exchange for each Core Share under the Offer will not be adjusted to reflect any change in the market value of Titan Shares that may occur prior to the time of the take up of Core Shares under the Offer. Accordingly, there can be no assurance of what the value of a Titan Share will be at the time of the take up of the Core Shares under the Offer.

Pursuant to the lock-up agreements (the “**Lock-up Agreements**”) between the Offeror and certain Core Shareholders (the “**Locked-up Shareholders**”), each of the Locked-up Shareholders has agreed to deposit their Core Shares to the Offer and not withdraw, subject to certain conditions, such Core Shares, representing an aggregate of approximately 7.4% of the issued and outstanding Core Shares. See “**Agreements Relating to the Offer - Lock-up Agreements**” in Section 5 of the Circular.

The Offer is subject to the conditions set out in Section 4 of the Offer, “**Conditions of the Offer**”. The Offer is conditional upon the specified conditions being satisfied, or where permitted, waived by the Expiry Time or such earlier or later time during which Core Shares may be deposited under the Offer, excluding the mandatory 10-day extension period or any extension thereafter, which include but are not limited to: (i) the Statutory Minimum Condition (as defined herein), which is a non-waivable condition; (ii) the Offeror having received approval from the shareholders of the Offeror to issue the Titan Shares to be distributed by it in connection with the Offer; (iii) certain Regulatory Approvals (as defined in the Circular) having been obtained on terms and conditions satisfactory to the Offeror, acting reasonably; and (iv) the Offeror having determined, in its sole judgment, that there does not exist and there has not occurred or been publicly disclosed since the date of the Offer any event, change circumstance, development or occurrence that constitutes or could give rise to a Material Adverse Effect (as defined in the Circular).

Subject to Laws, the Offeror reserves the right to withdraw the Offer and to not take up and pay for any Core Shares deposited under the Offer if any condition of the Offer is not satisfied or, if applicable, waived at or prior to the Expiry Time. Subject to the terms and conditions of the Offer, the Offeror will take up and pay for the Core Shares deposited under the Offer as soon as practicable after the Expiry Time, if not previously withdrawn.

**Core Shareholders should be aware that, during the period of the Offer, the Offeror and its affiliates may, directly or indirectly, bid for and make purchases of Core Shares or other securities of Core as permitted by Laws. See Section 9 of the Offer, “Market Purchases”.**

Registered Core Shareholders who wish to accept the Offer must properly complete and execute the accompanying Letter of Transmittal (“**Letter of Transmittal**”), and deposit it, together with the certificate(s) or Direct Registration System statement(s) (“**DRS Statements**”) representing their Core Shares in accordance with the rules and instructions in the Letter of Transmittal. See Section 3 of the Offer, “Manner of Acceptance - Letter of Transmittal”. Alternatively, Core Shareholders may accept the Offer by following the procedures for: (i) book-entry transfer of Core Shares set out in Section 3 of the Offer, “Manner of Acceptance - Book-Entry Transfer”, or (ii) guaranteed delivery set out in Section 3 of the Offer, “Manner of Acceptance - Procedure for Guaranteed Delivery”, using the accompanying Notice of Guaranteed Delivery.

Persons whose Core Shares are held in an account with (or registered in the name of) a broker, investment dealer, bank, trust company or other Intermediary (as defined in the Circular) should contact their representative if they wish to accept the Offer, in order to take the necessary steps to be able to deposit such Core Shares under the Offer. Intermediaries likely have established tendering cut-off times that are prior to the Expiry Time. Core Shareholders must instruct their brokers or other intermediaries promptly if they wish to tender to the Offer.

No broker, dealer, salesperson or other Person has been authorized to give any information or make any representation other than those contained in this document, and, if given or made, such information or representation must not be relied upon as having been authorized by the Offeror or the Depositary and Information Agent (as such terms are defined below).

Core Shareholders will not be obligated to pay any fee or commission if they accept the Offer by transmitting their Core Shares directly to AST Trust Company (Canada) (the “**Depositary**”) at the address shown in the Letter of Transmittal, Notice of Guaranteed Delivery and on the last page of this document. However, an Intermediary through which a Core Shareholder owns Core Shares may charge a customary fee to tender any such Core Shares on behalf of the Core Shareholder. Core Shareholders should consult such Intermediary to determine whether any charge will apply.

Any questions and requests for assistance or additional copies of the Circular, the Letter of Transmittal and the Notice of Guaranteed Delivery may be directed by Core Shareholders to Gryphon Advisors Inc. (the “**Information Agent**”) at 1.833.461.3651 toll free in North America or by email at [inquiries@gryphonadvisors.ca](mailto:inquiries@gryphonadvisors.ca) or the Depositary at the telephone number and address set out below. You may also contact your broker, investment dealer, commercial bank, trust company or other Intermediary for assistance.

Matthew Carr, Laurence Marsland, Michael Hardy and Nicholas Rowley, four of the Offeror’s directors, reside outside of Canada and have appointed FMD Service (Ontario) Inc. at 333 Bay Street, Suite 2400, Toronto, Ontario, M5H 1T6, as agent for service of process. Core Shareholders are advised that it may not be possible to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the Laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process.

#### **NOTICE TO HOLDERS OF CONVERTIBLE SECURITIES**

The Offer is made only for Core Shares and is not made for any Convertible Securities. Any holder of Convertible Securities who wishes to accept the Offer must, to the extent permitted by the terms of the Convertible Security and subject to applicable Laws, exercise, convert or exchange the Convertible Securities in order to obtain certificate(s) or DRS Statement(s) representing Core Shares and deposit those Core Shares in accordance with the terms of the Offer. Any such exercise, conversion or exchange must be completed sufficiently in advance of the Expiry Time to ensure that the holders of such Convertible Securities will have Core Share certificate(s) or DRS Statement(s) representing the Core Shares issuable upon such exercise, conversion or exchange in time for deposit prior to the Expiry Time, or in sufficient time to comply with the procedures referred to in Section 3 of the Offer, “Manner of Acceptance - Procedure for Guaranteed Delivery”.

#### **FORWARD LOOKING STATEMENTS**

The Offer and the Circular, including the letter to Core Shareholders, Section 4 of the Circular, “Reasons to Accept the Offer”, Section 6 of the Circular, “Purpose of the Offer”, Section 7 of the Circular, “Effect of the Offer”, Section

8 of the Circular, “Source of Funds”, Section 14 of the Circular, “Effect of the Offer on the Market for and Listing of Core Shares; Stock Exchange Listing and Public Disclosure”, Section 16 of the Circular, “Acquisition of Core Shares Not Deposited Under the Offer”, and Section 22 of the Circular, “Expenses of the Offer”, and certain of the other statements made and information contained herein are “forward-looking information” or “forward-looking statements” within the meaning of Applicable Securities Laws. Words such as “anticipate”, “assumption”, “believe”, “continue”, “contingent”, “endeavour”, “estimate”, “expect”, “exploration”, “feasibility”, “flexibility”, “forecast”, “focus”, “foresee”, “future”, “guidance”, “initiative”, “intend”, “likely”, “model”, “objective”, “opportunity”, “option”, “outlook”, “phase”, “plan”, “potential”, “predict”, “preliminary”, “project”, “probable”, “proposed”, “prospect”, “risk”, “seek”, “strategy”, “study”, “target” or “uncertainty”, or similar terminology or statements that certain actions, events or results “can”, “could”, “may”, “might”, “shall”, “should”, “would”, or “will” be taken, occur, or be achieved, or the negatives or variations of any of the foregoing terms or expressions, are intended to identify such forward-looking information.

Forward-looking statements include, but are not limited to, statements regarding: the Offer, including the anticipated timing, mechanics, funding, completion, settlement, results and effects of the Offer; the Offeror’s plans for Core; the ability of the Offeror to complete the transactions contemplated by the Offer; the benefits of the Offer; reasons to accept the Offer; the purpose of the Offer; the value inherent in Core’s assets; the likelihood that the price of the Core Shares will decline to significantly lower levels if the Offer is not successful; expectations regarding the process for obtaining Regulatory Approvals; the tax treatment of Core Shareholders; intentions to delist the Core Shares and to cause Core to cease to be a reporting issuer; the completion and effects of a Compulsory Acquisition (as defined in the Circular), a Subsequent Acquisition Transaction (as defined in the Circular) or another alternative transaction.

Forward-looking information is based on current expectations, estimates, forecasts and projections as well as beliefs and assumptions made by the Offeror. Forward-looking information is based on various factors and assumptions including, without limitation, the expectations and beliefs of management that the Offeror will be successful in acquiring 100% of the issued and outstanding Core Shares, that all required third party regulatory and governmental approvals to the transaction will be obtained and all other conditions to completion of the transaction will be satisfied or, where permitted, waived, the price of metals and minerals, anticipated costs and the ability to achieve goals. Many of these expectations, estimates, forecasts and projections as well as beliefs and assumptions are based on factors and events that are not within the control of the Offeror and there is no assurance they will prove to be correct. Although the Offeror believes that the expectations reflected in the forward-looking information and forward-looking statements contained herein are reasonable, such information and statements, by their nature, involve risks and uncertainties and are not guarantees of future performance.

Forward-looking information and forward-looking statements are subject to a variety of known and unknown risks and uncertainties, and ultimately, actual events or results may differ materially from those reflected in the forward-looking information and forward-looking statements. Risks and uncertainties that may impact forward-looking information and forward-looking statements include, without limitation, the ultimate outcome of any possible transaction between the Offeror and Core, including: actions taken by Core or by security holders of Core in respect of the Offer, the receipt of all approvals in respect of the Offer including approval of the shareholders of the Offeror, that the conditions of the Offer may not be satisfied or, where permitted, waived by the Offeror at the expiry of the Offer period, the ability of the Offeror to acquire 100% of the Core Shares through the Offer, a Compulsory Acquisition, a Subsequent Acquisition Transaction or another alternative transaction, the ability to obtain Regulatory Approvals and meet other closing conditions to any possible transaction, potential adverse reactions or changes to business relationships resulting from the announcement, pendency or completion of the Offer transaction or any subsequent transaction, competitive responses to the announcement or completion of the Offer, unexpected costs, liabilities, charges or expenses resulting from the Offer, including with respect to transfer taxes, litigation relating to the Offer, any changes in general economic and/or industry-specific conditions, industry risk, geopolitical risk, including but not limited to legislative or regulatory changes, Core’s structure and its tax treatment, obtaining necessary approvals, interest rates, dependence on skilled staff, labour or community opposition to the transaction and/or other disruptions, government opposition, changes in capital or securities markets and that there are no inaccuracies or material omissions in Core’s publicly available information, and that Core has not disclosed events which may have occurred or which may affect the significance or accuracy of such information.



Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used. Although the Offeror has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information and forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated, forecast or intended. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking information and forward-looking statements. Accordingly, there can be no assurance that forward-looking information or forward-looking statements will prove to be accurate, and so readers are advised not to place undue reliance on forward-looking information or forward-looking statements. The forward-looking information and forward-looking statements contained herein speak only as of the date of the Offer and Circular. The Offeror does not undertake to update such forward-looking information and forward-looking statements unless required under Laws.

#### **SHAREHOLDERS NOT RESIDENT IN CANADA**

No Titan Shares will be delivered to any Person who is, or appears to the Offeror or the Depositary to be, a resident of any other foreign country unless such Titan Shares may be lawfully delivered to Persons resident in such foreign country without further action by the Offeror. Core Shareholders who are resident in the United States, or who appear to the Offeror or the Depositary to be resident in the United States, may only receive cash for their Core Shares unless Titan is satisfied that the Titan Shares may be delivered in a manner that is exempt from registration under applicable securities laws (federal and state) and in a manner that requires no regulatory filings by Titan. All Titan Shares that are issuable but may not be delivered to Core Shareholders by reason of the foregoing (“**Ineligible Foreign Shareholders**”) will be issued and delivered to Canaccord Genuity (Australia) Limited (the “**Nominee**”) for sale on behalf of such Core Shareholders in the manner referred to in Section 7 of the Offer, “Shareholders Not Resident in Canada”.

#### **INFORMATION CONCERNING CORE**

Except as otherwise indicated, the information concerning Core contained in this Offer and Circular has been taken from or is based upon publicly available documents and records on file with the securities regulatory authorities in Canada and other public sources at the time of the Offer. Although the Offeror has no knowledge that would indicate that any statements contained herein concerning Core taken from or based upon such documents and records are untrue or incomplete, neither the Offeror nor any of their directors or officers assumes any responsibility for the accuracy or completeness of such information, including any of the Core financial statements, or for any failure by Core to disclose events or facts which may have occurred or which may affect the significance or accuracy of any such information but which are unknown to the Offeror.

#### **REPORTING CURRENCIES AND ACCOUNTING PRINCIPLES**

Unless otherwise indicated, all references to “\$” or “dollars” in this Offer to Purchase and Circular refer to Canadian dollars, all references to “A\$” or “AUD” or “AU\$” in this Offer to Purchase and Circular refer to Australian dollars and all references to “US\$” or “USD” in this Offer to Purchase and Circular refer to United States dollars. The financial statements that are incorporated herein are prepared in accordance with IFRS and are reported in Canadian dollars in respect of Core and Australian dollars in respect of the Offeror and its affiliates.

*Terms used but not otherwise defined herein are defined in the accompanying Glossary.*





Dear shareholder of Core Gold Inc.,

Titan Minerals Limited ("**Titan**") is making a formal offer (the "**Offer**") to purchase all of the issued and outstanding common shares of Core Gold Inc. ("**Core**") that Titan does not already own, including any common shares that become issued and outstanding upon the exercise of any Core Gold convertible securities prior to the expiry of the Offer (collectively, the "**Core Shares**").

The consideration being offered by Titan for each Core Share will be 2.5 fully paid ordinary shares of Titan (the "**Titan Shares**"), representing the equivalent of \$0.422 per Core Share<sup>1</sup>. The Offer represents a compelling premium of 164% over the closing price of Core Shares on TSX Venture Exchange (the "**TSXV**") on September 13, 2019 (the last trading day prior to the public disclosure of Titan's intention to pursue a takeover bid of Core), and a 130% premium over the volume weighted average price ("**VWAP**") for Core Shares on the TSXV for the last ten trading days ended September 13, 2019.

Titan is making this Offer to holders of Core Shares (the "**Core Shareholders**") because the board of directors of Titan continues to believe in the merits of combining our two companies, which will establish an emerging Latin American-focused gold explorer, developer and producer, with an extensive portfolio of assets in Ecuador and Peru, as well as a substantially stronger balance sheet, led by an experienced leadership team.

It is the strong belief of Titan's board that the majority of Core Shareholders would support a business combination of Core and Titan. When the previous plan of arrangement (the "**Plan of Arrangement**") was put to Core securityholders on June 12, 2019, 73.82% of the votes cast by Core securityholders voted in favour of the Plan of Arrangement. Of just the Core Shareholders (excluding Titan), 68.88% of all the votes cast by such Core Shareholders voted in favour of the Plan of Arrangement.

When the Plan of Arrangement was presented to the Supreme Court of British Columbia (the "**Court**") for approval, Core's former Chief Executive Officer, Mr. Keith Piggott, opposed the application. The Court concluded that based on the volume of material filed and the issues raised by Mr. Piggott, it would require a full week trial to determine the issues. Given the time available to the court, the judge concluded that he could not satisfy himself that Core had proven its case on a balance of probabilities. On July 4, 2019, the court declined to grant the final order approving the Plan of Arrangement.

**Accordingly, Titan is making this Offer directly to Core Shareholders so that they can once again exercise their rights in relation to Titan and Core combining by accepting this Offer. The Titan board of directors believe Core Shareholders should accept the Offer for the following reasons.**

- The Offer represents a significant premium to recent trading prices for your Core Shares on TSXV, as noted above and elsewhere in this Circular, as well as being made on improved terms compared to the previous Plan of Arrangement proposal.
- Titan, following the successful acquisition of all the issued and outstanding Core Shares (the "**Combined Entity**"), will be a more robust company with a larger pro-forma balance sheet, an enhanced presence in capital markets, increased trading liquidity and a strengthened shareholder base. Notably, as indicated in the most recent interim financial statements of Core, Core is facing going concern risk and the Offer represents a compelling strategic alternative to Core compared with operating on a stand-alone basis which casts significant uncertainty going forward. Further, to date, Core's publicly announced strategic review process has not yielded any transaction alternatives that are superior to the Offer.

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<sup>1</sup> Based on a closing share price of AU\$0.185 per Titan Share on the ASX as of June 25, 2019, the last trading day prior to Titan Shares being voluntarily suspended from trading until the public disclosure by the Offeror of its intention to pursue a takeover bid of Core.

- Core Shareholders will benefit from the Combined Entity having a more extensive and diversified asset base in regions such as Peru, providing cash flow generation through gold production capability, as well as maintaining exposure to future growth in Core's existing assets in Ecuador.
- The Combined Entity will be listed on the more mining-centric ASX, where Titan believes more attractive valuations will be afforded to Core's asset base. As you may be aware, ASX-listed gold explorers and producers are well regarded in Australia, in part a reflection of the present gold price.
- The Combined Entity's board of directors will include significant Core board representation, consisting of three Core nominees and three Titan nominees. I will continue as the chair of the Combined Entity's board of directors.
- Since the proposed Plan of Arrangement, Titan has engaged the services of Mr. Laurence Marsland as Managing Director. Mr. Marsland brings to the board of Titan significant expertise and experience in the mining industry.

The pages which follow seek to provide Core Shareholders with a summary of the key terms and conditions of the Offer as well as a description of the basis for Mr. Piggott's prior opposition to the Plan of Arrangement, and an explanation as to why Titan's board of directors remain of the view that this Offer is in the best interest of Core Shareholders and believe that it will allow both Core and Titan to maximize their respective value going forward.

The Offer is subject to a number of customary conditions, including: (i) there being deposited under the Offer, and not withdrawn, more than 50% of the issued and outstanding Core Shares (calculated on a fully diluted basis), excluding any Core Shares already held by Titan; (ii) Titan obtaining all requisite Titan shareholder approvals in respect to the issue of Titan securities pursuant to the Offer; (iii) receipt of all governmental, regulatory and third party approvals that Titan considers necessary or desirable in connection with the Offer, and (iv) no material adverse change having occurred in the business, affairs, prospects or assets of Core. A more detailed discussion of the conditions to the Offer can be found in "Conditions to the Offer" in Section 4 of the Offer.

Registered Core Shareholders who wish to accept the Offer must properly complete and execute the accompanying Letter of Transmittal, and deposit it, together with the certificate(s) or Direct Registration System statement(s) representing their Core Shares, in accordance with the rules and instructions in the Letter of Transmittal. Persons whose Core Shares are held in an account with (or registered in the name of) a broker, investment dealer, bank, trust company or other Intermediary (as defined in the Circular) should contact their representative if they wish to accept the Offer, in order to take the necessary steps to be able to deposit those Core Shares under the Offer.

If you have questions, please contact Gryphon Advisors Inc., the Information Agent in connection with the Offer, by telephone at 1.833.461.3651 (Toll Free in North America) or 1.416.661.6592 (Collect Calls Outside North America) or by email at [inquiries@gryphonadvisors.ca](mailto:inquiries@gryphonadvisors.ca).

**On behalf of the board of Titan, I am delighted to be able to extend this Offer to you, and I encourage you to read this Circular in its entirety and to accept the Offer. If you are in any doubt as to what to do, you should seek your own independent professional advice.**

I look forward to welcoming you as a Titan shareholder.

Yours faithfully,

Michael Hardy  
Chairman  
For and on behalf of  
Titan Minerals Limited

## HIGHLIGHTS OF THE OFFER

### WHAT IS THE OFFER?

The Offer Consideration for each Core Share will be 2.5 Titan Shares, representing the equivalent of: (i) \$0.422 per Core Share based on Titan's closing share price of AU\$0.185 on June 25, 2019, being the last trading day prior to Titan Shares being voluntarily suspended from trading until the public disclosure by the Offeror of its intention to pursue a takeover bid of Core; and (ii) \$0.426 per Core Share based on Titan's closing share price of AU\$0.190 on September 27, 2019, being the last trading day prior to the filing of this Offer, subject to the terms and conditions set forth in the Offer, the Circular, the Letter of Transmittal and the Notice of Guaranteed Delivery.

### WHY ACCEPT THE OFFER?

The Offeror believes that the Offer is compelling for the following reasons:

- (a) **Compelling Premium.** Based on a closing price of AU\$0.185 per Titan Share on the ASX as of June 25, 2019, the last trading day prior to Titan Shares being voluntarily suspended from trading until the public disclosure by the Offeror of its intention to pursue a takeover bid of Core, the implied Offer Consideration represents a premium of 164% to the closing price of Core Shares on the TSXV on September 13, 2019. Based on the volume-weighted average price of AU\$0.157 per Titan Share on the ASX for the last ten trading days ended June 25, 2019, the implied Offer Consideration represents a premium of 130% to the volume-weighted average price of \$0.170 per Core Share on the TSXV for the last ten trading days ended September 13, 2019.

Titan Shares resumed trading on the ASX on September 16, 2019 following the public disclosure by the Offeror of its intention to pursue a takeover bid of Core. Based on a closing price of AU\$0.190 per Titan Share on the ASX as of September 27, 2019, the last trading day prior to the filing of this Offer, the implied Offer Consideration of \$0.426 represents a premium of 93% to the closing price of Core Shares on the TSXV on September 27, 2019 of \$0.220 per Core Share and represents a premium of 91% to the volume-weighted average price of \$0.223 per Core Share for the last ten trading days ended September 27, 2019.

- (b) **Support of Shareholders.** Certain Core Shareholders, including Vertex One Asset Management Ltd., have entered into Lock-up Agreements pursuant to which they have agreed to deposit to the Offer all Core Shares held by them, representing approximately 7.4% of the present issued and outstanding Core Shares (or 6.3% of the issued and outstanding Core Shares on a fully diluted basis), subject to certain terms and conditions of such agreements.
- (c) **More Robust Company with Experienced Leadership Team.** The Combined Entity will be a larger pro-forma company strategically well-positioned on a mining-centric stock market, with an enhanced presence in capital markets, increased trading liquidity and a strengthened shareholder base, and it will benefit from Titan's proven capability and successful track record in raising new equity capital to continue its operations and meet its business objectives. The Combined Entity will also have an experienced mining and finance leadership team; the principals, shareholders and directors of which have an extensive track record of success in the Australian mining market, including in connection with Galaxy Resources Limited and Cobalt One Limited (which was sold to First Cobalt Corp.).
- (d) **Diversified Asset Base.** The Offeror believes the Offer gives Core Shareholders the benefit of a diversified asset base in regions such as Peru, a well-established mining jurisdiction, providing cash flow generation through gold production capability, while maintaining exposure to future growth in Ecuador. The Offer also provides Core Shareholders with upside exposure to the Combined Entity's growing resource at the Dynasty Goldfield Project.
- (e) **Exposure to the Mining-Friendly ASX.** The Combined Entity will be listed on the ASX where the Offeror believes attractive valuations will be afforded to Core's asset base. The ASX has recently seen strong performance of junior gold companies and Australia is home to large diversified mining companies that have been aggressively investing in mining in Ecuador. The Offeror believes that the Combined Entity

will attract an enhanced capital markets profile following in Australia providing the potential for a value re-rating in line with ASX-listed precious metals peers.

- (f) **Significant Core Board Representation in Combined Entity.** Following completion of the Offer, it is proposed that the Combined Entity's board of directors will comprise of seven directors, being Messrs Laurence Marsland, Michael Hardy, Matthew Carr and Nicholas Rowley (the existing directors of the Offeror) and three nominees of Core. Mr. Michael Hardy will remain as Chairman of Titan.

See "Reasons to Accept the Offer" in Section 4 of the Circular.

#### **KEY CONDITIONS TO THE OFFER?**

The Offer is conditional upon specified conditions being satisfied, or where permitted, waived by 9:00 a.m. (Toronto time) on January 14, 2020 or such earlier or later time during which Core Shares may be deposited under the Offer, excluding the 10-day Mandatory Extension Period or any extension thereafter, including but not limited to:

- (a) Core Shareholders having validly deposited under the Offer and not withdrawn that number of Core Shares that constitutes more than 50% of the total number of outstanding Core Shares (excluding any Core Shares beneficially owned, or over which control or direction is exercised, by the Offeror or any Person acting jointly or in concert with the Offeror). This condition cannot be waived by the Offeror;
- (b) the Offeror having received approval from the shareholders of the Offeror (in form and substance satisfactory to the Offeror in its sole judgment) to issue the Titan Shares to be distributed by it in connection with the Offer. This condition cannot be waived by the Offeror;
- (c) the Regulatory Approvals and all other requisite third-party approvals considered by the Offeror to be necessary in connection with the Offer having been obtained on terms and conditions satisfactory to the Offeror, acting reasonably;
- (d) the Offeror (i) filing a prospectus in Australia under the Corporations Act in connection with the issuance of Titan Shares pursuant to the Offer and secondary share sale requirements under the Corporations Act; or (ii) obtaining a waiver from ASIC of the requirement to comply with the prospectus and/or secondary share sale requirements of the Corporations Act for the Titan Shares. This condition cannot be waived by the Offeror; and
- (e) the Offeror having determined, in its sole judgment, that there does not exist and there has not occurred or been publicly disclosed since the date of the Offer any event, change, circumstance, development or occurrence that constitutes a Material Adverse Effect or could give rise to a Material Adverse Effect.

The Offer is subject to certain other conditions in addition to those listed above. A more detailed discussion of the conditions to the consummation of the Offer can be found in "Conditions to the Offer" in Section 4 of the Offer. The Offer is not subject to any financing condition.

## **QUESTIONS AND ANSWERS IN RELATION TO THE PREVIOUS PLAN OF ARRANGEMENT PROPOSAL**

### **WHY WAS THE PREVIOUS PLAN OF ARRANGEMENT NOT IMPLEMENTED?**

When the previous plan of arrangement between Core and Titan (the “**Plan of Arrangement**”) was initially presented to the Core Board, Mr. Keith Piggott and the other board members approved it. Subsequently, in the months leading up to the vote on the Plan of Arrangement, Mr. Piggott changed his position and published numerous articles and other documents critical of the Plan of Arrangement. Mr. Piggott actively solicited Core Shareholders to vote against the Plan of Arrangement.

Notwithstanding Mr. Piggott’s opposition, Core Shareholders still voted in favour of the Arrangement. On June 12, 2019, 73.82% of the votes cast by Core’s securityholders voted in favour of the Plan of Arrangement. Of just the Core Shareholders (excluding the Offeror), 68.88% of all the votes cast by such Core Shareholders voted in favour of the Plan of Arrangement.

Following shareholder approval of the resolution to approve the Arrangement, Core was required to seek a final court order approving the Plan of Arrangement. Mr. Piggott opposed that order. The materials filed by Core, the Offeror and Mr. Piggott with respect to the final order for the Arrangement are available online at <http://ttm-cgld.com/> or from the Superior Court in British Columbia. Ultimately, the Court found that Core had not met its burden of proving that the final order should be granted, and so on July 4, 2019 it dismissed Core’s application for a final order approving the Plan of Arrangement. Accordingly, the Arrangement was not able to be implemented.

### **WHAT WERE MR. PIGGOTT’S ALLEGATIONS AND WHAT ARE THE OFFEROR’S RESPONSES TO THEM?**

Mr. Piggott published numerous claims concerning the Offeror, Core and the Arrangement. The Offeror disputes Mr. Piggott’s claims about it. Mr. Piggott made the following general claims, amongst numerous other allegations as set out in the Court documents: (i) the Offeror faced potential liabilities with respect to operations it had recently acquired in Peru; and (ii) there were issues with the Offeror’s management. Key aspects of Mr. Piggott’s claims are summarized below, together with the Offeror’s response to those claims; the court materials setting out all of Mr. Piggott’s allegations and the Offeror’s responses in detail are available online at <http://ttm-cgld.com/> or from the Superior Court in British Columbia.

- **Value of the Offeror’s offer for Core**

In his dissenting circular,<sup>2</sup> Mr. Piggott claimed that the Offeror’s value was “inflated” and that its shares dropped in value since May 2018 suggesting that the value of the Offeror’s offer for Core was not accurately represented in the materials provided to Core shareholders. The Offeror notes that its Shares trade on the ASX under the ticker TTM and that the prices at which its shares traded (and the volumes traded) were observable at all times for Core Shareholders to assess the value of the offer in relation to the Arrangement.

Titan Shares resumed trading on the ASX on September 16, 2019 following the public disclosure by the Offeror of its intention to pursue a takeover bid of Core. Based on a closing price of AU\$0.190 per Titan Share on the ASX as of September 27, 2019, the last trading day prior to the filing of this Offer, the implied Offer Consideration of \$0.426 represents a premium of 93% to the closing price of Core Shares on the TSXV on September 27, 2019 of \$0.220 per Core Share and represents a premium of 91% to the volume-weighted average price of \$0.223 per Core Share for the last ten trading days ended September 27, 2019.

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<sup>2</sup> Materials provided to Core Shareholders with respect to the Plan of Arrangement, including the dissenting circular filed by Mr. Piggott, are all publicly available on the Core profile on the SEDAR website at [www.sedar.com](http://www.sedar.com).

- **Tulin Plant**

Mr. Piggott claimed that there were environmental issues at the Tulin gold plant in Peru (“**Tulin Plant**”), which the Offeror had indirectly acquired through the purchase of a subsidiary, Tulin Gold Co SAC (“**Tulin Gold**”). Mr. Piggott further claimed that as a result of those environmental issues, there were potential liabilities that would reduce the Offeror’s value. In respect of these claims, the Offeror responds as follows:

- the Offeror did not own Tulin Gold at the time of the majority of events described in Mr. Piggott’s materials, as summarized below. Further, the Offeror disposed Tulin Gold in 2019 to an arms-length party. The Offeror has received Peruvian legal advice confirming that it is not liable for any issues associated with Tulin Gold, environmental or otherwise;
- the Offeror acquired its interest in Tulin Gold when it acquired majority ownership and effective control of Andina Resources Limited (“**Andina**”) in August 2018. Within months, on December 7, 2018, the Tulin Plant was shut down and vacated. The shut-down occurred approximately 3 weeks before the applicable assignment agreement (“**Assignment Agreement**”) with the owner of the Tulin Plant was due to expire on December 31, 2018;
- prior to the Offeror’s indirect acquisition of Tulin Gold, a technical report which detailed various findings in respect to the operations at the Tulin Plant, including environmental violations, was issued by the Regional Directorate of Energy and Mines (“**DREM**”) and fines were imposed on Tulin Gold by the DREM (noting that the fines imposed by the DREM were challenged and Tulin Gold ultimately paid fines totalling US\$28,903 for the period between 2013 to 2017). However, the Offeror has received two Peruvian legal opinions confirming that this report does not create exposure to liability for the Offeror. Further, the board of directors of the Offeror does not believe that this would have any potential impact on the Offeror’s value as the subject matter of the DREM report was investigated by the Provincial Office of the Public Prosecutor for Crime Prevention of Ica (“**Prosecutors Office**”). The Prosecutors Office filed and closed the investigation concluding that no formal claims or proceedings should commence and the investigation should not continue (subject to the right of the State Attorney to appeal; no appeal has been made as of the date of issuance of this Circular);
- Andina received Peruvian legal advice to the effect that Andina (the immediate holding company of Tulin Gold at the time of the Plan) and the Offeror (the ultimate parent company of Andina and Tulin Gold at the time of the Plan) are not responsible for any liabilities (including environmental liabilities) incurred by Tulin Gold in respect to its operation of the Tulin Plant even during the time Andina owned Tulin Gold; and
- the primary asset of Tulin Gold, being an ore stockpile inventory, was written off by the Offeror in its December 31, 2018 audited accounts.

The Offeror disposed of Tulin Gold, which held the right to operate the Tulin Gold Plant for a nominal consideration of US\$1 to an arm’s-length party, Mr. Gian Luna, a citizen of Peru. The Offeror has received Peruvian legal advice to the effect that even if there were any liabilities associated with Tulin Gold, those liabilities passed to Tulin Gold’s new owner upon the sale of Tulin Gold. Neither Andina (the former immediate holding company of Tulin Gold) nor Offeror are responsible for any liabilities associated with Tulin Gold (including environmental liabilities), as a matter of Peruvian law.

Mr. Piggott also claimed that Tulin Gold has unfulfilled contractual obligations under the Assignment Agreement with the owner of the Tulin Plant, including an obligation to empty the tailings pad upon termination of the Assignment Agreement, and that the owner of the Tulin Plant has obtained a quote amounting to approximately \$45 million to empty the tailings pad and attend to related matters. It is the belief of the board of directors of the Offeror, consistent with the Peruvian legal advice the Offeror has received, that Tulin Gold does not have unfulfilled contractual obligations under the Assignment Agreement. In any event, as the Offeror does not own Tulin Gold, even though there is a dispute between Tulin Gold and the owner of the Tulin Plant (as Tulin Gold claims the owner is in material breach of its



obligations under the Assignment Agreement), this dispute does not create any liability for the Offeror nor is it believed to be likely to affect the Offeror's value. Further, the Offeror notes:

- the Offeror had entered into an agreement with an independent third party pursuant to which it was agreed that that third party would empty the tailings pad for no cost on the basis that it would be entitled to process any minerals in the tailings (noting that the third party had undertaken an analysis on the economic recovery of gold and silver from the tailings). However, as the owner of the Tulin Plant denied Tulin Gold access to the Tulin Plant, the third party could not undertake these activities; and
- based on a quote received from another third party, the Offeror estimates the cost for returning the tailings pad at the Tulin Plant to the same condition at the commencement of the Assignment Agreement to be approximately 1.2 million Soles (or under \$500,000). Tulin Gold, not the Offeror, would be liable for this cost in any event.

Further, Mr. Piggott has also claimed that there was an incident involving the discharge of firearms that occurred at the Tulin Plant involving Tulin Gold staff, and therefore, indirectly, implicating the Offeror. The Offeror adamantly denies this claim. The incident occurred after the Offeror had shut down and vacated the Tulin Plant. No charges or legal proceedings have been brought against the Offeror or its subsidiaries in this regard.

- **Management of the Offeror**

Mr. Piggott also claimed that the Offeror misrepresented the role of Dr Miguel Cardozo by describing him as the Chief Executive Officer of the Offeror in materials for investors, and that the Offeror raised capital on that basis. By way of background and further information:

- Dr Cardozo was a director of the Offeror (under its former name of "Minera Gold Limited") between April 8, 2015 to May 27, 2015;
- Dr Cardozo was proposed as a non-board member Chief Executive Officer following protracted negotiations with SilverStream SEZC (as secured creditor) as part of the recapitalization and re-organization of the Offeror (under its former name of "Minera Gold Limited") having regard to his existing relationship with SilverStream SEZC and the Offeror's operations in Peru;
- the Offeror's prospectus dated August 18, 2017 did disclose Dr Cardozo as Chief Executive Officer of the Offeror and an October 2017 presentation ("**Prior Disclosures**") include the same description. Dr Cardozo should instead have been listed as the "proposed" Chief Executive Officer as there were discussions but no final agreement that Dr Cardozo would assume that role; and
- due to extraneous circumstances, it was agreed between Dr Cardozo and the Offeror that Dr Cardozo would not assume the role of Chief Executive Officer.

The Offeror acknowledges that the Prior Disclosures should have explicitly stated that Dr Cardozo was the "proposed" Chief Executive Officer. However, the Offeror does not consider this misstatement to be material in any event (nor the fact that he was not ultimately engaged by the Offeror) and denies that the Offeror held Dr Cardozo out as an officer of the Offeror in order to raise equity funding.

The Offeror also notes that Mr. Piggott made numerous observations about Core and its board of directors, and that Core refuted these observations separately in its own right in a document sent to Core securityholders dated May 28, 2019, and in the court materials available online at <http://ttm-cgld.com/> or from the Superior Court in British Columbia. Further allegations made by Mr. Piggott in respect of the Plan and sent to Core Gold stakeholders are available online on the Core profile on SEDAR at [www.SEDAR.com](http://www.SEDAR.com).

## **QUESTIONS AND ANSWERS ABOUT THE OFFER**

*The following are some of the questions that you, as a shareholder of Core, may have and the Offeror's answers to those questions. The information contained in these questions and answers is a summary only and is not meant to be*

*a substitute for the more detailed description and information contained elsewhere in the Offer and the Circular, the Letter of Transmittal and the Notice of Guaranteed Delivery. Core Shareholders are urged to read the Offer and the Circular, the Letter of Transmittal and the Notice of Guaranteed Delivery in their entirety. Terms defined in the Glossary and not otherwise defined in these questions and answers have the respective meanings given to them in the Glossary, unless the context otherwise requires. Cross references have been included in these questions and answers to other sections of the Offer and Circular where you will find more complete descriptions of the topics mentioned below.*

*Except as otherwise indicated, the information concerning Core contained in this Offer and Circular has been taken from or is based upon publicly available documents and records on file with the applicable securities regulatory authorities in Canada and other public sources at the time of the Offer. Although the Offeror has no knowledge that would indicate that any statements contained herein concerning Core taken from or based upon such documents and records are untrue or incomplete, neither the Offeror nor any of their directors or officers assumes any responsibility for the accuracy or completeness of such information, including any of the Core financial statements, or for any failure by Core to disclose events or facts which may have occurred or which may affect the significance or accuracy of any such information but which are unknown to the Offeror.*

### **WHAT IS THE OFFER?**

The Offeror is offering, subject to the terms and conditions set forth in the Offer, the Circular, the Letter of Transmittal and the Notice of Guaranteed Delivery, 2.5 Titan Shares in exchange for each issued and outstanding Core Share.

The Offer Consideration for each Core Share will be 2.5 Titan Shares, representing the equivalent of: (i) \$0.422 per Core Share based on closing share price of AU\$0.185 per Titan Share on June 25, 2019, being the last trading day prior to Titan Shares being voluntarily suspended from trading until the public disclosure by the Offeror of its intention to pursue a takeover bid of Core; and (ii) \$0.426 per Core Share based on the closing share price of AU\$0.190 per Titan Share on September 27, 2019, being the last trading day prior to the filing of this Offer.

See “The Offer” in Section 1 of the Offer.

### **WHO IS OFFERING TO PURCHASE MY CORE SHARES?**

The Offeror, meaning Titan Minerals Limited, a corporation organized under the laws of Australia and listed on the Australian Securities Exchange (**ASX**), is making the Offer. The Offeror’s registered office is located at Unit 6, 295 Rokeby Road, Subiaco 6008 Western Australia.

The Offeror is the owner and operator of a gold exploration and processing business in a well-established mining region of Southern Peru. The Offeror is the owner and operator of the Vista gold processing plant in Southern Peru (**Vista Plant**). Located in the mining district of Nazca, the Vista Plant produces loaded carbon from the carbon-in-pulp gold circuit, with feed sourced from third party operators averaging 17 to 24 g/t Au head grades. The Offeror’s assets include the Coriorcco Project, the Las Antas Project and the Torrecillas Project (refer to Appendix “A” hereto for further details).

See “The Offeror” in Section 1 of the Circular.

### **WHAT ARE THE CLASSES OF SECURITIES SOUGHT IN THE OFFER?**

The Offeror is offering to purchase all of the issued and outstanding Core Shares (including any Core Shares to be issued upon exercise, exchange or conversion of the Convertible Securities) that it does not already own. As of September 18, 2019, there were 166,873,328 Core Shares issued and outstanding and approximately 195,134,000 Core Shares on a fully-diluted basis. The Offer includes Core Shares that may become outstanding after the date of this Offer, but before the expiration of the Offer, upon exercise, conversion or exchange of any Convertible Securities. The Offer is not being made for any Convertible Securities or other rights to acquire Core Shares.

See “The Offer” in Section 1 of the Offer.

## WHY ARE YOU MAKING THIS OFFER?

The Offeror continually reviews its position in light of the changing competitive environment in its industry, with the objective of identifying strategic alternatives and other opportunities, including business combination transactions, joint ventures and other commercial transactions, that may be available to complement the Offeror's business, support its corporate strategy and enhance shareholder value.

The Offeror is making the Offer because it wants to acquire control of, and ultimately the entire equity interest in, Core. If the Offeror completes the Offer with more than 66⅔% of issued and outstanding Core Shares taken up, the Offeror will acquire any Core Shares not deposited to the Offer in a second-step transaction. This transaction would likely take the form of a Compulsory Acquisition or a Subsequent Acquisition Transaction.

See "Background to the Offer" in Section 3 of the Circular, "Reasons to Accept the Offer" in Section 4 of the Circular, "Purpose of the Offer" in Section 6 of the Circular, and "Acquisition of Core Shares Not Deposited Under the Offer" in Section 16 of the Circular.

## WHY ACCEPT THE OFFER?

The Offeror believes that the Offer Consideration is a full and fair price for the Core Shares which it is seeking to purchase. Core Shareholders should consider a number of factors in making a decision whether to accept the Offer, including:

- **Compelling Premium.** Based on a closing price of AU\$0.185 per Titan Share on the ASX as of June 25, 2019, the last trading day prior to Titan Shares being voluntarily suspended from trading until the public disclosure by the Offeror of its intention to pursue a takeover bid of Core, the implied Offer Consideration represents a premium of 164% to the closing price of Core Shares on the TSXV on September 13, 2019. Based on the volume-weighted average price of AU\$0.157 per Titan Share on the ASX for the last ten trading days ended June 25, 2019, the implied Offer Consideration represents a premium of 130% to the volume-weighted average price of \$0.170 per Core Share on the TSXV for the last ten trading days ended September 13, 2019.  
  
Titan Shares resumed trading on the ASX on September 16, 2019 following the public disclosure by the Offeror of its intention to pursue a takeover bid of Core. Based on a closing price of AU\$0.190 per Titan Share on the ASX as of September 27, 2019, the last trading day prior to the filing of this Offer, the implied Offer Consideration of \$0.426 represents a premium of 93% to the closing price of Core Shares on the TSXV on September 27, 2019 of \$0.220 per Core Share and represents a premium of 91% to the volume-weighted average price of \$0.223 per Core Share for the last ten trading days ended September 27, 2019.
- **Support of Shareholders.** Certain Core Shareholders, including Vertex One Asset Management Ltd., have entered into Lock-up Agreements pursuant to which they have agreed to deposit to the Offer all Core Shares held by them, representing approximately 7.4% of the present issued and outstanding Core Shares (or 6.3% of the issued and outstanding Core Shares on a fully diluted basis), subject to certain terms and conditions of such agreements.
- **More Robust Company with Experienced Leadership Team.** The Combined Entity will be a larger pro-forma company strategically well-positioned on a mining-centric stock market, with an enhanced presence in capital markets, increased trading liquidity and a strengthened shareholder base, and it will benefit from the Offeror's proven capability and successful track record in raising new equity capital to continue its operations and meet its business objectives. The Combined Entity will also have an experienced mining and finance leadership team; the principals, shareholders and directors of which have an extensive track record of success in the Australian mining market, including in connection with Galaxy Resources Limited and Cobalt One Limited (which was sold to First Cobalt Corp.).
- **Diversified Asset Base.** The Offeror believes the Offer gives Core Shareholders the benefit of a diversified asset base in regions such as Peru, a well-established mining jurisdiction, providing

cash flow generation through gold production capability, while maintaining exposure to future growth in Ecuador. The Offer also provides Core Shareholders with upside exposure to the Offeror's growing resource at the Dynasty Goldfield Project.

- **Exposure to the Mining-Friendly ASX.** The Combined Entity will be listed on the ASX where the Offeror believes attractive valuations will be afforded to Core's asset base. The ASX has recently seen strong performance of junior gold companies and Australia is home to large diversified mining companies that have been aggressively investing in mining in Ecuador. The Offeror believes that the Combined Entity will attract an enhanced capital markets profile following in Australia providing the potential for a value re-rating in line with ASX-listed precious metals peers.
- **Significant Core Board Representation in Combined Entity.** Following completion of the Offer, it is proposed that the Combined Entity's board of directors will comprise of seven directors, being Messrs Laurence Marsland, Michael Hardy, Matthew Carr and Nicholas Rowley (the existing directors of the Offeror) and three nominees of Core. Mr Michael Hardy will remain as Chairman of the Offeror.

The foregoing list of factors is not intended to be exhaustive. Core Shareholders should consider the Offer carefully and come to their own conclusions as to whether to accept or reject the Offer. Core Shareholders who are in doubt as to how to respond should consult with their own broker, investment dealer, bank manager, lawyer or other professional advisor. Core Shareholders are advised that acceptance of the Offer may have tax consequences and they should consult their own professional tax advisors. See Section 19 of this Circular, "Certain Canadian Federal Income Tax Considerations".

#### **IS THE OFFEROR'S FINANCIAL CONDITION RELEVANT TO MY DECISION TO TENDER MY SHARES?**

Yes. By accepting the Offer, you will become a shareholder of the Offeror upon the Offeror taking up the Core Shares tendered under the Offer. For more detailed disclosure about the Offeror, its business, its financial performance and risk factors associated with becoming a shareholder of the Offeror, please see "The Offeror" in Section 1 of the Circular and Appendix "A" hereto.

#### **HOW WILL THE ACQUISITION OF CORE BY THE OFFEROR AFFECT MY RIGHTS AS A SHAREHOLDER?**

The Titan Shares you receive from the Offeror as consideration for tendering your Core Shares under the Offer are subject to different rights and obligations under the Corporations Act than under the BCBCA (as hereinafter defined). Core Shareholders are encouraged to consult with their legal advisors for greater detail with respect to these differences.

A summary of the principal differences between the Corporations Act and BCBCA, along with a description of certain securities laws and stock exchange rules, as applicable, is attached hereto as Appendix "B". The comparisons set forth in Appendix "B" are not an exhaustive statement of all relevant laws, rules and regulations and are intended as a general summary only.

#### **HOW WILL CONVERTIBLE SECURITIES BE TREATED IN THE OFFER?**

The Offer is only being made for issued and outstanding Core Shares and not for any Convertible Securities. Any holder of Convertible Securities who wishes to accept the Offer must, to the extent permitted by the terms thereof and applicable Laws, exercise, exchange or convert such Convertible Securities in order to obtain certificates or DRS Statements representing Core Shares and deposit such Core Shares in accordance with the terms of the Offer.

Any such exercise, conversion or exchange must be completed sufficiently in advance of the Expiry Time to ensure that the holders of such Convertible Securities will have Core Share certificate(s) or DRS Statement(s) representing the Core Shares issuable upon such exercise, conversion or exchange in time for deposit prior to the Expiry Time, or

in sufficient time to comply with the procedures referred to in Section 3 of the Offer, “Manner of Acceptance - Procedure for Guaranteed Delivery”.

If more than 66⅔% of the issued and outstanding Core Shares are tendered and taken up and paid for by the Offer (and not validly withdrawn), the Offeror currently intends to implement a Compulsory Acquisition or a Subsequent Acquisition Transaction. In the event that the Offeror implements a Subsequent Acquisition Transaction, it may be structured in such a manner that the holders of Convertible Securities will, pursuant to the terms thereof, receive Titan Shares upon the exercise or conversion of the Convertible Securities. The number of Titan Shares to be issued and the exercise price therefor will reflect the exchange ratio used in the Offer. Alternatively, the Offeror may take any other actions available to it to cause the exercise or termination of any remaining Convertible Securities.

**HAVE ANY SIGNIFICANT SHAREHOLDERS OF CORE AGREED TO DEPOSIT THEIR CORE SHARES UNDER THE OFFER?**

Yes. Certain Core Shareholders have entered into Lock-up Agreements with the Offeror pursuant to which they have agreed to tender their Core Shares to the Offer. As of September 30, 2019, the Lock-up Agreements covered 12,327,070 Core Shares representing approximately 7.4% of the current issued and outstanding Core Shares (or 6.3% of the issued and outstanding Core Shares on a fully diluted basis). For more information, please see Section 5 of the Circular, “Agreements Relating to the Offer.”

<b>Shareholder</b>	<b>Number of locked-up Core Shares</b>	<b>Approximate percentage of issued and outstanding Core Shares</b>
Vertex One Asset Management Ltd.	9,579,940	5.74%
Itau AGF Chile	1,663,196	1.00%
Rachel Del Rio	83,934	0.05%
Carlos Del Rio	500,000	0.30%
Antun Ucovich	500,000	0.30%

**HAS THE BOARD OF DIRECTORS OF CORE TAKEN ANY ACTION TO SUPPORT THE OFFER?**

To date, the Core Board has not formally responded to the Offer but the Offeror anticipates that the Core Board will mail a director’s circular to Core Shareholders within the prescribed timeframe.

**DOES THE OFFEROR OWN ANY CORE SHARES?**

Yes. The Offeror holds 9,153,363 Core Shares that it acquired on March 25, 2019 pursuant to a private placement in connection with the Arrangement and may purchase up to an additional 5% of the Core Shares in the aggregate in the open market. Core Shareholder should thus be aware that during the period of the Offer, the Offeror and its affiliates may, directly or indirectly, bid for and make purchases of Core Shares as permitted by applicable Laws.

For details and conditions and regarding such purchases, please see Section 9 of the Offer, “Market Purchases”.

## **WHAT WILL HAPPEN IF THE CONDITIONS TO THE OFFER ARE NOT SATISFIED?**

If the conditions to the Offer are not satisfied or, where permitted, waived by the Offeror, the Offeror will not be obligated to take up, accept for payment or issue any consideration in respect of any Core Shares tendered to the Offer.

## **WHAT ARE THE KEY CONDITIONS TO THE OFFER?**

The Offer is conditional upon the specified conditions being satisfied, or where permitted, waived by 9:00 a.m. (Toronto time) on January 14, 2020 or such earlier or later time during which Core Shares may be deposited under the Offer, excluding the 10-day Mandatory Extension Period or any extension thereafter. Such specified conditions include, but are not limited to:

- (a) Core Shareholders having validly deposited under the Offer and not withdrawn that number of Core Shares that constitutes more than 50% of the total number of outstanding Core Shares (excluding any Core Shares beneficially owned, or over which control or direction is exercised, by the Offeror or any Person acting jointly or in concert with the Offeror). This condition cannot be waived by the Offeror;
- (b) the Offeror having received approval from the shareholders of the Offeror (in form and substance satisfactory to the Offeror in its sole judgment) to issue the Titan Shares to be distributed by it in connection with the Offer. This condition cannot be waived by the Offeror;
- (c) the Regulatory Approvals and all other requisite third-party approvals considered by the Offeror to be necessary in connection with the Offer having been obtained on terms and conditions satisfactory to the Offeror, acting reasonably;
- (d) the Offeror (i) filing a prospectus in Australia under the Corporations Act in connection with the issuance of Titan Shares pursuant to the Offer and secondary share sale requirements under the Corporations Act; or (ii) obtaining a waiver from ASIC of the requirement to comply with the prospectus and/or secondary share sale requirements of the Corporations Act for the Titan Shares. This condition cannot be waived by the Offeror; and
- (e) the Offeror having determined, in its sole judgment, that there does not exist and there has not have occurred or been publicly disclosed since the date of the Offer any event, change, circumstance, development or occurrence that constitutes a Material Adverse Effect or could give rise to a Material Adverse Effect.

The Offer is subject to certain other conditions in addition to those listed above. A more detailed discussion of the conditions to the consummation of the Offer can be found in “Conditions to the Offer” in Section 4 of the Offer. The Offer is not subject to any financing condition.

## **HOW LONG DO I HAVE TO DECIDE WHETHER TO TENDER TO THE OFFER?**

You have until the Expiry Time, meaning 9:00 a.m. (Toronto time), on January 14, 2020, to tender to the Offer, unless the Offer is accelerated, extended or withdrawn. In accordance with Law, if not withdrawn, the Offeror will extend the Offer for an additional period of 10 days following the Expiry Date and may extend the Offer for one or more Optional Extension Periods.

See “Time for Acceptance” in Section 2 of the Offer.

## **CAN THE OFFEROR EXTEND THE OFFER?**

Yes. The Offeror may elect, in its sole discretion, to extend the Offer from time to time prior to the Expiry Date or prior to the expiry of any extension thereof.

In accordance with Law, if the Offeror is obligated to take up the Core Shares deposited at the initial Expiry Date, it will extend the period during which Core Shares may be deposited under the Offer for a 10-day Mandatory Extension Period following the Expiry Date and may extend the deposit period after such 10-day Mandatory Extension Period for one or more Optional Extension Periods. If the Offeror extends the Offer, it will notify the Depository and publicly announce such extension or acceleration and, if required by Law, mail you a copy of the notice of variation.

See “Variation or Change of the Offer” in Section 5 of the Offer.

### **HOW DO I ACCEPT THE OFFER AND TENDER MY CORE SHARES?**

Registered Core Shareholders who wish to accept the Offer must properly complete and execute the accompanying Letter of Transmittal, and deposit it, together with certificate(s) or DRS Statement(s) representing their Core Shares at or prior to the Expiry Time at the office of the Depository specified in the Letter of Transmittal. Detailed rules and instructions are contained in the Letter of Transmittal. Alternatively, Core Shareholders may follow the procedure for guaranteed delivery described in Section 3 of the Offer, “Manner of Acceptance - Procedure for Guaranteed Delivery” using the accompanying Notice of Guaranteed Delivery. Core Shareholders whose Core Shares are held (or registered in the name of) in an account with a broker, investment dealer, bank, trust company or other Intermediary should contact their representative if they wish to accept the Offer. If Core Shareholders wish to deposit pursuant to the procedures for book-entry transfer, see Section 3 of the Offer, “Manner of Acceptance - Book-Entry Transfer”.

Core Shareholders will not be required to pay any fee or commission if they accept the Offer by transmitting their Core Shares directly to the Depository. However, a broker or other Intermediary through whom you own your Core Shares may charge a customary fee to deposit Core Shares on your behalf. You should consult your broker or other Intermediary to determine whether any charges will apply.

Core Shareholders are invited to contact the Depository at 1.416.682.386 or toll free in North America at 1.800.387.0825 or at [inquiries@astfinancial.com](mailto:inquiries@astfinancial.com) for further information regarding how to accept the Offer.

See “Manner of Acceptance” in Section 3 of the Offer.

### **IF I ACCEPT THE OFFER, WHEN WILL I RECEIVE THE OFFER CONSIDERATION?**

If the conditions of the Offer are satisfied or, where permitted, waived, and if the Offeror consummates the Offer and takes up your Core Shares, the consideration for the Core Shares you tendered will be delivered to the Depository as representative for you as a registered Core Shareholder or your nominee as soon as practicable and in any event no later than three Business Days after the Core Shares are taken up.

In accordance with Law, if the Offeror is obligated to take up such Core Shares, the Offeror will extend the period during which Core Shares may be deposited under the Offer for the 10-day Mandatory Extension Period following the initial Expiry Date and may extend the deposit period for Optional Extension Periods. The Offeror will immediately take up and promptly pay for Core Shares deposited under the Offer during the 10-day Mandatory Extension Period and any Optional Extension Period.

See “Take Up and Payment for Deposited Core Shares” in Section 6 of the Offer.

### **CAN I WITHDRAW MY PREVIOUSLY TENDERED CORE SHARES?**

Yes. You may withdraw Core Shares previously tendered by you at any time (i) before Core Shares deposited under the Offer are taken up by the Offeror, (ii) if your Core Shares have not been paid for by the Offeror within three Business Days after having been taken up by the Offeror, and (iii) in certain other circumstances.

See “Withdrawal of Deposited Core Shares” in Section 8 of the Offer.

## **HOW DO I WITHDRAW PREVIOUSLY TENDERED CORE SHARES?**

To withdraw Core Shares that have been tendered, you must deliver a written notice of withdrawal with the required information to the Depository while you still have the right to withdraw the Core Shares. Alternatively, if Core Shares have been deposited pursuant to the procedures for book-entry transfer, as set out under Section 3 of the Offer, “Manner of Acceptance - Book-Entry Transfer”, any notice of withdrawal must specify the name and number of the account at CDS, to be credited with the withdrawn Core Shares and otherwise comply with the procedures of CDS.

See “Withdrawal of Deposited Core Shares” in Section 8 of the Offer.

## **IF I DO NOT TENDER BUT THE OFFER IS SUCCESSFUL, WHAT WILL HAPPEN TO MY CORE SHARES?**

If the conditions of the Offer are otherwise satisfied or, where permitted, waived and the Offeror takes up and pays for the Core Shares validly deposited under the Offer, the Offeror intends to acquire any Core Shares not deposited under the Offer: (i) by Compulsory Acquisition, if at least 90% of the outstanding Core Shares (other than Core Shares held by or on behalf of the Offeror and its affiliates on the date of the Offer) are validly tendered under the Offer and not withdrawn; or (ii) by a Subsequent Acquisition Transaction on the same terms as such Core Shares were acquired under the Offer, if a Compulsory Acquisition is not available or if the Offeror decides not to proceed with a Compulsory Acquisition.

See “Purpose of the Offer” in Section 6 of the Circular and “Acquisition of Core Shares Not Deposited Under the Offer” in Section 16 of the Circular.

## **FOLLOWING THE OFFER, WILL CORE CONTINUE AS A PUBLIC COMPANY?**

If the Offer and a Compulsory Acquisition or a Subsequent Acquisition Transaction is successful, among other things:

- (a) the Offeror will own all of the equity interests in Core and the Offeror will be entitled to all the benefits and risks of loss associated with such ownership; and
- (b) Core will no longer be publicly traded and Core will no longer file periodic reports (including, without limitation, financial information) with any securities regulatory authorities.

If the Offer is completed but less than 66⅔% of the issued and outstanding Core Shares are tendered and not withdrawn under the Offer, then (i) Core will remain listed on the facilities of the TSXV and a reporting issuer under the securities Laws of each province of Canada in which it has such status, and (ii) the ability of the Offeror to proceed by way of either a Compulsory Acquisition or a Subsequent Acquisition Transaction generally on the terms described herein may be adversely affected.

If the Offeror takes up Core Shares under the Offer but is unable to complete a Compulsory Acquisition or Subsequent Acquisition Transaction, then Core may continue as a public company and the Offeror will evaluate its alternatives. Such alternatives could include, to the extent permitted by Law, purchasing additional Core Shares in the open market, in privately negotiated transactions or pursuant to another takeover bid or other transaction, and thereafter proposing an amalgamation, arrangement or other transaction which would result in the Offerors ownership of 100% of the Core Shares. Under such circumstances, an amalgamation, arrangement or other transaction would require the approval of at least 66⅔% of the votes cast by the then Core Shareholders, and might require approval of a majority of the votes cast by such holders of Core Shares other than the Offeror and its affiliates and/or the then holders of Convertible Securities. There is no certainty that under such circumstances any such transaction would be proposed or completed by the Offeror.

The purchase of Core Shares by the Offeror pursuant to the Offer will reduce the number of Core Shares that might otherwise trade publicly as well as the number of holders of Core Shares and, depending on the number of Core Shareholders depositing and the number of Core Shares purchased under the Offer, would likely adversely affect the liquidity and market value of the remaining Core Shares held by the public.



The rules and regulations of the TSXV establish certain criteria which, if not met, could lead to the delisting of the Core Shares from such exchanges. Among such criteria are the number of holders of Core Shares, the number of Core Shares publicly held and the aggregate market value of the Core Shares publicly held. If a sufficient number of Core Shares are purchased under the Offer, the Core Shares may fail to meet the criteria for continued listing on the TSXV and, in that event, the Core Shares may be delisted from the TSXV after completion of the Offer, any Compulsory Acquisition or any Subsequent Acquisition Transaction. . If this were to happen, the Core Shares could be delisted and this could, in turn, adversely affect the market or result in a lack of an established market for the Core Shares.

See “Effect of the Offer on the Market for and Listing of Core Shares; Stock Exchange Listing and Public Disclosure” in Section 14 of the Circular.

#### **WILL I HAVE THE RIGHT TO HAVE MY CORE SHARES APPRAISED?**

The completion of a Subsequent Acquisition Transaction may result in Core Shareholders having the right to dissent. If the statutory procedures governing dissent rights are available and are complied with, this right could lead to judicial determination of the fair value required to be paid to such dissenting Core Shareholders for their Core Shares. If the Offeror seeks to complete a Compulsory Acquisition, Core Shareholders who do not deposit their Core Shares under the Offer may apply to the court to have the court order, among other things, the price and terms of payment for their Core Shares under the Compulsory Acquisition.

See “Acquisition of Core Shares Not Deposited Under the Offer” in Section 16 of the Circular.

#### **WILL I HAVE TO PAY ANY FEES OR COMMISSIONS?**

Registered Shareholders will not be obligated to pay any fee or commission if they accept an Offer by transmitting their Core Shares directly to the Depository. However, an Intermediary through which a Core Shareholder owns Core Shares may charge a customary fee to tender any such Core Shares on behalf of the Core Shareholder. Core Shareholders should consult such Intermediary to determine whether any charge will apply.

See “Depository” in Section 21 of the Circular.

#### **WHAT IS THE MARKET VALUE OF MY CORE SHARES AS OF A RECENT DATE?**

On September 27, 2019, the closing price of the Core Shares on the TSXV was \$0.220 and the volume weighted-average price per Core Share on the TSXV for the last ten trading days ended September 27, 2019 was \$0.223

See “Information Concerning the Core Shares” in Section 13 of the Circular.

#### **HOW WILL CANADIAN RESIDENTS AND NON-RESIDENTS OF CANADA BE TAXED FOR CANADIAN FEDERAL INCOME TAX PURPOSES?**

A Resident Holder who holds Core Shares as capital property and who disposes of such shares pursuant to the Offer will realize a capital gain or capital loss under the Tax Act.

Generally, a Non-Resident Holder will not be subject to tax under the Tax Act on any capital gain realized on a disposition of Core Shares pursuant to the Offer, unless the Core Shares are “taxable Canadian property” of the Non-Resident Holder for purposes of the Tax Act and the Non-Resident Holder is not entitled to relief under an applicable income tax convention between Canada and the country in which the Non-Resident Holder is resident.

**The foregoing is a very brief summary of certain principal Canadian federal income tax considerations and is qualified in its entirety by Section 19 of the Circular, “Certain Canadian Federal Income Tax Considerations”. Core Shareholders are urged to consult their own tax advisors to determine the particular tax consequences to them of a sale of the Core Shares under the Offer, a Compulsory Acquisition, a Compelled Acquisition or a Subsequent Acquisition Transaction.**

**WHOM CAN I CALL WITH QUESTIONS?**

You can call or email the Information Agent if you have questions or requests for additional copies of the Offer and Circular.



**North American Toll Free: 1.833.461.3651**

**Outside North America: 1.416.661.6592**

**Email: [inquiries@gryphonadvisors.ca](mailto:inquiries@gryphonadvisors.ca)**

**North American Toll-Free Facsimile: 1.877.218.5372**

**Facsimile: 1.416.214.3224**

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#### APPENDICES

<b>APPENDIX "A"</b>	-	<b>INFORMATION CONCERNING TITAN</b>
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<b>APPENDIX "D"</b>	-	<b>TITAN UNAUDITED PRO FORMA FINANCIAL STATEMENTS</b>

## THE OFFER

*The accompanying Circular, which is incorporated into and forms part of the Offer, contains important information that should be read carefully before making a decision with respect to the Offer. Unless the context otherwise requires, terms used but not defined in the Offer have the respective meanings given to them in the accompanying Glossary.*

**TO: THE SHAREHOLDERS OF CORE GOLD INC.**

September 30, 2019

### **1. The Offer**

The Offer is made by Titan Minerals Limited (the “**Offeror**”).

The Offeror hereby offers to purchase, on and subject to the terms and conditions set forth in the Offer, the Circular, the Letter of Transmittal and the Notice of Guaranteed Delivery, all of the issued and outstanding Core Shares, including Core Shares that may become issued and outstanding after the date of the Offer, but prior to the Expiry Time, upon the exercise, conversion or exchange of Convertible Securities, in exchange for 2.5 Titan Shares per Core Share.

**The Offer represents a significant premium to recent trading prices of Core Shares on the TSXV:**

- **Based on a closing price of AU\$0.185 per Titan Share on the ASX as of June 25, 2019, the last trading day prior to Titan Shares being voluntarily suspended from trading until the public disclosure by the Offeror of its intention to pursue a takeover bid of Core, the implied Offer Consideration represents a premium of 164% to the closing price of Core Shares on the TSXV on September 13, 2019. Based on the volume-weighted average price of AU\$0.157 per Titan Share on the ASX for the last ten trading days ended June 25, 2019, the implied Offer Consideration represents a premium of 130% to the volume-weighted average price of \$0.170 per Core Share on the TSXV for the last ten trading days ended September 13, 2019.**
- **Titan Shares resumed trading on the ASX on September 16, 2019 following the public disclosure by the Offeror of its intention to pursue a takeover bid of Core. Based on a closing price of AU\$0.190 per Titan Share on the ASX as of September 27, 2019, the last trading day prior to the filing of this Offer, the implied Offer Consideration of \$0.426 per Core Share represents a premium of 93% to the closing price of Core Shares on the TSXV on September 27, 2019.**

The number of Titan Shares to be issued in exchange for each Core Share under the Offer will not be adjusted to reflect any change in the market value of Core Shares that may occur prior to the time of the take up of the Core Shares under the Offer. Accordingly, there can be no assurance of what the value of a Titan Share will be at the time of the take up of the Core Shares under the Offer.

The Offer is made only for Core Shares and is not made for any Convertible Securities. Any holder of Convertible Securities who wishes to accept the Offer must, to the extent permitted by the terms of the Convertible Security and subject to Laws, exercise, convert or exchange the Convertible Securities in order to obtain certificate(s) or DRS Statement(s) representing Core Shares and deposit those Core Shares under the Offer. Any such exercise, conversion or exchange must be completed sufficiently in advance of the Expiry Time to ensure that the holders of such Convertible Securities will have Core Share certificate(s) or DRS Statement(s) representing the Core Shares issuable upon such exercise, conversion or exchange in time for deposit prior to the Expiry Time, or in sufficient time to comply with the procedures referred to in Section 3 of the Offer, “Manner of Acceptance - Procedure for Guaranteed Delivery”.

The obligation of the Offeror to take up and pay for Core Shares pursuant to the Offer is subject to certain conditions. See Section 4 of the Offer, “Conditions of the Offer”.

Core Shareholders who do not deposit their Core Shares under the Offer will not be entitled to any appraisal rights. However, any such holders who dissent from a Subsequent Acquisition Transaction may have certain rights to seek a judicial determination of the fair value of their Core Shares. In addition, if the Offeror seeks to complete a Compulsory Acquisition, such holders may apply to the court to have the court order, among other things, the price and terms of payment for their Core Shares under the Compulsory Acquisition. See Section 16 of the Circular, “Acquisition of Core Shares Not Deposited Under the Offer”.

Registered Shareholders will not be required to pay any fee or commission if they accept the Offer by depositing their Core Shares directly with the Depositary or if they make use of the services of a Soliciting Dealer to accept the Offer. However, an Intermediary through which a Core Shareholder owns Core Shares may charge a customary fee to tender any such Core Shares on behalf of the Core Shareholder. Core Shareholders should consult such Intermediary to determine whether any charge will apply.

**Core Shareholders whose Core Shares are registered in the name of a broker, investment dealer, bank, trust company or other Intermediary should immediately contact such Intermediary for assistance if they wish to accept the Offer, in order to take the necessary steps to be able to deposit such Core Shares under the Offer. Intermediaries likely have established tendering cut-off times that are prior to the Expiry Time. Core Shareholders must instruct their brokers or other Intermediaries promptly if they wish to tender to the Offer.**

This document does not constitute an offer or a solicitation to any Person in any jurisdiction in which such offer or solicitation is unlawful. The Offer is not being made to, nor will deposits be accepted from or on behalf of, Core Shareholders in any jurisdiction in which the making or acceptance of the Offer would not be in compliance with the Laws of such jurisdiction. However, the Offeror may, in its sole discretion, take such action as it may deem necessary to extend the Offer to Core Shareholders in any such jurisdiction.

**All currency amounts expressed herein, unless otherwise indicated, are expressed in Canadian dollars.**

As of September 18, 2019, there were 166,873,328 Core Shares issued and outstanding and approximately 195,134,000 Core Shares on a fully-diluted basis.

## **2. Time for Acceptance**

The Offer is open for acceptance for the period commencing on the date hereof and ending at the Expiry Time, meaning 9:00 a.m. (Toronto time) on January 14, 2020, or such earlier or later time or times and date or dates which may be established by the Offeror in accordance with Section 5 of the Offer, “Variation or Change of the Offer”, unless withdrawn by the Offeror.

The Offeror will not amend the Offer to cause the Expiry Time to occur earlier than 35 days following the date of the Offer. If the Statutory Minimum Condition is satisfied and the other conditions to the Offer are satisfied or, where permitted, waived by the expiry of the initial deposit period, such that the Offeror takes up the Core Shares deposited under the Offer, the Offeror will make a public announcement of the foregoing matters and extend the period during which Core Shares may be deposited and tendered to the Offer for a period of not less than 10 days after the date of such announcement, being the Mandatory Extension Period. See Section 5 of the Offer, “Variation or Change of the Offer”.

## **3. Manner of Acceptance**

### ***Letter of Transmittal***

The Offer may be accepted by delivering to the Depositary at its office in Toronto, Ontario, specified in the Letter of Transmittal accompanying the Offer, so as to be received at or prior to the Expiry Time:

- (a) certificate(s) or DRS Statement(s) representing the Core Shares, in respect of which the Offer is being accepted;

- (b) a properly completed and duly executed Letter of Transmittal, in the form accompanying the Offer, in accordance with the rules and instructions set out in such Letter of Transmittal, with signature guarantee(s), if required; and
- (c) any other relevant documents required by the rules and instructions set out in the Letter of Transmittal.

The signature on the Letter of Transmittal must be guaranteed by an Eligible Institution or in some other manner acceptable to the Depositary (except that no guarantee is required for the signature of a depositing Core Shareholder which is an Eligible Institution) if it is signed by a Person other than the registered owner(s) of the Core Shares being deposited, or if the Core Shares not purchased are to be returned to a Person other than such registered owner(s) or sent to an address other than the address of the registered owner(s) as shown on the registers of Core, or if payment is to be issued in the name of a Person other than the registered owner(s) of the Core Shares being deposited. If a Letter of Transmittal is executed by a Person other than the registered holder of the Core Shares represented by the certificate(s) or DRS Statement(s) deposited therewith, then the certificate(s) or DRS Statement(s) must be endorsed or be accompanied by an appropriate share transfer power of attorney duly and properly completed by the registered holder, with the signature on the endorsement panel or share transfer power of attorney guaranteed by an Eligible Institution.

The Offer will be deemed to be accepted only if the Depositary has actually received these documents at its office in Toronto, Ontario, specified in the Letter of Transmittal at or prior to the Expiry Time. Alternatively, Core Shares may be deposited under the Offer in compliance with the procedures for guaranteed delivery set out below under the heading "Procedure for Guaranteed Delivery" or in compliance with the procedures for book-entry transfers set out below under the heading "Book-Entry Transfer".

#### ***Book-Entry Transfer***

The Offeror understands that CDS and DTC will be issuing instructions to their participants as to the method of depositing Core Shares under the terms of the Offer. Core Shareholders wishing to accept the Offer whose Core Shares are registered in the name of a nominee should contact their broker, investment dealer, bank, trust company or other Intermediary for assistance in depositing their Core Shares.

Beneficial Shareholders who hold their shares through a bank, brokerage firm, or other nominee may accept the Offer by following the procedures for a book-entry transfer established by their Intermediary through CDS, provided that a Book-Entry Confirmation through CDSX is received by the Depositary at its office in Toronto, Ontario, specified in the Letter of Transmittal at or prior to the Expiry Time. The Depositary has established an account at CDS for the purpose of the Offer. Any financial institution that is a participant in CDS may cause CDS to make a book-entry transfer of a Core Shareholder's Core Shares into the Depositary's account in accordance with CDS procedures for such transfer. Delivery of Core Shares to the Depositary by means of a book-entry transfer will constitute a valid deposit of Core Shares under the Offer.

Beneficial Shareholders who, through their Intermediary and respective CDS Participant, utilize CDSX to accept the Offer through a book-entry transfer of their holdings into the Depositary's account with CDS shall be deemed to have completed and submitted a Letter of Transmittal and to be bound by the terms thereof and, therefore, such instructions received by the Depositary are considered a valid deposit in accordance with the terms of the Offer.

Beneficial Shareholders may also accept the Offer by following the procedures for book-entry transfer established by DTC, provided that a Book-Entry Confirmation, together with an Agent's Message in respect thereof or a properly completed and executed Letter of Transmittal (including signature guarantee if required) and all other required documents, are received by the Depositary at its office in Toronto, Ontario, specified in the Letter of Transmittal at or prior to the Expiry Time. The Depositary has established an account at DTC for the purpose of the Offer. Any financial institution that is a participant in DTC may cause DTC to make a book-entry transfer of a Core Shareholder's Core Shares by their Intermediary into the Depositary's account in accordance with DTC's procedures for such transfer. However, although delivery of Core Shares may be effected through book-entry transfer at DTC, either an Agent's Message in respect thereof, or a Letter of Transmittal, properly completed and duly executed (including signature guarantee if required), and all other required documents, must, in any case, be

received by the Depository, at its office in Toronto, Ontario, at or prior to the Expiry Time. Delivery of documents to DTC in accordance with its procedures does not constitute delivery to the Depository. Such documents or Agent's Message should be sent to the Depository.

The term "**Agent's Message**" means a message, transmitted by DTC to, and received by, the Depository and forming part of a Book-Entry Confirmation, which states that DTC has received an express acknowledgement from the participant in DTC depositing the Core Shares which are the subject of such Book-Entry Confirmation that such participant has received and agrees to be bound by the terms of the Letter of Transmittal as if executed by such participant or Intermediary and that the Offeror may enforce such agreement against such participant.

***Procedure for Guaranteed Delivery***

If a Core Shareholder wishes to deposit Core Shares pursuant to the Offer and: (i) the certificate(s) or DRS Statement(s) representing such Core Shares is/are not immediately available; (ii) the Core Shareholder cannot complete the procedure for book-entry transfer of the Core Shares on a timely basis; or (iii) the certificate(s), DRS Statement(s) and all other required documents cannot be delivered to the Depository at or prior to the Expiry Time, such Core Shares may nevertheless be deposited under the Offer provided that all of the following conditions are met:

- (a) the deposit is made by or through an Eligible Institution;
- (b) a properly completed and duly executed Notice of Guaranteed Delivery in the form accompanying this Offer and Circular, including a guarantee of delivery by an Eligible Institution in the form set out in the Notice of Guaranteed Delivery, is received by the Depository at its office in Toronto, Ontario, as specified in the Notice of Guaranteed Delivery at or prior to the Expiry Time; and
- (c) the certificate(s) or DRS Statement(s) representing all Deposited Core Shares in proper form for transfer, together with a properly completed and duly executed Letter of Transmittal, with signature(s) guaranteed, if required in accordance with the Letter of Transmittal or, in the case of a book-entry transfer, a Book-Entry Confirmation with respect to such Deposited Core Shares and, in the case of DTC accounts, a properly completed and duly executed Letter of Transmittal, with signature(s) guaranteed, if required, or an Agent's Message in lieu thereof, and all other documents required by the terms of the Offer and the Letter of Transmittal, are received by the Depository at its office in Toronto, Ontario, as specified in the Letter of Transmittal at or prior to 9:00 a.m. (Toronto time) on the second trading day on the TSXV after the Expiry Date.

**The Notice of Guaranteed Delivery must be delivered by hand or couriered or mailed to the Depository at the applicable address specified in the Notice of Guaranteed Delivery at or prior to the Expiry Time and must include a guarantee by an Eligible Institution in the form set forth in the Notice of Guaranteed Delivery. Delivery of the Notice of Guaranteed Delivery and the Letter of Transmittal and accompanying certificate(s) or DRS Statement(s) representing the Core Shares and all other required documents to an address other than those specified in the Notice of Guaranteed Delivery does not constitute delivery for purposes of satisfying a guaranteed delivery.**

Notices of Guaranteed Delivery submitted through CDSX will be received and accepted once the Core Shares are available and within two trading days after expiry.

**The method of delivery of certificates or DRS Statements representing Core Shares, the Letter of Transmittal, the Notice of Guaranteed Delivery and all other required documents is at the option and risk of the Person depositing such documents. The Offeror recommends that all such documents be delivered by hand to the Depository and a receipt be obtained or, if mailed, that registered mail, with return receipt requested, be used and that proper insurance be obtained. It is suggested that any such mailing be made sufficiently in advance of the Expiry Time to permit delivery to the Depository at or prior to the Expiry Time. Delivery will only be effective upon actual physical receipt by the Depository.**

The acceptance of the Offer pursuant to the procedures set forth above will constitute a binding agreement between the depositing Core Shareholder and the Offeror in accordance with the terms and conditions of the Offer.



The Offeror will, in its sole discretion, be entitled to determine finally all questions relating to acceptances of the Offer and to the withdrawal of Core Shares deposited thereunder, including, without limitation, the validity, form, eligibility, timely receipt, acceptance and effect of any deposit of Core Shares and/or withdrawal of Core Shares and the propriety of the completion and execution of any Letter of Transmittal or Notice of Guaranteed Delivery. By accepting the Offer, depositing Core Shareholders agree that such determinations by the Offeror will be final and binding. The Offeror reserves the absolute right to reject any and all deposits that it determines not to be in proper form or that may be unlawful to accept under the Laws of any jurisdiction. The Offeror reserves the absolute right to waive any defect or irregularity in the deposit or acceptance of any particular Core Shares or by any particular Core Shareholder. None of the Offeror, the Depositary or any other Person will be under any duty or obligation to give notice of any defect or irregularity in any deposit or acceptance nor will any of them incur any liability for failure to give such notice. The Offeror's interpretation of the terms and conditions of the Offer, the Circular, the Letter of Transmittal and the Notice of Guaranteed Delivery will be final and binding.

The Offeror reserves the right to permit the Offer to be accepted in a manner other than as set forth herein.

Core Shareholders whose Core Shares are registered in the name of an Intermediary and who wish to accept the Offer should contact their Intermediary for assistance in depositing the Core Shares under the Offer.

### ***Dividends and Distributions***

Subject to the terms and conditions of the Offer and subject, in particular, to Core Shares being validly withdrawn by or on behalf of a depositing Core Shareholder, and except as provided below, by accepting the Offer pursuant to the procedures set forth herein, a Core Shareholder deposits, sells, assigns and transfers to the Offeror all right, title and interest in and to the Core Shares covered by the Letter of Transmittal or book-entry transfer (the "**Deposited Core Shares**") and in and to all rights and benefits arising from such Deposited Core Shares, including, without limitation, any and all dividends, distributions, payments, securities, property, rights or other interests, which may be declared, paid, accrued, issued, distributed, made or transferred on or in respect of the Deposited Core Shares or any of them on and after the date of the Offer including, without limitation, any dividends, distributions or payments on such dividends, distributions, payments, securities, property, rights or other interests (collectively, "**Distributions**").

### ***Power of Attorney***

The execution of the Letter of Transmittal or Notice of Guaranteed Delivery (or, in the case of Core Shares deposited by book-entry transfer, by the making of a book-entry transfer) irrevocably constitutes and appoints effective at and after the time that the Offeror takes up the Deposited Core Shares (the "**Effective Time**"), each director and officer of the Offeror and any other Person designated by the Offeror in writing as the true and lawful agent, attorney, attorney-in-fact and proxy of the holder of the Deposited Core Shares (which Deposited Core Shares upon being taken up are, together with any and all Distributions which may be declared, paid, accrued, issued, distributed, made or transferred thereon, hereinafter in this Section 3 referred to as the "**Purchased Securities**") with respect to such Purchased Securities, with full power of substitution and re-substitution (such powers of attorney, being coupled with an interest, being irrevocable), in the name of and on behalf of such Core Shareholder:

- (a) register or record the transfer and/or cancellation of such Purchased Securities on the appropriate registers maintained by or on behalf of Core;
- (b) whether or not such Purchased Securities are registered in the Offeror's name, vote, execute and deliver as and when requested by the Offeror, any instruments of proxy, authorization or consent in form and on terms satisfactory to the Offeror in respect of any and all of such Purchased Securities, revoke any such instrument, authorization or consent previously given, or designate in any such instrument, authorization, requisition, resolution, consent or direction, any Person or Persons as the proxy of such Core Shareholder or proxy nominee or nominees of such Core Shareholder in respect of such Purchased Securities for all purposes including, without limitation, in connection with any meeting (whether annual, special or otherwise or any adjournment or postponement thereof, including, without limitation, any meeting to consider a Subsequent Acquisition Transaction) of holders of relevant securities of Core;

- (c) execute, endorse and negotiate for and in the name of and on behalf of such Core Shareholder, any and all cheques or other instruments representing any Distribution payable to or to the order of, or endorsed in favour of, a holder of such Purchased Securities and/or designate in any instruments of proxy any Person(s) as the proxy or the proxy nominee(s) of such Core Shareholder in respect of such Distributions for all purposes;
- (d) exercise any rights of a holder of Purchased Securities with respect to such Purchased Securities; and
- (e) execute all such further and other documents, transfers or other assurances as may be necessary or desirable in the sole judgment of the Offeror to effectively convey Purchased Securities to the Offeror, all as specified in the Letter of Transmittal or Notice of Guaranteed Delivery.

A Core Shareholder accepting the Offer under the terms of the Letter of Transmittal (including by book-entry transfer) revokes any and all other authority, whether as agent, attorney-in-fact, attorney, proxy or otherwise, previously conferred or agreed to be conferred by the Core Shareholder at any time with respect to the Deposited Core Shares or any Distributions. Such depositing Core Shareholder agrees that no subsequent authority, whether as agent, attorney-in-fact, attorney, proxy or otherwise will be granted with respect to the Deposited Core Shares or any Distributions by or on behalf of the depositing Core Shareholder unless the Deposited Core Shares are not taken up and paid for under the Offer or are withdrawn in accordance with Section 8 of the Offer, "Withdrawal of Deposited Core Shares".

A Core Shareholder who executes a Letter of Transmittal agrees, effective on and after the date the Offeror takes up and pays for Purchased Securities, not to vote any of the Purchased Securities at any meeting (whether annual, special or otherwise or any adjournment or postponement thereof) of holders of Core Shares or holders of Distributions and not to exercise any or all of the other rights or privileges attached to the Purchased Securities and agrees to execute and deliver to the Offeror, at any time and from time to time, as and when requested by, and at the expense of, the Offeror, any and all instruments of proxy, authorizations or consents, in form and on terms satisfactory to the Offeror, in respect of all or any of the Purchased Securities. A Core Shareholder who executes a Letter of Transmittal also agrees to designate in such instruments of proxy the Person or Persons specified by the Offeror as the proxy or the proxy nominee or nominees of the holder in respect of the Purchased Securities. Upon such appointment, all prior proxies given by the holder of such Purchased Securities with respect thereto shall be revoked and no subsequent proxies may be given by such Person with respect thereto.

#### ***Further Assurances***

A Core Shareholder who executes a Letter of Transmittal agrees in the Letter of Transmittal to execute, upon request of the Offeror, any additional documents, transfers and other assurances as may be necessary or desirable to complete the sale, assignment and transfer of the Purchased Securities to the Offeror and acknowledges that all authority therein conferred or agreed to be conferred is, to the extent permitted by Laws, irrevocable and may be exercised during any subsequent legal incapacity of such holder and shall, to the extent permitted by Laws, survive the death or incapacity, bankruptcy or insolvency of the holder and all obligations of the holder therein shall be binding upon the heirs, executors, administrators, attorneys, personal representatives, successors and assigns of such Core Shareholder.

#### ***Depositing Shareholders' Representations and Warranties***

All Core Shareholders depositing Core Shares pursuant to the Offer must have full power and authority to deposit, sell, assign and transfer the Core Shares to the Offeror. Core Shareholders depositing Core Shares pursuant to the Offer must have good title to their Core Shares free and clear of all liens, restrictions, charges, encumbrances, claims, adverse interests, equities and rights of other Persons.

The acceptance of the Offer pursuant to the procedures described above will constitute a binding agreement between the depositing Core Shareholder and the Offeror upon the terms and subject to the conditions of the Offer, including the depositing Core Shareholder's representation and warranty that: (i) the Person signing the Letter of Transmittal, or on whose behalf a book-entry transfer is made, has full power and authority to deposit, sell, assign and transfer

the Deposited Core Shares and Distributions being deposited and all interests therein and has not sold, assigned or transferred or agreed to sell, assign or transfer any of such Core Shares and Distributions (or interests therein) to any other Person; (ii) such Core Shareholder depositing the Deposited Core Shares (and any Distributions), or on whose behalf such Core Shares (and any Distributions) are being deposited, has good title to and is the beneficial owner of the Core Shares (and any Distributions) being deposited within the meaning of Applicable Securities Laws; (iii) the deposit of such Deposited Core Shares (and any Distributions) complies with Applicable Securities Laws; and (iv) when such Deposited Core Shares are taken up and paid for by the Offeror, the Offeror will acquire good title to the Core Shares (and any Distributions) free and clear of all security interests, liens, restrictions, charges, encumbrances, claims, adverse interests, equities and rights of other Persons.

#### 4. Conditions of the Offer

Notwithstanding any other provision of the Offer, and subject to Law, and in addition to (and not in limitation of) the Offeror's right to vary or change the Offer at any time prior to the Expiry Time pursuant to Section 5 of the Offer, "Variation or Change of the Offer", the Offeror will not take up, purchase or pay for, any Core Shares unless, at the Expiry Time, or such earlier or later time during which Core Shares may be deposited under the Offer, excluding the 10-day Mandatory Extension Period or any extension thereafter, there shall have been validly deposited under the Offer and not withdrawn that number of Core Shares that constitutes more than 50% of the outstanding Core Shares, excluding any Core Shares beneficially owned, or over which control or direction is exercised, by the Offeror or by any Person acting jointly or in concert with the Offeror (the "**Statutory Minimum Condition**"). In the event that the Statutory Minimum Condition is not satisfied, the Offeror will have the right to withdraw or terminate the Offer or to extend the period of time during which the Offer is open for acceptance. The Statutory Minimum Condition cannot be waived by the Offeror.

In addition, notwithstanding any other provision of the Offer and subject to applicable Law, the Offeror shall have the right to withdraw the Offer and not take up or pay for any Core Shares deposited under the Offer, if the following conditions are not satisfied or, where permitted, waived by the Offeror in whole or in part at or prior to the Expiry Time or such earlier or later time during which Core Shares may be deposited under the Offer, excluding the 10-day Mandatory Extension Period or any extension thereafter:

- (a) no decision, order, ruling or injunction of a Governmental Entity shall be in effect and no Laws shall have been proposed, enacted, promulgated or applied, in either case:
  - (i) preventing or prohibiting the ability of the Offeror to proceed with, make or maintain the Offer or to take up and pay for the Core Shares deposited under the Offer;
  - (ii) to cease trade, enjoin, prohibit or impose material limitations or conditions on the purchase by or the sale to the Offeror of the Core Shares, the right of the Offeror to own or exercise full rights of ownership of the Core Shares;
  - (iii) which, if the Offer were consummated, would have a Material Adverse Effect with respect to Core; or
  - (iv) which would materially and adversely affect the ability of the Offeror to proceed with the Offer and/or take up and pay for any Core Shares deposited under the Offer;
- (b) there shall not exist any prohibition at Laws against the Offeror making or maintaining the Offer or taking up and paying for any Core Shares deposited under the Offer;
- (c) the Regulatory Approvals and all other requisite third-party approvals considered by the Offeror to be necessary in connection with the Offer shall have been obtained on terms and conditions satisfactory to the Offeror, acting reasonably;
- (d) the Offeror shall have received approval from the shareholders of the Offeror (in form and substance satisfactory to the Offeror in its sole judgement) to issue the Titan Shares to be distributed by it in connection with the Offer;
- (e) the Offeror shall have:

- (i) filed a prospectus in Australia under the Corporations Act in connection with the issuance of Titan Shares pursuant to the Offer and secondary share sale requirements under the Corporations Act; or
- (ii) obtained a waiver from ASIC of the requirement to comply with the prospectus and/or secondary share sale requirements of the Corporations Act for the Titan Shares;
- (f) Core having not adopted or implemented a shareholder rights plan or taken any other action that provides rights to Core Shareholders to purchase any securities of Core as a result of the Offer;
- (g) the Offeror shall not have become aware of any untrue statement of a material fact, or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made and at the date it was made (after giving effect to all subsequent filings prior to the date of the Offer in relation to all matters covered in earlier filings), in any document filed by or on behalf of Core with any of the securities regulatory authorities in Canada or a similar securities regulatory authority elsewhere; and
- (h) the Offeror shall have determined, in its sole judgment, that there does not exist and there has not have occurred or been publicly disclosed since the date of the Offer any event, change, circumstance, development or occurrence that constitutes a Material Adverse Effect or could give rise to a Material Adverse Effect.

The foregoing conditions are for the exclusive benefit of the Offeror. The Offeror may assert any of the foregoing conditions at any time, regardless of the circumstances giving rise to such assertion (including, without limitation, any action or inaction by the Offeror giving rise to any such assertions). The Offeror may waive any of the foregoing conditions, save for the conditions in paragraphs (d) and (e), which cannot be waived, in its sole discretion, in whole or in part, at any time and from time to time, both before and after the Expiry Time, without prejudice to any other rights which the Offeror may have. Each of the foregoing conditions is independent of and in addition to each other of such conditions and may be asserted irrespective of whether any other of such conditions may be asserted in connection with any particular event, occurrence or state of facts or otherwise. The failure by the Offeror at any time to exercise or assert any of the foregoing rights shall not be deemed to constitute a waiver of any such right, the waiver of any such right with respect to particular facts or circumstances shall not be deemed to constitute a waiver with respect to any other facts or circumstances, and each such right shall be deemed an ongoing right which may be asserted at any time and from time to time by the Offeror. Any determination by the Offeror concerning any event or other matter described in the foregoing conditions will be final and binding for all purposes.

Any waiver of a condition or the withdrawal of the Offer will be effective upon written notice, or other communication confirmed in writing, by the Offeror to that effect to the Depositary at its principal office in Toronto, Ontario. The Offeror, promptly after giving any such notice, shall issue and file a press release announcing such waiver or withdrawal, and shall cause the Depositary, if required by Law, as soon as practicable thereafter to notify the Core Shareholders, in the manner set forth in Section 10 of the Offer, "Notices and Delivery", and shall provide a copy of the aforementioned notice to the TSXV. If the Offer is withdrawn, the Offeror will not be obligated to take up or pay for any Core Shares deposited under the Offer, and the Depositary will promptly return all documents tendered to the Depositary under the Offer including certificates or DRS Statements representing Deposited Core Shares, Letters of Transmittal, Notices of Guaranteed Delivery and related documents to the parties by whom they were deposited. See Section 11 of the Offer, "Return of Core Shares".

## **5. Variation or Change of the Offer**

The Offer is open for acceptance from the date of the Offer until the Expiry Time, subject to extension or variation in the Offeror's sole discretion, or as set out below, unless the Offer is withdrawn by the Offeror. In addition, if the Offeror takes up any Core Shares deposited under the Offer at the Expiry Time, the Offer will be extended and remain open for the deposit of Core Shares for not less than 10 days from the date on which Core Shares are first taken up.

Subject to the limitations set out below, the Offeror reserves the right, in its sole discretion, at any time and from time to time while the Offer is open for acceptance (or at any other time if permitted by Law), to vary the Offer

(including, without limitation, by extending the Expiry Time or, where permitted by Law, abridging the period during which Core Shares may be deposited under the Offer).

Under Law, the Offeror is required to allow Core Shares to be deposited under the Offer for an initial deposit period of at least 105 days. The initial deposit period under the Offer may be shortened in the following circumstances, subject to a minimum deposit period of at least 35 days from the date of the Offer: (i) if Core issues a deposit period news release in respect of either the Offer or another offeror's take-over bid that is less than 105 days, the Offeror may vary the terms of the Offer to shorten the initial deposit period to at least the number of days from the date of the Offer as stated in the deposit period news release; or (ii) if Core issues a news release announcing that it has agreed to enter into, or determined to effect, an Alternative Transaction, the Offeror may vary the terms of the Offer to shorten the initial deposit period to at least 35 days from the date of the Offer. In either case, the Offeror may vary the terms of the Offer by shortening the initial deposit period to the shortest possible period consistent with Laws.

If, before the Expiry Time or after the Expiry Time but before the expiry of all rights of withdrawal with respect to the Offer, the terms of the Offer are varied (other than a variation in the terms of the Offer consisting solely of the waiver of a condition in the Offer and/or any extension of the Offer, other than an extension in respect of the 10-day Mandatory Extension Period, resulting from the waiver), including any reduction of the period during which securities may be deposited under the Offer pursuant to Law, or any extension of the period during which securities may be deposited under the Offer pursuant to Law, and whether or not that variation results from the exercise of any right contained in the Offer, the Offeror will promptly (a) issue and file a news release to the extent and in the manner required by Law, and (b) send a notice of variation in the manner set out in Section 10 of the Offer, "Notices and Delivery", to every Person to whom the Offer is required to be sent under Laws and whose Core Shares were not taken up before the date of the variation. If there is a notice of variation, the period during which Core Shares may be deposited under the Offer must not expire before 10 days after the date of the notice of variation. If the Offeror is required to send a notice of variation before the expiry of the initial deposit period, the initial deposit period for the Offer must not expire before 10 days after the date of the notice of variation, and the Offeror must not take up Core Shares deposited under the Offer before 10 days after the date of the notice of variation. In addition, the Offeror will file a copy of such notice and will provide a copy of such notice in the manner required by Laws as soon as practicable thereafter to Core, the TSXV and the securities regulatory authorities, as applicable. Any notice of variation of the Offer will be deemed to have been given and to be effective on the day on which it is delivered or otherwise communicated to the Depositary at its principal office in Toronto, Ontario. If the variation consists solely of a waiver of a condition or an extension of the Offer, other than an extension in respect of the mandatory 10-day extension period, the Offeror will promptly issue and file a news release announcing the waiver.

If at any time before the Expiry Time, or at any time after the Expiry Time but before the expiry of all rights of withdrawal with respect to the Offer, a change occurs in the information contained in the Offer and Circular, as amended from time to time, that would reasonably be expected to affect the decision of a Core Shareholder to whom the Offer is being made to accept or reject the Offer (other than a change that is not within the control of the Offeror or of an affiliate of the Offeror), the Offeror will promptly (a) issue and file a news release of such change to the extent and in the manner required by Law, and (b) send a notice of such change ("**Notice of Change**") in the manner set out in Section 10 of the Offer, "Notices and Delivery", to every Person to whom the Offer was required to be sent and whose Core Shares were not taken up before the date of the change. If the Offeror is required to send a Notice of Change before the expiry of the initial deposit period, the initial deposit period for the Offer must not expire before 10 days after the date of the Notice of Change, and the Offeror must not take up Core Shares deposited under the Offer before 10 days after the date of the Notice of Change. In addition, the Offeror will file a copy of such Notice of Change and will provide a copy of such notice in the manner required by Laws as soon as practicable thereafter to Core, the TSXV and the securities regulatory authorities, as applicable. Any Notice of Change will be deemed to have been given and to be effective on the day on which it is delivered or otherwise communicated to the Depositary at its principal office in Toronto, Ontario.

During any extension or in the event of any variation of the Offer or change in information, all Core Shares previously deposited and not taken up or withdrawn will remain subject to the Offer and may be taken up by the Offeror in accordance with the terms hereof. An extension of the Expiry Time of the Offer, a variation of the Offer or a change in information does not, unless otherwise expressly stated, constitute a waiver by the Offeror of its rights under Section 4 of the Offer, "Conditions of the Offer".

Notwithstanding the foregoing, but subject to Law, the Offeror may not make a variation in the terms of the Offer, other than a variation to extend the time during which Core Shares may be deposited under the Offer or a variation to increase the consideration for the Core Shares, after the Offeror becomes obligated to take up Core Shares deposited under the Offer. If the consideration being offered for the Core Shares under the Offer is increased, the increased consideration will be paid to all depositing Core Shareholders whose Core Shares are taken up under the Offer, whether or not such Core Shares were taken up before the increase.

## 6. Take Up and Payment for Deposited Core Shares

If, at the expiry of the initial deposit period, the Statutory Minimum Condition has been satisfied and all of the other conditions described in Section 4 of the Offer, "Conditions of the Offer", have been satisfied or, where permitted, waived by the Offeror, the Offeror will immediately take up the Core Shares validly deposited under the Offer and not withdrawn. The Offeror will pay for the Core Shares taken up as soon as possible, but in any event not later than three Business Days after taking up the Core Shares.

In accordance with Law, if the Offeror is obligated to take up such Core Shares, the Offeror will extend the period during which Core Shares may be deposited under the Offer for an additional period of at least 10 days following the expiry of the initial deposit period (the "**Mandatory Extension Period**") and may extend the deposit period after expiration of the any optional extension periods (the "**Optional Extension Periods**"). The Offeror will take up and pay for Core Shares deposited under the Offer during the Mandatory Extension Period and any Optional Extension Period not later than 10 days after such deposit.

The Offeror will be deemed to have taken up and accepted for payment Core Shares validly deposited and not withdrawn pursuant to the Offer if, as and when the Offeror gives written notice or other communication confirmed in writing to that effect, to the Depositary at its principal office in Toronto, Ontario.

Subject to Law, the Offeror expressly reserves the right in its sole discretion to, on, or after the Expiry Time, terminate or withdraw the Offer and not take up or pay for any Core Shares if any condition specified in Section 4 of the Offer, "Conditions of the Offer", is not satisfied or, where such condition may be waived, is not waived, by giving written notice thereof or other communication confirmed in writing to the Depositary at its principal office in Toronto, Ontario. The Offeror will not, however, take up and pay for any Core Shares deposited under the Offer unless it simultaneously takes up and pays for all Core Shares then validly deposited under the Offer and not withdrawn.

The Offeror will pay for Core Shares validly deposited under the Offer and not withdrawn by causing the Offeror's transfer agent to issue a sufficient number of Titan Shares for transmittal to depositing Core Shareholders.

Settlement will be made by the Depositary causing the issuance of Titan Shares in the amount to which the person depositing Core Shares is entitled. Unless otherwise directed in the Letter of Transmittal, the Titan Shares will be issued in the name of the registered holder of deposited Core Shares. Unless the person depositing Core Shares instructs the Depositary to hold the holding statements in respect of the Titan Shares for pick-up by checking the appropriate box in the Letter of Transmittal, holding statements in respect of the Titan Shares will be forwarded by first class mail, postage prepaid, to such person at the address specified in the Letter of Transmittal, or if no address is specified, the holding statements in respect of the Titan Shares issuable in respect of registered Core Shares will be forwarded to the address of the holder as shown on the share register maintained by or on behalf of Core. Holding Statements mailed in accordance with this paragraph will be deemed to have been delivered at the time of mailing.

Settlement of trading of quoted securities on the ASX takes place on the ASX's Clearing House Electronic Subregister System ("**CHES**"), which is the ASX's electronic transfer and settlement system in Australia. CHES allows for, and requires, the settlement of transactions in securities quoted on the ASX to be effected electronically. Titan operates an electronic issuer-sponsored sub-register and an electronic CHES sub-register, which together make up Titan's register of shareholders.

Titan will not issue certificates of title to Core Shareholders. Instead, Core Shareholders will receive a holding statement that will set out the number of Titan Shares to be issued pursuant to the Offer. The holding statement will also provide details of a Core Shareholder's holder identification number (in the case of a holding on the CHES

sub-register) or security holder reference number (in the case of a holding on the issuer sponsored sub-register). Following distribution of these initial holding statements, an updated holding statement will only be provided at the end of any month during which changes occur to the number of Titan Shares held by Titan shareholders. Titan shareholders (including former Core Shareholders) may also request statements at any other time (although Titan may charge an administration fee).

No Titan Shares will be issued to any Person who is, or appears to the Offeror or the Depository to be, a resident of any other foreign country unless such Titan Shares may be lawfully issued to Persons resident in such foreign country without further action by the Offeror. If the Titan Shares cannot be lawfully issued to a Person resident in a foreign country without further action, such Titan Shares will be issued by the Depository to a broker retained for the purpose of effecting a sale on behalf of such person.

**Registered Shareholders will not be required to pay any fee or commission if they accept the Offer by depositing their Core Shares directly with the Depository. However, an Intermediary through which a Core Shareholder owns Core Shares may charge a customary fee to tender any such Core Shares on behalf of the Core Shareholder. Core Shareholders should consult such Intermediary to determine whether any charge will apply.**

#### 7. Shareholders Not Resident in Canada

No Titan Shares will be delivered to any Person who is, or appears to the Offeror or the Depository to be, a resident of any other foreign country unless such Titan Shares may be lawfully delivered to Persons resident in such foreign country without further action by the Offeror. Core Shareholders who are resident in the United States, or who appear to the Offeror or the Depository to be resident in the United States, may only receive cash for their Core Shares unless Titan is satisfied that the Titan Shares may be delivered in a manner that is exempt from registration under applicable securities laws (federal and state) and in a manner that requires no regulatory filings by Titan. All Titan Shares that are issuable but may not be delivered to Core Shareholders by reason of the foregoing (“**Ineligible Foreign Shareholders**”) will be issued and delivered to the Nominee for sale on behalf of such Core Shareholders in the manner detailed below.

Titan will:

- (a) procure that, as soon as reasonably practicable (and in any event within five trading days after the Core Shares in respect of which they are issued have been taken up under the Offer or during such shorter time period as may be determined by the relevant securities regulatory authorities), the Nominee sells or procures the sale on ASX of all of the Titan Shares issued to the Nominee (in relation to an Ineligible Foreign Shareholder) in such manner, at such price and on such other terms as the Nominee determines in good faith; and
- (b) promptly pay to the Ineligible Foreign Shareholders their proportion of the cash proceeds, being the net cash proceeds of the sale of the relevant Titan Shares less any applicable brokerage, selling costs, taxes and charges.

The cash proceeds that Ineligible Foreign Shareholders will receive may be more or less than the current market value of Titan Shares after deducting any applicable brokerage and other costs. Ineligible Foreign Shareholders are not required to make an election to participate in the sale facility. Further details in respect to the sale facility are as follows:

- (a) Titan has appointed the Nominee (who holds an Australian Financial Services Licence);
- (b) the market price of Titan Shares is subject to change from time to time. Up-to-date information on the market price of Titan Shares is available from [www.asx.com.au](http://www.asx.com.au) (using the code “TTM”);
- (c) all Titan Shares attributable to Ineligible Foreign Shareholders will be issued to the Nominee, who will pool those Titan Shares and sell them on market (in one transaction or a number of transactions). All of the proceeds of those sales will be pooled and then (after deduction of brokerage and other costs) the cash proceeds will be divided by the total number of Titan Shares

issued to the Nominee. The resultant amount will be paid to each Ineligible Foreign Shareholder in respect of each Titan Share to which they would otherwise have been entitled (subject to rounding); and

- (d) the amount of cash proceeds received by Ineligible Foreign Shareholders may be less than the actual proceeds received by the Nominee for that person's Titan Shares.

In effecting the sale of any Titan Shares, the Nominee will exercise its sole judgment as to the timing and manner of sale and will not be obligated to seek or obtain a minimum price. Neither the Offeror nor the Nominee will be liable for any loss arising out of any sale of such Titan Shares relating to the manner or timing of such sales, the prices at which Titan Shares are sold or otherwise. The sale price of Titan Shares sold on behalf of such persons will fluctuate with the market price of the Titan Shares and no assurance can be given that any particular price will be received upon any such sale. Core Shareholders who are resident in the United States and who desire certainty with respect to the price to be received for their Core Shares, may wish to consult their advisors regarding a sale of their Core Shares in the open market, through the TSX or otherwise, rather than tendering them pursuant to the Offer.

## **8. Withdrawal of Deposited Core Shares**

Except as otherwise provided in this Section 8 or as otherwise required by Law, all deposits of Core Shares pursuant to the Offer are irrevocable. Unless otherwise required or permitted by Law, any Core Shares deposited in acceptance of the Offer may be withdrawn by or on behalf of the depositing Core Shareholder: (a) at any time before the Core Shares have been taken up by the Offeror; or (b) if the Core Shares have not been paid for by the Offeror within three Business Days after having been taken up by the Offeror.

In addition, if:

- (a) there is a variation of the terms of the Offer before the Expiry Time (including any abridgment or extension of the period during which Core Shares may be deposited thereunder or the modification of a term or condition of an Offer, but excluding a variation consisting solely of an increase in the consideration for the Core Shares where the Expiry Time is extended for a period not greater than 10 days after the date of the notice of variation);
- (b) there is a variation of the terms of the Offer after the Expiry Time, excluding (i) a variation consisting of either an increase in the consideration for the Core Shares or an extension of the Offer for a period not greater than 10 days from the date of the notice of variation, or (ii) a variation in the terms of the Offer consisting solely of the waiver of one or more conditions of the Offer; or
- (c) a Notice of Change in respect of the information contained in the Offer and the accompanying Circular or if any subsequent Notice of Change is delivered to Persons whose Core Shares were not taken up at the date of the occurrence of the change;

then any Deposited Core Shares not taken up and paid for by the Offeror at such time may be withdrawn by or on behalf of the depositing Core Shareholder at any time before the expiration of 10 days from the date upon which such Notice of Change is mailed, delivered or otherwise communicated.

Withdrawals of Core Shares deposited under the Offer must be effected by notice of withdrawal made by or on behalf of the depositing Core Shareholder and must be actually received by the Depositary at the place of deposit of the applicable Core Shares (or the Notice of Guaranteed Delivery in respect thereof) within the time limits indicated above. Notices of withdrawal: (i) must be made by a method that provides the Depositary with a written or printed copy, (ii) must be signed by or on behalf of the Person who signed the Letter of Transmittal accompanying (or Notice of Guaranteed Delivery in respect of) the Core Shares which are to be withdrawn, and (iii) must specify such Person's name, the number of Core Shares to be withdrawn, the name of the registered holder and the certificate number shown on each certificate representing the Core Shares to be withdrawn. Any signature in a notice of withdrawal must be guaranteed by an Eligible Institution in the same manner as in a Letter of Transmittal (as described in the instructions set out therein), except in the case of Core Shares deposited for the account of an



Eligible Institution. Any such withdrawal becomes effective on receipt of the notice of withdrawal by the Depository.

If Core Shares have been deposited pursuant to the procedures for book-entry transfer, as set out in Section 3 of the Offer, "Manner of Acceptance - Book-Entry Transfer", any notice of withdrawal must specify the name and number of the account at CDS or DTC, as applicable, to be credited with the withdrawn Core Shares and otherwise comply with the procedures of CDS or DTC, as applicable.

If the Offeror extends the period of time during which the Offer is open, is delayed in taking up or paying for Core Shares or is unable to take up or pay for Core Shares for any reason, then, without prejudice to the Offeror's other rights, Core Shares deposited under the Offer may be retained by the Depository on behalf of the Offeror and such Core Shares may not be withdrawn except to the extent that depositing Core Shareholders are entitled to withdrawal rights as set forth in this Section 8 or pursuant to Laws.

Withdrawals cannot be rescinded and any Core Shares withdrawn will be deemed not validly deposited for the purposes of the Offer, but may be re-deposited at any subsequent time at or prior to the Expiry Time by following any of the procedures described in Section 3 of the Offer, "Manner of Acceptance".

All questions as to the validity (including timely receipt) and form of notices of withdrawal will be determined by the Offeror in its sole discretion, and such determination will be final and binding. There is no duty or obligation of the Offeror, the Depository or any other Person to give notice of any defect or irregularity in any notice of withdrawal and no liability shall be incurred or suffered by any of them for failure to give such notice.

**In addition to the foregoing rights of withdrawal, Core Shareholders in certain provinces of Canada are entitled to statutory rights of rescission or to damages, or both, in certain circumstances. See Section 20 of the Circular, "Statutory Rights".**

## **9. Market Purchases**

The Offeror reserves the right to, and may, acquire or cause an affiliate to acquire beneficial ownership of Core Shares by making purchases through the facilities of the TSXV at any time, and from time to time, prior to the Expiry Time subject to and in accordance with Laws. In no event, however, will the Offeror (or its affiliates) make any such purchases of Core Shares until the third Business Day following the date of the Offer, and the Offeror shall comply with the following requirements under Section 2.2(3) of NI 62-104, and comply with any other Laws, in the event it decides to make any such purchases:

- (a) such intention shall be stated in a news release issued and filed at least one Business Day prior to making such purchases;
- (b) the aggregate number of Core Shares beneficially acquired shall not exceed 5% of the outstanding Core Shares as of the date of the Offer, calculated in accordance with Laws;
- (c) the purchases shall be made in the normal course through the facilities of the TSXV;
- (d) the Offeror shall issue and file a news release containing the information required under Laws immediately after the close of business of the TSXV on each day on which Core Shares have been purchased; and
- (e) the broker involved in such trades shall provide only customary broker services and receive only customary fees or commissions, and no solicitation for the sale or purchase of Core Shares shall be made by the Offeror or its agents (other than under the Offer) or the seller or its agents.

Purchases pursuant to Section 2.2(3) of NI 62-104 will not be counted in any determination as to whether the Statutory Minimum Condition has been fulfilled.

Although the Offeror has no present intention to sell Core Shares taken-up and paid for under the Offer, it reserves the right to make or to enter into an arrangement, commitment or understanding at or prior to the Expiry Time to sell

any of such Core Shares after the Expiry Time, subject to Laws and to compliance with Section 2.7(2) of NI 62-104. For the purposes of this Section 9, the “Offeror” includes any Person acting jointly or in concert with the Offeror.

#### **10. Notices and Delivery**

Without limiting any other lawful means of giving notice, and unless otherwise specified by Law, any notice to be given by the Offeror or the Depositary pursuant to the Offer will be deemed to have been properly given if it is mailed by first class mail, postage prepaid, to the Core Shareholders at their respective addresses as shown on the registers maintained by or on behalf of Core in respect of the Core Shares and will be deemed to have been received on the first Business Day following the date of mailing. These provisions apply notwithstanding any accidental omission to give notice to any one or more Core Shareholders and notwithstanding any interruption of mail services following mailing. Except as otherwise permitted by Law, in the event of any interruption of or delay in mail service following mailing, the Offeror intends to make reasonable efforts to disseminate the notice by other means, such as publication. Except as otherwise required or permitted by Law, in the event of any interruption of or delay in mail service following mailing or if post offices in Canada are not open for the deposit of mail, any notice which the Offeror or the Depositary may give or cause to be given under the Offer will be deemed to have been properly given and to have been received by Core Shareholders if a summary of the material provisions thereof is (i) given to the TSXV for dissemination through its facilities, (ii) published once in the national edition of *The Globe and Mail* and in Québec in *Le Devoir* in French, or (iii) given to MarketWired or Canada Newswire Service for dissemination through their respective facilities.

The Offer and Circular, the Letter of Transmittal and the Notice of Guaranteed Delivery will be mailed to registered Core Shareholders (and to registered holders of Convertible Securities) by first class mail, postage prepaid, or made in such other manner as is permitted by Laws and the Offeror will use its reasonable efforts to furnish such documents to investment dealers, banks and similar Persons whose names, or the names of whose nominees, appear in the register maintained by or on behalf of Core in respect of the Core Shares or, if security position listings are available, who are listed as participants in a clearing agency’s security position listing, for subsequent transmittal to the beneficial owners of Core Shares where such listings are received.

These securityholder materials are being sent to both registered and non-registered owners of securities. If you are a nonregistered owner, and the Offeror or its agent has sent these materials directly to you, your name and address and information about your holdings of securities have been obtained in accordance with Laws from the Intermediary holding such securities on your behalf.

**Wherever the Offer calls for documents to be delivered to the Depositary, those documents will not be considered delivered unless and until they have been physically received at the address listed for the Depositary on the Letter of Transmittal or Notice of Guaranteed Delivery, as applicable. Wherever the Offer calls for documents to be delivered to the office of the Depositary, those documents will not be considered delivered unless and until they have been physically received at the office at the address indicated on the Letter of Transmittal or Notice of Guaranteed Delivery, as applicable.**

#### **11. Return of Core Shares**

Any Deposited Core Shares that are not taken up and paid for by the Offeror pursuant to the terms and conditions of the Offer for any reason will be returned, at the Offeror’s expense, to the depositing Core Shareholder as soon as practicable after the Expiry Time or withdrawal of the Offer, by either (i) sending certificates or DRS Statements representing the Core Shares not purchased by first-class insured mail to the address of the depositing Core Shareholder specified in the Letter of Transmittal or, if such name or address is not so specified, in such name and to such address as shown on the securities register maintained by or on behalf of Core, or (ii) in the case of Core Shares deposited by book-entry transfer of such Core Shares pursuant to the procedures set out in Section 3 of the Offer, “Manner of Acceptance - Book-Entry Transfer”, such Core Shares will be credited to the depositing holder’s account maintained with CDS or DTC, as applicable.

#### **12. Changes in Capitalization, Dividends, Distributions and Liens**

If, on or after the date of this Offer, Core should divide, reclassify, consolidate, convert, split, combine or otherwise change any of the Core Shares or its capitalization or shall disclose that it has taken or intends to take any such

action, then the Offeror may, in its sole discretion and without prejudice to its rights under Section 4 of the Offer, “Conditions of the Offer”, make such adjustments as it considers appropriate to the purchase price and other terms of the Offer (including, without limitation, the type of securities offered to be purchased and the amounts payable therefor), to reflect such division, reclassification, consolidation, conversion, split, combination or other change. See Section 5 of the Offer, “Variation or Change of the Offer”.

Core Shares and any Distributions acquired by the Offeror pursuant to the Offer shall be transferred by the Core Shareholder and acquired by the Offeror free and clear of all liens, restrictions, charges, encumbrances, claims and equities and together with all rights and benefits arising therefrom, including, without limitation, the right to any and all dividends, distributions, payments, securities, property, rights, assets or other interests which may be accrued, declared, paid, issued, distributed, made or transferred on or after the date of the Offer on or in respect of the Core Shares, whether or not separated from the Core Shares.

If, on or after the date of the Offer, Core should declare, set aside or pay any dividend or declare, make or pay any other distribution or payment on or declare, allot, reserve or issue any securities, rights or other interests with respect to any Core Share, which is or are payable or distributable to Core Shareholders on a record date prior to the date of transfer into the name of the Offeror or its Intermediary or transferee on the securities register maintained by or on behalf of Core in respect of Core Shares accepted for purchase under the Offer, then (and without prejudice to its rights under Section 4 of the Offer, “Conditions of the Offer”): (i) in the case of any such cash dividends, distributions or payments that in an aggregate amount do not exceed the purchase price per Core Share payable, the purchase price per Core Share payable by the Offeror pursuant to the Offer will be reduced by the amount of any such dividend, distribution or payment, and (ii) in the case of any such cash dividends, distributions or payments that in an aggregate amount exceeds the purchase price per Core Share payable by the Offeror pursuant to the Offer, or in the case of any non-cash dividend, distribution, payment, securities, property, rights, assets or other interests, the whole of any such dividend, distribution, payment, securities, property, rights, assets or other interests (and not simply the portion that exceeds the purchase price per Core Share payable by the Offeror under the Offer), the amount of any excess will be received and held by the depositing Core Shareholder for the account of the Offeror and will be promptly remitted and transferred by the depositing Core Shareholder to the Depository for the account of the Offeror, accompanied by appropriate documentation of transfer. The Offeror will be entitled to deduct from the consideration payable by the Offeror under the Offer the amount or value thereof, as determined by the Offeror in its sole discretion.

The declaration or payment of any such dividend or distribution may have tax consequences not discussed under Section 19 of the Circular, “Certain Canadian Federal Income Tax Considerations”.

### **13. Mail Service Interruption**

Notwithstanding the provisions of the Offer, the Circular, the Letter of Transmittal or the Notice of Guaranteed Delivery, the relevant documents will not be mailed if the Offeror determines that delivery thereof by mail may be delayed. Persons entitled to any relevant documents which are not mailed for the foregoing reason may take delivery thereof at the office of the Depository to which the deposited certificate(s) or DRS Statement(s) for Core Shares were delivered until such time as the Offeror has determined that delivery by mail will no longer be delayed. The Offeror will provide notice of any such determination not to mail made under this Section 13 as soon as reasonably practicable after the making of such determination and in accordance with Section 10 of the Offer, “Notices and Delivery”. Notwithstanding Section 6 of the Offer, “Take Up and Payment for Deposited Core Shares”, any relevant documents not mailed for the foregoing reason will be conclusively deemed to have been delivered on the first day upon which they are available for delivery to the depositing Core Shareholder at the Depository’s Toronto, Ontario, office.

### **14. Other Terms of the Offer**

The Offeror reserves the right to transfer or assign, in whole or in part from time to time, to one or more of its affiliates, the right to purchase all or any portion of the Core Shares deposited pursuant to the Offer, but any such transfer or assignment will not relieve the Offeror of its obligations under the Offer and will in no way prejudice the rights of Persons depositing Core Shares to receive prompt payment for Core Shares validly deposited and taken up pursuant to the Offer.

The Offer and all contracts resulting from acceptance of the Offer will be governed by and construed in accordance with the Laws of the Province of British Columbia and the Laws of Canada applicable therein. Each party to an agreement resulting from the acceptance of an Offer unconditionally and irrevocably attorns to the exclusive jurisdiction of the courts of the Province of British Columbia.

No broker, investment dealer or other Person (including the Depositary) has been authorized to give any information or to make any representation or warranty on behalf of the Offeror or any of its affiliates in connection with the Offer other than as contained in the Offer and Circular, the Letter of Transmittal and Notice of Guaranteed Delivery and, if any such information, representation or warranty is given or made, it must not be relied upon as having been authorized.

**The Offeror, in its sole discretion, will be entitled to make a final and binding determination of all questions relating to the interpretation of the terms and conditions of the Offer (including, without limitation, the satisfaction of the conditions of the Offer), the Offer and Circular, the Letter of Transmittal and the Notice of Guaranteed Delivery, the validity of any acceptance of the Offer and the validity of any withdrawal of Core Shares.**

The provisions of the Circular, the Letter of Transmittal and the Notice of Guaranteed Delivery accompanying the Offer, including the rules and instructions contained therein, as applicable, are incorporated into and form part of the terms and conditions of the Offer.

Where the Offer provides that the time for the taking of any action, the doing of any thing or the end of any period expires or falls upon a day that is not a Business Day, the time shall be extended and action may be taken, the thing may be done or the period shall end, as the case may be, on the next Business Day.

Dated September 30, 2019

**TITAN MINERALS LIMITED**

By: (signed) "Matthew Carr"

Name: Matthew Carr

Title: Executive Director

**The Offer and the accompanying Circular constitute the take-over bid circular required under applicable Canadian provincial securities legislation with respect to the Offer. Core Shareholders are urged to refer to the accompanying Circular for additional information relating to the Offer.**

## CIRCULAR

*This Circular is furnished in connection with the accompanying Offer dated September 30, 2019 by the Offeror to purchase all of the issued and outstanding Core Shares, including Core Shares that may become outstanding after the date of the Offer but prior to the Expiry Time upon the exercise, conversion or exchange of Convertible Securities. Core Shareholders should refer to the Offer for details of its terms and conditions, including details as to payment and withdrawal rights. The terms and provisions of the Offer, the Letter of Transmittal and the Notice of Guaranteed Delivery are incorporated into and form part of this Circular. Terms defined in the Offer and the Glossary and not otherwise defined in this Circular shall have the respective meanings given thereto in the Offer and the Glossary unless the context otherwise requires.*

***No securities tendered to the Offer will be taken up until (a) more than 50% of the outstanding securities of the class sought, being the Core Shares, (excluding those securities beneficially owned, or over which control or direction is exercised, by the Offeror or any Person acting jointly or in concert with the Offeror) have been tendered to the Offer, (b) the minimum deposit period under the Applicable Securities Laws has elapsed, and (c) any and all other conditions of the Offer have been complied with or waived, as applicable. If these criteria are met, the Offeror will take up securities deposited under the Offer in accordance with Applicable Securities Laws and extend the Offer for an additional minimum period of 10 days to allow for further deposits of securities.***

*Except as otherwise indicated, the information concerning Core contained in this Offer and Circular has been taken from or is based upon publicly available documents and records on file with the securities regulatory authorities in Canada and other public sources at the time of the Offer. Although the Offeror has no knowledge that would indicate that any statements contained herein concerning Core taken from or based upon such documents and records are untrue or incomplete, neither the Offeror nor any of its directors or officers assumes any responsibility for the accuracy or completeness of such information, including any of the Core financial statements, or for any failure by Core to disclose events or facts which may have occurred or which may affect the significance or accuracy of any such information but which are unknown to the Offeror.*

*All currency amounts expressed herein, unless otherwise indicated, are in Canadian dollars.*

### **1. The Offeror**

The Offeror was incorporated on January 9, 2006 and admitted to the official list of the ASX on November 10, 2006 as “Mundo Minerals Limited” following which it changed its name to “Minera Gold Limited” on September 17, 2012 and “Titan Minerals Limited” on June 22, 2017. After a period of suspension from trading, the Offeror successfully completed a restructure and recapitalization and was reinstated to trading on the official list of the ASX on October 17, 2017. The Offeror’s Shares trade on the ASX under the symbol “TTM”. The Offeror’s registered office and principal place of business is located at Unit 6, 295 Rokeby Road, Subiaco 6008 Western Australia. The Offeror’s telephone number is +61 8 6555 2950 and its website address is <https://www.titanminerals.com.au/>.

The Offeror is the owner and operator of a gold exploration and processing business in a well-established mining region of Southern Peru. The Offeror is the owner and operator of the Vista Plant. Located in the mining district of Nazca, the Vista Plant produces loaded carbon from the carbon-in-pulp gold circuit, with feed sourced from third party operators averaging 17 to 24 g/t Au head grades. The Offeror’s assets include the Coriorcco Project, the Las Antas Project and the Torrecillas Project (refer to Appendix “A” - information concerning Titan for further details).

Further information relating to the Offeror is contained in Appendix “A” to this Circular.

Core Shareholders should carefully consider the risk factors set out in Appendix “A” related to the Offer and the Offeror. Such risks may not be the only risks applicable to the Offer or the Offeror. Additional risks and uncertainties not presently known by the Offeror or that the Offeror currently believes are not material may also materially and adversely affect (i) the successful completion of the Offer, (ii) the business, operations, prospects, financial condition, financial performance, cash flows or reputation of the Offeror, or (iii) the value of the Titan Shares.

Upon acceptance of the Offer and the acquisition of Core by way of a Compulsory Acquisition or a Subsequent Acquisition Transaction, it is expected that each Core Shareholder that tendered its Core Shares to the Offer will become a shareholder of the Offeror.

## 2. Core Gold Inc.

Core is a Canadian based mining company involved in the mining, exploration and development of mineral properties in Ecuador. Core is currently focused on gold production at its wholly-owned Dynasty Goldfield Project. Minerals are treated at Core's wholly-owned Portovelo treatment plant. Core also owns other significant gold exploration projects including the Linderos and Copper Duke area in southern Ecuador all of which are on the main Peruvian Andean gold-copper belt extending into Ecuador.

Core is a reporting issuer or the equivalent in the provinces of British Columbia, Alberta and Ontario. The Core Shares trade on the TSXV under the symbol "CGLD".

## 3. Background to the Offer

The Offeror and Core executed the Arrangement Agreement on February 23, 2019. Further details on the previously proposed Plan of Arrangement can be found in the Core management information circular dated May 10, 2019, which can be found on the Core profile on SEDAR at [www.sedar.com](http://www.sedar.com).

Following the execution of the Arrangement Agreement, the Offeror understands that Core continued to explore potential alternative strategic transactions and financings with third parties within the boundaries of what was permitted by the Arrangement Agreement.

By early March 2019, the Offeror understands that it became clear to Core that due to high operating costs and resulting negative cash flow from operations, near-term payables due, near-term concession payments due, it would need immediate interim financing in order to carry on through to completion of the Arrangement. Core and the Offeror began discussing an amendment to the Arrangement Agreement to, among other things, provide for a private placement by the Offeror in Core (the "**Core Private Placement**"), in exchange for amending a number of provisions in the Arrangement Agreement pursuant to an amending agreement dated March 10, 2019 (the "**Amendment**").

Titan understands that the resolution to approve the Amendment and the Core Private Placement was not unanimous, and Mr. Piggott materially disagreed with the decision of the remainder of the Core Board voted against the resolutions. **Core Shareholders who would like further details of Mr. Piggott's objections to the Arrangement should refer to the section above entitled "Why Was The Previous Plan of Arrangement Not Implemented?" for questions and answers regarding the Arrangement between the Offeror and Core.**

Titan and Core issued a joint press release announcing the Amendment to the Arrangement Agreement on March 11, 2019.

On June 12, 2019, the Core Shareholders approved the Arrangement, Plan of Arrangement and Arrangement Agreement at a meeting of the securityholders of Core. Of the eligible votes cast by Core Shareholders at the Core securityholder meeting, 68.88% were in favour of the Arrangement.

On June 24 and 25, 2019, Core's petition for a final order approving the Arrangement was heard in the British Columbia Superior Court. Mr. Piggott opposed the petition, while the Offeror supported it. On July 4, 2019, the Court issued its decision. It found that Core had not met its burden of proving that the final order should be granted, and so dismissed Core's application for a final order approving the Plan of Arrangement.

On July 19, 2019, Core and the Offeror agreed to mutually terminate the Arrangement Agreement without liability or cost to either party.

Following the termination of the Arrangement Agreement, the Offeror understands that the Core Board recommenced its strategic review process of alternatives available to Core. In connection with the strategic process, Core announced that its significant debt and payables position, its ongoing working capital deficit and its ability to

raise debt or equity in existing market conditions remained significant issues. The purpose of the recommenced strategic process was to investigate a broad range of options, including equity or debt financings, core and non-core asset sales, strategic investments and joint ventures, as well as a potential merger of Core with another company.

On August 21, 2019, Core announced that Core and the former holder of promissory notes issued by Core in the aggregate principal amount of US\$1.5 million (the “**Promissory Notes**”) and convertible promissory notes issued by Core in the aggregate principal amount of US\$1 million (the “**Convertible Notes**”) plus all accrued interest (collectively, the “**Core Debt**”) agreed to amend the Core Debt and bring it current on the following terms: (i) the maturity date of the Promissory Notes was to be changed from March 31, 2019 to March 31, 2021; (ii) the maturity date of the Convertible Notes was to be changed from March 31, 2019 to March 31, 2020; (iii) the conversion price of the Convertible Notes would be reduced from \$0.30 per share to \$0.18 per share; and (iv) certain restrictions on the transfer of the Promissory Notes would be removed. Such amendments were approved by the TSXV on September 11, 2019 and subsequently rescinded as a result of the TSXV not being aware that the Core Debt had been acquired by the Offeror. As a result of the rescission of the approval, the Core Debt reverted to its original terms, pursuant to which the Core Debt was due March 31, 2019, and the Convertible Notes became debt obligation with no conversion features. The Offeror understands that Core has reapplied to the TSXV to amend the Core Debt on the same terms as described above, which amendments are subject to TSXV approval. The Offeror has acquired the Core Debt with a long-term view to the value of the Core business and assets.

Following the decision of the Court, the board of directors of the Offeror considered available options to advance the position of the Offeror. It was determined that it was necessary to gauge whether there was any continuing support for a bid by the Offeror for the Core Shares by way of takeover bid and consequential combination of the assets of both companies. In light of the strong shareholder support of the Plan of Arrangement, as noted above, the commencement of the Offer was considered an appropriate course of action. Accordingly, a limited number of Core Shareholders were contacted on confidential terms in late July and August 2019.

Some of the contacted Core Shareholders were supportive of a bid by the Offeror, and entered into Lock-up Agreements. The names of these Core Shareholders and descriptions of the Lock-up Agreements can be found at “Agreements Relating to the Offer - Lock-up Agreements” in Section 5 of the Circular. No other agreements, arrangements or understandings were reached during this process. Based on the foregoing, there appeared to the Offeror that there were no compelling reasons not to proceed with a bid.

On September 14, 2019, the board of directors of the Offeror resolved to announce its intention to make the Offer.

Subsequently, and as a matter of courtesy, on September 15, 2019, Mr. Hardy, Chairman of the Offeror, wrote to Mr. Sedun, Chairman of Core, advising that the Offeror would be announcing an intention to proceed with the Offer on September 16, 2019.

On September 16, 2019, the Offeror publicly announced its intention to make the Offer. In the announcement, the Offeror disclosed that it had acquired the Core Debt. The Core Debt is secured by a pledge of all of the issued and outstanding capital of Core’s indirect wholly-owned subsidiary, Elipe S.A., which holds certain of Core’s mining concessions in Ecuador.

#### **4. Reasons to Accept the Offer**

The Offeror believes that the Offer Consideration is a full and fair price for the Core Shares which it is seeking to purchase. Core Shareholders should consider a number of factors in making a decision whether to accept the Offer, including:

- (i) **Compelling Premium.** Based on a closing price of AU\$0.185 per Titan Share on the ASX as of June 25, 2019, the last trading day prior to Titan Shares being voluntarily suspended from trading until the public disclosure by the Offeror of its intention to pursue a takeover bid of Core, the implied Offer Consideration represents a premium of 164% to the closing price of Core Shares on the TSXV on September 13, 2019. Based on the volume-weighted average price of AU\$0.157 per Titan Share on the ASX for the last ten trading days ended June 25, 2019, the implied Offer Consideration represents a premium of 130% to the volume-weighted average price of \$0.170 per Core Share on the TSXV for the last ten trading days ended September 13, 2019.

Titan Shares resumed trading on the ASX on September 16, 2019 following the public disclosure by the Offeror of its intention to pursue a takeover bid of Core. Based on a closing price of AU\$0.190 per Titan Share on the ASX as of September 27, 2019, the last trading day prior to the filing of this Offer, the implied Offer Consideration of \$0.426 represents a premium of 93% to the closing price of Core Shares on the TSXV on September 27, 2019 of \$0.220 per Core Share and represents a premium of 91% to the volume-weighted average price of \$0.223 per Core Share for the last ten trading days ended September 27, 2019.

- (ii) **Support of Shareholders.** Certain Core Shareholders, including Vertex One Asset Management Ltd., have entered into Lock-up Agreements pursuant to which they have agreed to deposit to the Offer all Core Shares held by them, representing approximately 7.4% of the present issued and outstanding Core Shares (or 6.3% of the issued and outstanding Core Shares on a fully diluted basis), subject to certain terms and conditions of such agreements.
- (iii) **More Robust Company with Experienced Leadership Team.** The Combined Entity will be a larger pro-forma company strategically well-positioned on a mining-centric stock market, with an enhanced presence in capital markets, increased trading liquidity and a strengthened shareholder base, and it will benefit from Titan's proven capability and successful track record in raising new equity capital to continue its operations and meet its business objectives. The Combined Entity will also have an experienced mining and finance leadership team; the principals, shareholders and directors of which have an extensive track record of success in the Australian mining market, including in connection with Galaxy Resources Limited and Cobalt One Limited (which was sold to First Cobalt Corp.).
- (iv) **Diversified Asset Base.** The Offeror believes the Offer gives Core Shareholders the benefit of a diversified asset base in regions such as Peru, a well-established mining jurisdiction, providing cash flow generation through gold production capability, while maintaining exposure to future growth in Ecuador. The Offer also provides Core Shareholders with upside exposure to the Offeror's growing resource at the Dynasty Goldfield Project.
- (v) **Exposure to the Mining-Friendly ASX.** The Combined Entity will be listed on the ASX where the Offeror believes attractive valuations will be afforded to Core's asset base. The ASX has recently seen strong performance of junior gold companies and Australia is home to large diversified mining companies that have been aggressively investing in mining in Ecuador. The Offeror believes that the Combined Entity will attract an enhanced capital markets profile following in Australia providing the potential for a value re-rating in line with ASX-listed precious metals peers.
- (vi) **Significant Core Board Representation in Combined Entity.** Following completion of the Offer, it is proposed that the Combined Entity's board of directors will comprise of seven directors, being Messrs Laurence Marsland, Michael Hardy, Matthew Carr and Nicholas Rowley (the existing directors of the Offeror) and three nominees of Core. Mr. Michael Hardy will remain as Chairman of the Offeror.

The foregoing list of factors is not intended to be exhaustive. Core Shareholders should consider the Offer carefully and come to their own conclusions as to whether to accept or reject the Offer. Core Shareholders who are in doubt as to how to respond should consult with their own broker, investment dealer, bank manager, lawyer or other professional advisor. Core Shareholders are advised that acceptance of the Offer may have tax consequences and they should consult their own professional tax advisors. See Section 19 of this Circular, "Certain Canadian Federal Income Tax Considerations".

## 5. Agreements Relating to the Offer

### *Lock-up Agreements*

The Offeror has entered into Lock-up Agreements with the Locked-up Shareholders in respect of an aggregate of 12,327,070 Core Shares held by the Locked-up Shareholders, pursuant to which, among other things, the Locked-up



Shareholders agreed to accept the Offer in accordance with the terms thereof. The Core Shares held by the Locked-up Shareholders represent in aggregate approximately 7.4% of the present issued and outstanding Core Shares (or 6.3% of the issued and outstanding Core Shares on a fully diluted basis).

The following is a summary only of the principal terms of the Lock-up Agreement. A complete copy of the Lock-up Agreement has been filed by the Offeror with the securities regulatory authorities on SEDAR and is available at [www.sedar.com](http://www.sedar.com). This summary does not purport to be complete and is subject to, and is qualified in its entirety by, the provisions of the Lock-up Agreement. Core Shareholders are urged to read the complete copy of the Lock-up Agreement.

The following table indicates the Locked-up Shareholders who intend to accept the Offer and the number of Core Shares and Convertible Securities in respect of which each intends to accept the Offer:

Shareholder	Number of locked-up Core Shares	Approximate percentage of issued and outstanding Core Shares
Vertex One Asset Management Ltd.	9,579,940	5.74%
Itau AGF Chile	1,663,196	1.00%
Rachel Del Rio	83,934	0.05%
Carlos Del Rio	500,000	0.30%
Antun Ucovich	500,000	0.30%

Under the Lock-up Agreements, and subject to the termination rights of each party described below, the Locked-up Shareholders have agreed to not sell, transfer, assign or otherwise dispose of the beneficial ownership of their Core Shares during the term of the Lock-up Agreements, except with the consent of the Offeror. The Lock-up Agreements stipulate that the Locked-up Shareholders must not solicit a competing bid to the Offeror or take any action or refrain from taking any action that is contrary to or might defeat the Offer at any time during the term of the Lock-up Agreement.

Pursuant to the Lock-up Agreements, any improvement of the Offer made subsequent to the date of each Lock-up Agreement shall apply as if the improvement was a term of the Offer as at the date of the Lock-up Agreement.

Each Lock-up Agreement will terminate upon the first occurring of: (i) a mutual agreement to terminate between the Offeror and the Locked-up Shareholder; (ii) the failure of any conditions in the Offer; (iii) a breach by either party to the Lock-up Agreement of such party's obligations thereunder; (iv) payment of the Offer Consideration to such Locked-up Shareholder in accordance with the terms of the Offer; or (v) failure by the Offeror to make an unsolicited bid for the Core Shares within four weeks of the date of such Lock-up Agreement.

## 6. Purpose of the Offer

The purpose of the Offer is to enable the Offeror to purchase all of the issued and outstanding Core Shares (including Core Shares which may become outstanding upon the exercise, conversion or exchange of outstanding Convertible Securities). The effect of the Offer is to give all Core Shareholders the opportunity to receive 2.5 Titan Shares per Core Share.

Based on a closing price of AU\$0.185 per Titan Share on the ASX as of June 25, 2019, the last trading day prior to Titan Shares being voluntarily suspended from trading until the public disclosure by the Offeror of its intention to pursue a takeover bid of Core, the implied Offer Consideration represents a premium of 164% to the closing price of Core Shares on the TSXV on September 13, 2019. Based on the volume-weighted average price of AU\$0.157 per Titan Share on the ASX for the last ten trading days ended June 25, 2019, the implied Offer Consideration represents a premium of 130% to the volume-weighted average price of \$0.170 per Core Share on the TSXV for the last ten trading days ended September 13, 2019.

Titan Shares resumed trading on the ASX on September 16, 2019 following the public disclosure by the Offeror of its intention to pursue a takeover bid of Core. Based on a closing price of AU\$0.190 per Titan Share on the ASX as of September 27, 2019, the last trading day prior to the filing of this Offer, the implied Offer Consideration of \$0.426 represents a premium of 93% to the closing price of Core Shares on the TSXV on September 27, 2019 of \$0.220 per Core Share and represents a premium of 91% to the volume-weighted average price of \$0.223 per Core Share for the last ten trading days ended September 27, 2019.

If the conditions of the Offer are satisfied or, where permitted, waived by the Expiry Time and the Offeror takes up and pays for the Core Shares validly deposited under the Offer, the Offeror currently intends to acquire any Core Shares not deposited under the Offer by Compulsory Acquisition, if available, or to propose a Subsequent Acquisition Transaction, in each case for consideration per Core Share at least equal in value to and in the same form as the consideration paid by the Offeror per Core Share under the Offer. The exact timing and details of any such transaction will depend upon a number of factors, including the number of Core Shares acquired by the Offeror pursuant to the Offer. The Offeror currently intends to retain all Core Shares acquired pursuant to the Offer. However, it reserves the right to transfer or sell such Core Shares at any time in the future should its intentions change.

Although the Offeror currently intends to proceed by way of either a Compulsory Acquisition or a Subsequent Acquisition Transaction generally on the terms described herein, it is possible that, as a result of delays in the Offeror's ability to effect such a transaction, the acquisition by the Offeror of less than 66⅔% of the issued and outstanding Core Shares under the Offer, information subsequently obtained by the Offeror, changes in general economic or market conditions or in the business of Core, or other currently unforeseen circumstances, such a transaction may not be proposed, may be delayed or abandoned or may be proposed on different terms. Accordingly, the Offeror reserves the right not to proceed by way of a Compulsory Acquisition or Subsequent Acquisition Transaction, or to propose a Subsequent Acquisition Transaction on terms other than as described in this Circular. See Section 16 of this Circular, "Acquisition of Core Shares Not Deposited Under the Offer".

## **7. Effect of the Offer**

If permitted by Law, and provided that at least 66⅔% of the issued and outstanding Core Shares are tendered and not withdrawn under the Offer, the Offeror intends to cause Core to apply to delist the Core Shares from the TSXV as soon as practicable after completion of the Offer and any Compulsory Acquisition or any Subsequent Acquisition Transaction. In addition, if permitted by Law, subsequent to the completion of the Offer and any Compulsory Acquisition or Subsequent Acquisition Transaction, the Offeror intends to cause Core to cease to be a reporting issuer under the securities Laws of each province and territory of Canada in which it has such status. See Section 14 of the Circular, "Effect of the Offer on the Market for and Listing of Core Shares; Stock Exchange Listing and Public Disclosure".

If the Offer and a Compulsory Acquisition or a Subsequent Acquisition Transaction is successful:

- (a) the Offeror will own all of the equity interests in Core and the Offeror will be entitled to all the benefits and risks of loss associated with such ownership;
- (b) current Core Shareholders will no longer have any interest in Core or in Core's assets, book value or future earnings or growth and the Offeror will hold a 100% interest in such assets, book value, future earnings and growth;

- (c) the Offeror will have the right to elect all members of the Core Board (although the Offeror intends to offer three board seats on the board of directors of the Offeror to current Core directors to further complement the Offeror's leadership team);
- (d) subject to any obligations with respect to Convertible Securities which remain outstanding, Core will no longer be publicly traded and Core will no longer file periodic reports (including, without limitation, financial information) with any securities regulatory authorities; and
- (e) the Core Shares will no longer trade on the TSXV or any other securities exchange.

If the Offer is completed but less than 66⅔% of the issued and outstanding Core Shares are tendered and not withdrawn under the Offer, then (i) Core will remain listed on the facilities of the TSXV and a reporting issuer under the securities Laws of each province and territory of Canada in which it has such status, (ii) the ability of the Offeror to proceed by way of either a Compulsory Acquisition or a Subsequent Acquisition Transaction generally on the terms described herein may be adversely affected.

If the Offeror takes up Core Shares under the Offer but is unable to complete a Compulsory Acquisition or Subsequent Acquisition Transaction, then Core may continue as a public company and the Offeror will evaluate its alternatives. Such alternatives could include, to the extent permitted by Law, purchasing additional Core Shares in the open market, in privately negotiated transactions or pursuant to another takeover bid or other transaction, and thereafter proposing an amalgamation, arrangement or other transaction which would result in the Offerors ownership of 100% of the Core Shares. Under such circumstances, an amalgamation, arrangement or other transaction would require the approval of at least 66⅔% of the votes cast by the then Core Shareholders, and might require approval of a majority of the votes cast by such holders of Core Shares other than the Offeror and its affiliates and/or the then holders of Convertible Securities. There is no certainty that under such circumstances any such transaction would be proposed or completed by the Offeror.

The purchase of Core Shares by the Offeror pursuant to the Offer will reduce the number of Core Shares that might otherwise trade publicly as well as the number of holders of Core Shares and, depending on the number of Core Shareholders depositing and the number of Core Shares purchased under the Offer, would likely adversely affect the liquidity and market value of the remaining Core Shares held by the public.

The rules and regulations of the TSXV establish certain criteria which, if not met, could lead to the delisting of the Core Shares from such exchanges. Among such criteria are the number of holders of Core Shares, the number of Core Shares publicly held and the aggregate market value of the Core Shares publicly held. If a sufficient number of Core Shares are purchased under the Offer, the Core Shares may fail to meet the criteria for continued listing on the TSXV and, in that event, the Core Shares may be delisted from the TSXV after completion of the Offer, any Compulsory Acquisition or any Subsequent Acquisition Transaction. . If this were to happen, the Core Shares could be delisted and this could, in turn, adversely affect the market or result in a lack of an established market for the Core Shares.

## **8. Source of Funds**

The Offer Consideration consists of Titan Shares. Accordingly, the Offeror will not use any funds to pay for the deposited Core Shares. The Offeror's obligation to purchase the Core Shares deposited under the Offer is not subject to any financing condition.

## **9. Ownership of Securities of Core**

As of September 30, 2019, the Offeror owns, or exercises control or direction over 9,151,363 Core Shares representing approximately 5.48% of the issued and outstanding Core Shares. The Offeror also owns the Core Debt, of which the Convertible Note portion was originally convertible into an aggregate total of 4,298,333 Core Shares representing approximately 2.58% of the issued and outstanding Core Shares. The Convertible Note is no longer convertible into Core Shares due to the rescission by the TSXV of the approval of the proposed amendment Core Debt (see "Background to the Offer" in Section 3 of the Circular for further details). In the event that the TSXV approves a new application by Core for the proposed amendments of the Core Debt, the Convertible Note will be convertible into an aggregate of 7,163,889 Core Shares, representing approximately 4.29% of the issued and

outstanding Core Shares, which combined with the Core Shares held by Titan represents approximately an aggregate of 16,315,252 Core Shares, representing approximately 9.78% of the issued and outstanding Core Shares. None of the directors or officers of the Offeror beneficially own or exercise control or direction over any securities of Core.

Except as set out above, to the knowledge of the Offeror, after reasonable enquiry,

- (a) no associate or affiliate of the Offeror beneficially owns or exercises control or direction over any securities of Core;
- (b) no insider of the Offeror beneficially owns or exercises control or direction over any securities of Core; and
- (c) no Person acting jointly or in concert with the Offeror beneficially owns or exercises control or direction over any securities of Core.

No person named under this Section 9 will receive any direct or indirect benefit from the consummation of the Offer or from accepting or refusing to accept the Offer, other than the consideration available to any Core Shareholder who participates in the Offer.

#### **10. Fractional Shares**

In no event will any Core Shareholder be entitled to a fractional Titan Share. Where the aggregate number of Titan Shares to be issued to a Core Shareholder as consideration under the Offer would result in a fraction of a Titan Share being issuable, the number of Titan Shares to be received by such Core Shareholder shall be either rounded up (if the fractional interest is equal to or exceeds 0.5) or down (if the fractional interest is less than 0.5) to the nearest whole number of Titan Shares.

#### **11. Trading in Securities of Core**

During the six-month period preceding the date of the Offer, no Core Shares have been traded by the Offeror or any of its directors and officers. To the knowledge of the Offeror, after reasonable enquiry, other than the acquisition of the Core Debt by the Offeror (as more fully described in Section 3 of this circular, "Background to the Offer"), and the Core Private Placement, on no associate or affiliate of an insider of the Offeror, no insider of the Offeror other than a director or officer and no Person acting jointly or in concert with the Offeror has traded any securities of Core during the six-month period preceding the date of the Offer.

#### **12. Commitments to Acquire Securities of Core**

Except as described herein, none of the Offeror or its directors and officers, nor, to the knowledge of the Offeror, after reasonable enquiry, any associate or affiliate of an insider of the Offeror, any insider of the Offeror, other than a director or officer of the Offeror, or any Person acting jointly or in concert with the Offeror, has entered into any agreements, commitments or understandings to acquire any securities of Core.

#### **13. Information Concerning the Core Shares**

Core has authorized capital of an unlimited number of Core Shares without par value.

All outstanding shares in the capital of Core are of the same class. The holders of Core Shares are entitled to dividends, if, as and when declared by the Core Board, subject to the provisions of the BCBCA, to one vote per Core Share at meetings of Core Shareholders and, upon liquidation, to share equally in such assets of Core as are distributable to the holders of Core Shares. Core also has stock options and warrants outstanding.

As of September 18, 2019, there were 166,873,328 Core Shares issued and outstanding and approximately 195,134,000 Core Shares on a fully-diluted basis.

Based on the above information, the Offeror understands that: (i) assuming the exercise of all Convertible Securities and the approval of the proposed amendments to the Core Debt (as described in "Background to the Offer" in

Section 3 of the Circular), approximately 202,297,889 Core Shares would be subject to the Offer; and (ii) assuming the exercise of all Convertible Securities, but excluding the conversion of the Convertible Notes, approximately 195,134,000 Core Shares would be subject to the Offer.

***Price Range and Trading Volume of Core Shares***

The Core Shares are listed and posted for trading on the TSXV under the symbol “CGLD”. The following table sets forth, for the periods indicated, the high and low closing prices per Core Share and the volume of trading of the Core Shares on the TSXV, as reported by the TSXV:

<b><u>Period</u></b>	<b><u>High</u></b> <b><u>(\$)</u></b>	<b><u>Low</u></b> <b><u>(\$)</u></b>	<b><u>Volume</u></b> <b><u>(#)</u></b>
March 2019	0.300	0.210	4,266,001
April 2019	0.300	0.250	8,646,974
May 2019	0.285	0.245	3,582,074
June 2019	0.245	0.210	4,717,216
July 2019	0.220	0.170	5,453,062
August 2019	0.190	0.140	3,644,599
September 1, 2019 to September 27, 2019	0.270	0.160	3,672,928

Based on a closing price of AU\$0.185 per Titan Share on the ASX as of June 25, 2019, the last trading day prior to Titan Shares being voluntarily suspended from trading until the public disclosure by the Offeror of its intention to pursue a takeover bid of Core, the implied Offer Consideration represents a premium of 164% to the closing price of Core Shares on the TSXV on September 13, 2019. Based on the volume-weighted average price of AU\$0.157 per Titan Share on the ASX for the last ten trading days ended June 25, 2019, the implied Offer Consideration represents a premium of 130% to the volume-weighted average price of \$0.170 per Core Share on the TSXV for the last ten trading days ended September 13, 2019.

Titan Shares resumed trading on the ASX on September 16, 2019 following the public disclosure by the Offeror of its intention to pursue a takeover bid of Core. Based on a closing price of AU\$0.190 per Titan Share on the ASX as of September 27, 2019, the last trading day prior to the filing of this Offer, the implied Offer Consideration of \$0.426 represents a premium of 93% to the closing price of Core Shares on the TSXV on September 27, 2019 of \$0.220 per Core Share and represents a premium of 91% to the volume-weighted average price of \$0.223 per Core Share for the last ten trading days ended September 27, 2019.

The Offeror announced its intention to make the Offer on September 16, 2019. On the last trading day prior to the date of the announcement, the closing price of the Core Shares on the TSXV was \$0.16. The volume-weighted average price per Core Share for the last ten trading days ending on the trading day immediately prior to the date of the announcement was \$0.170.

***Prior Distribution of Core Shares***

The Offeror is not aware, based on publicly available information, of any distributions of Core Shares since May 30, 2019, excluding distributions of Core Shares that may have taken place pursuant to the exercise of Convertible Securities.

**14. Effect of the Offer on the Market for and Listing of Core Shares, Stock Exchange Listing and Public Disclosure**

***Market for Shares***

The purchase of Core Shares by the Offeror pursuant to the Offer will reduce the number of Core Shares that might otherwise trade publicly as well as the number of holders of Core Shares and, depending on the number of Core Shareholders depositing and the number of Core Shares purchased under the Offer, would likely adversely affect the liquidity and market value of the remaining Core Shares held by the public.

### ***Listing and Quotation***

The rules and regulations of the TSXV establish certain criteria which, if not met, could, upon successful completion of the Offer, lead to the delisting of the Core Shares from the TSXV. Among such criteria are the number of holders of Core Shares, the number of Core Shares publicly held and the aggregate market value of the Core Shares publicly held. Depending on the number of Core Shares purchased by the Offeror under the Offer or otherwise, it is possible that Core would fail to meet the criteria for continued listing on the TSXV. If this were to happen, the Core Shares could be delisted and this could, in turn, adversely affect the market or result in a lack of an established market for the Core Shares. If the Offeror proceeds with a Compulsory Acquisition or Subsequent Acquisition Transaction, subject to the acquisition by the Offeror of at least 66 $\frac{2}{3}$ % of the issued and outstanding Core Shares under the Offer, the Offeror intends to cause Core to apply to delist the Core Shares from the TSXV as soon as practicable after completion of the Offer and any Compulsory Acquisition or Subsequent Acquisition Transaction. If the Core Shares are delisted from the TSXV, the extent of the public market for the Core Shares and the availability of price or other quotations would depend upon the number of Core Shareholders, the number of Core Shares publicly held and the aggregate market value of the Core Shares publicly held at such time, the interest in maintaining a market in Core Shares on the part of securities firms, whether Core remains subject to public reporting requirements and proxy solicitation requirements and other factors.

If the Offer is completed but less than 66 $\frac{2}{3}$ % of the issued and outstanding Core Shares are tendered and not withdrawn under the Offer, then (i) Core will remain listed on the facilities of the TSXV and a reporting issuer under the securities Laws of each province and territory of Canada in which it has such status, (ii) the ability of the Offeror to proceed by way of either a Compulsory Acquisition or a Subsequent Acquisition Transaction generally on the terms described herein may be adversely affected.

### ***Continuous Disclosure Obligations of Core***

After the purchase of the Core Shares under the Offer and any Compulsory Acquisition or Subsequent Acquisition Transaction, Core may cease to be subject to the public reporting and proxy solicitation requirements of the BCBCA and the securities Laws of certain provinces of Canada and such other jurisdictions where Core has similar obligations. Furthermore, it may be possible for Core to cease to be a reporting issuer in any province or jurisdiction where only a small number of Core Shareholders reside. If permitted by Law, subsequent to the completion of the Offer and any Compulsory Acquisition or Subsequent Acquisition Transaction, the Offeror intends to cause Core to cease to be a reporting issuer under Applicable Securities Laws of each of the provinces of Canada in which it is a reporting issuer and to cease to have public reporting obligations in any other jurisdiction where it currently has such obligations.

## **15. Regulatory Matters**

Except as discussed below, to the knowledge of the Offeror, no authorization, consent or approval of, or filing with, any public body, court or authority, under applicable Law, is necessary on the part of the Offeror for the consummation of the transactions contemplated by the Offer, except for such authorizations, consents, approvals and filings the failure to obtain or make which would not, individually or in the aggregate, prevent or materially delay consummation of the transactions contemplated by the Offer.

The Offeror will continue to assess possible regulatory filings and approvals in a number of other jurisdictions. In the event that the Offeror becomes aware of other requirements, it will make reasonable commercial efforts to satisfy such requirements at or prior to the Expiry Time, as such time may be extended, as it deems necessary or advisable. The Offeror does not currently intend to take-up or pay for Core Shares deposited pursuant to the Offer unless all applicable waiting periods and/or any extensions thereof have expired or been terminated or waived and where any Regulatory Approvals have been received in respect of the acquisition of the Core Shares by the Offeror in those jurisdictions.

Based upon an examination of publicly available information relating to the business of Core, the Offeror does not expect the Offer, any Compulsory Acquisition or any Subsequent Acquisition Transaction, as applicable, to give rise to material competition/anti-trust concerns in any jurisdiction. However, the Offeror cannot be assured that no such concerns will arise.

### ***Securities Regulatory Matters***

The distribution of the Titan Shares under the Offer is being made pursuant to statutory exemptions from the prospectus requirements under Applicable Securities Laws. The resale of Titan Shares issued under the Offer is subject to restrictions under the securities Laws of Canadian provinces. However, the Core Shareholders in such provinces will generally be able to rely on statutory exemptions from such restrictions.

The Offer is being made in compliance with Canadian rules governing take-over bids and tender offers, respectively, or applicable exemptions therefrom.

### ***Shareholder and Regulatory Approval***

Completion of the Offer is also conditional upon the Offeror having:

- (a) received approval from the shareholders of the Offeror (in form and substance satisfactory to the Offeror in its sole judgment) to issue the Titan Shares to be distributed by it in connection with the Offer; and
- (b) filed a prospectus in Australia under the Corporations Act in connection with the issuance of Titan Shares pursuant to the Offer and secondary share sale requirements under the Corporations Act or obtained a waiver from ASIC from the requirement to comply with the prospectus and/or secondary share sale requirements of the Corporations Act for the issue of Titan Shares.

## **16. Acquisition of Core Shares Not Deposited Under the Offer**

If the Offeror takes up and pays for the Core Shares deposited under the Offer, and such Core Shares represent at least 66⅔% of the issued and outstanding Core Shares, the Offeror's current intention is that it will pursue a Compulsory Acquisition or a Subsequent Acquisition Transaction to enable the Offeror or to acquire all Core Shares not deposited under the Offer, as more particularly described below.

### ***Compulsory Acquisition***

If, within four months after the date of the Offer, the Offer has been accepted by holders of Core Shares holding at least 90% of the issued and outstanding Core Shares, other than Core Shares held at the date of the Offer by or on behalf of the Offeror and its affiliates, the Offeror intends, to the extent possible, to acquire the Core Shares not deposited pursuant to the Offer pursuant to the provisions of Section 300 of the BCBCA (a "**Compulsory Acquisition**").

To exercise such statutory right, the Offeror must give written notice (the "**Offeror's Notice**") to any holder of Core Shares to whom the Offer was made but who did not accept the Offer (in each case, a "**Dissenting Offeree**") within five months after the date of the Offer of such proposed acquisition. If the Offeror's Notice is sent to a Dissenting Offeree under Subsection 300(3) of the BCBCA, the Offeror is entitled and bound to acquire all of the Core Shares of that Dissenting Offeree for the same price and on the same terms contained in the Offer, unless the Supreme Court of British Columbia (the "**Court**") orders otherwise on an application made by that Dissenting Offeree within two months after the date of the Offeror's Notice.

Pursuant to any such application, the Court may fix the price and terms of payment for the Core Shares held by a Dissenting Offeree and make any such consequential orders and give any such directions as the Court considers appropriate. Unless the Court orders otherwise (or, if an application to the Court has been made pursuant to the provisions described in the immediately preceding sentence is then pending, at any time after that application has been disposed of) the Offeror, not earlier than two months after the date of the Offeror's Notice, must send a copy of the Offeror's Notice to Core and pay or transfer to Core the consideration representing the price payable by the Offeror for the Core Shares that are referred to in the Offeror's Notice. On receiving a copy of the Offeror's Notice and the consideration representing the price payable for the Core Shares referred to in the Offeror's Notice, Core will be required to register the Offeror as a shareholder with respect to those Core Shares. Any such amount received by Core must be paid into a separate account at a savings institution and, together with any other

consideration so received, must be held by Core, or by a trustee approved by the Court, in trust for the Dissenting Offerees.

**The foregoing is only a summary of the statutory right of a Compulsory Acquisition that may become available to the Offeror. The summary is not intended to be complete nor is it meant to be a substitute for the more detailed information contained in the provisions of Section 300 of the BCBCA. Core Shareholders should refer to Section 300 of the BCBCA for the full text of the relevant statutory provisions. The provisions of Section 300 of the BCBCA are complex and require strict adherence to notice and timing provisions, failing which the rights under such provisions may be lost or altered. Core Shareholders who wish to be better informed about the provisions of Section 300 of the BCBCA should consult their legal advisors.**

The income tax consequences to a holder of Core Shares of a Compulsory Acquisition may differ from the income tax consequences to such holder having its Core Shares acquired pursuant to the Offer. See Section 19 of the Circular, "Certain Canadian Federal Income Tax Considerations". Core Shareholders should consult their legal advisors for a determination of their legal rights with respect to a Compulsory Acquisition if proposed.

### ***Compelled Acquisition***

Section 300 of the BCBCA provides that if the Offeror has not sent the Offeror's Notice to each Dissenting Offeree within one month after becoming entitled to do so, the Offeror must send a written notice to each Dissenting Offeree stating that such Dissenting Offeree, within three months after receiving such notice, may require the Offeror to acquire the Core Shares held by such Dissenting Offeree. If a Dissenting Offeree requires the Offeror to acquire its Core Shares in accordance with these provisions, the Offeror must acquire those Core Shares for the same price and on the same terms contained in the Offer (a "**Compelled Acquisition**").

**The foregoing is only a summary of the statutory right of Compelled Acquisition that may become available to a holder of Core Shares. The summary is not intended to be complete nor is it meant to be a substitute for the more detailed information contained in the provisions of Section 300 of the BCBCA. Core Shareholders should refer to Section 300 of the BCBCA for the full text of the relevant statutory provisions. The provisions of Section 300 of the BCBCA are complex and require strict adherence to notice and timing provisions, failing which the rights under such provisions may be lost or altered. Core Shareholders who wish to be better informed about the provisions of Section 300 of the BCBCA should consult their legal advisors.**

The income tax consequences to a holder of Core Shares of a Compelled Acquisition may differ from the income tax consequences to such holder having its Core Shares acquired pursuant to the Offer. See Section 19 of the Circular, "Certain Canadian Federal Income Tax Considerations". Core Shareholders should consult their legal advisors for a determination of their legal rights with respect to a Compelled Acquisition if proposed.

### ***Subsequent Acquisition Transaction***

If the Offeror acquires less than 90% (other than Core Shares held by or on behalf of the Offeror on the date of the Offer) and more than 66⅔% of the issued and outstanding Core Shares under the Offer, and the right of Compulsory Acquisition described above is not available for any other reason, or the Offeror chooses not to avail itself of the Compulsory Acquisition, the Offeror may pursue other means of acquiring the remaining Core Shares not deposited under the Offer.

Such action may include causing one or more special meetings to be called of the then Core Shareholders to consider a statutory arrangement, amalgamation, merger, reorganization, amendment to Core's articles, consolidation, recapitalization or similar transaction involving the Offeror and/or an affiliate of the Offeror and Core and/or the Core Shareholders for the purpose of Core becoming, directly or indirectly, a wholly-owned subsidiary or affiliate of the Offeror (a "**Subsequent Acquisition Transaction**"). If the Offeror were to proceed with a Subsequent Acquisition Transaction, it is the Offeror's current intention that the consideration to be paid to Core Shareholders pursuant to any such Subsequent Acquisition Transaction would be equal in value to and in the same form as the consideration payable under the Offer.



Any such Subsequent Acquisition Transaction may also result in Core Shareholders having the right to dissent in respect thereof pursuant to the BCBCA. The exercise of such right of dissent, if certain procedures are complied with by the holder, could lead to a judicial determination of fair value (typically as at immediately prior to the shareholder approval of such Subsequent Acquisition Transaction) required to be paid to such Dissenting Offeree for its Core Shares. The fair value so determined could be more or less than the amount paid per Core Share pursuant to such transaction or pursuant to the Offer. The exact terms and procedures of the rights of dissent available to Core Shareholders will depend on the structure of the Subsequent Acquisition Transaction and will be fully described in the proxy circular or other disclosure document provided to Core Shareholders in connection with the Subsequent Acquisition Transaction.

The timing and details of a Subsequent Acquisition Transaction, if any, will necessarily depend on a variety of factors, including, without limitation, the number of Core Shares acquired pursuant to the Offer. If, after taking up Core Shares under the Offer, the Offeror owns at least 66⅔% of the outstanding Core Shares on a fully-diluted basis and sufficient votes are cast by “minority” holders to constitute a majority of the “minority” on a fully-diluted basis pursuant to MI 61-101, as discussed below, the Offeror should own sufficient Core Shares to be able to effect a Subsequent Acquisition Transaction. There can be no assurances that the Offeror will pursue a Compulsory Acquisition or Subsequent Acquisition Transaction.

The income tax consequences to a holder of Core Shares of a Subsequent Acquisition Transaction may differ from the income tax consequences to such holder having its Core Shares acquired pursuant to the Offer. See Section 19 of the Circular, “Certain Canadian Federal Income Tax Considerations”. Core Shareholders should consult their legal advisors for a determination of their legal rights with respect to a Subsequent Acquisition Transaction if proposed.

#### ***Securities Law Requirements for Business Combinations***

MI 61-101 may deem a Subsequent Acquisition Transaction to be a “business combination” if such Subsequent Acquisition Transaction would result in the interest of a Core Shareholder being terminated without the consent of the Core Shareholder, irrespective of the nature of the consideration provided in substitution therefor. The Offeror expects that any Subsequent Acquisition Transaction relating to Core Shares will be a “business combination” under MI 61-101.

In certain circumstances, the provisions of MI 61-101 may also deem certain types of Subsequent Acquisition Transactions to be “related party transactions”. However, if the Subsequent Acquisition Transaction is a “business combination” carried out in accordance with MI 61-101 or an exemption thereunder, the “related party” provisions therein do not apply to such transaction. Following completion of the Offer, the Offeror may be a “related party” of Core for the purposes of MI 61-101, although the Offeror expects that any Subsequent Acquisition Transaction would be a “business combination” for purposes of MI 61-101 and that therefore the “related party transaction” provision of MI 61-101 would not apply to the Subsequent Acquisition Transaction. The Offeror intends to carry out any such Subsequent Acquisition Transaction in accordance with MI 61-101, or any successor provisions, or an exemption under MI 61-101, such that the “related party transaction” provisions of MI 61-101 would not apply to such Subsequent Acquisition Transaction.

MI 61-101 provides that, unless exempted, an issuer proposing to carry out a business combination is required to prepare a valuation of the affected securities (and, subject to certain exceptions, any non-cash consideration being offered therefor) and provide to the holders of the affected securities a summary of such valuation. The Offeror currently intends to rely on available exemptions (or, if such exemptions are not available, to seek discretionary relief from the applicable securities regulatory authorities from the valuation requirements of MI 61-101). An exemption from the valuation requirement is available under MI 61-101 for certain business combinations completed within 120 days after the date of expiry of a formal take-over bid where the consideration per security under the business combination is at least equal in value to and is in the same form as the consideration that depositing security holders were entitled to receive in the take-over bid, provided that certain disclosure is given in the take-over bid disclosure documents (which disclosure has been provided herein). The Offeror currently intends that the consideration offered per Core Share under any Subsequent Acquisition Transaction proposed by it would be the same consideration offered to the Core Shareholders under the Offer and that such Subsequent Acquisition Transaction will be completed no later than 120 days after the Expiry Date and, accordingly, the Offeror expects to rely on these exemptions.

Depending on the nature and terms of the Subsequent Acquisition Transaction, the Offeror expects the provisions of the BCBCA and Core's constating documents will require the approval of 66⅔% of the votes cast by holders of the outstanding Core Shares at a meeting duly called and held for the purpose of approving the Subsequent Acquisition Transaction. MI 61-101 would also require that, in addition to any other required security holder approval, in order to complete a business combination (such as a Subsequent Acquisition Transaction), the approval of a majority of the votes cast by "minority" shareholders of each class of affected securities must be obtained unless an exemption is available or discretionary relief is granted by applicable securities regulatory authorities. If, however, following the Offer, the Offeror and its affiliates are the registered holders of 90% or more of the Core Shares at the time the Subsequent Acquisition Transaction is initiated, the requirement for minority approval would not apply to the transaction if an enforceable appraisal right or substantially equivalent right is made available to minority shareholders.

In relation to the Offer and any subsequent business combination, the "minority" Core Shareholders entitled to vote will be, unless an exemption is available or discretionary relief is granted by applicable securities regulatory authorities, all Core Shareholders other than: (a) the Offeror (other than in respect of Core Shares acquired pursuant to the Offer as described below); (b) any "interested party" (within the meaning of MI 61-101); (c) certain "related parties" of the Offeror or of any other "interested party" (in each case within the meaning of MI 61-101) including any director or senior officer of the Offeror, affiliate or insider of the Offeror or any of its directors or senior officers; and (d) any "joint actor" (within the meaning of MI 61-101) with any of the foregoing Persons.

MI 61-101 also provides that the Offeror may treat Core Shares acquired under the Offer as "minority" shares and may vote them, or to consider them voted, in favour of such business combination if, among other things: (a) the business combination is completed no later than 120 days after the Expiry Time; (b) the consideration per security in the business combination is at least equal in value to and in the same form as the consideration paid under the Offer; (c) certain disclosure is provided in the Circular (and which disclosure has been provided herein); and (d) the Core Shareholder who tendered such Core Shares under the Offer was not (i) a "joint actor" (within the meaning of MI 61-101) with the Offeror in respect of the Offer; (ii) a direct or indirect party to any "connected transaction" (within the meaning of MI 61-101) to the Offer; or (iii) entitled to receive, directly or indirectly, in connection with the Offer, a "collateral benefit" (within the meaning of MI 61-101) or consideration per Core Share that is not identical in amount and form to the entitlement of the general body of holders in Canada of Core Shares.

MI 61-101 excludes from the meaning of "collateral benefit" certain benefits to a related party received solely in connection with the related party's services as an employee or director of an issuer where, among other things, (a) the benefit is not conferred for the purposes of increasing the value of the consideration paid to the related party for securities relinquished under the transaction or bid; (b) the conferring of the benefit is not, by its terms, conditional on the related party supporting the transaction or bid in any manner; (c) full particulars of the benefit are disclosed in the disclosure document for the transaction or bid; and (d) the related party and his or her associated entities beneficially own, or exercise control or direction over, less than 1% of the outstanding securities of each class of equity securities of the issuer.

In addition, MI 61-101 also excludes from the meaning of "collateral benefit" certain benefits to a related party received solely in connection with the related party's services as an employee or director of an issuer where such benefit meets the criteria described in (a) to (c) of the previous paragraph and (i) the related party discloses to an independent committee of the issuer the amount of consideration that the related party expects it will be beneficially entitled to receive, under the terms of the transaction or bid, in exchange for the equity securities beneficially owned by the related party, (ii) the independent committee, acting in good faith, determines that the value of the benefit, net of any offsetting costs to the related party, is less than 5% of the value referred to in clause (i) above, and (iii) the independent committee's determination is disclosed in the disclosure document for the transaction or in the directors' circular in the case of a bid.

The Offeror currently intends: (a) that the consideration offered per Core Share under any Subsequent Acquisition Transaction proposed by it would be equal in value to and in the same form as the consideration per Core Share paid under the Offer; (b) that such Subsequent Acquisition Transaction will be completed no later than 120 days after the Expiry Time; and (c) to cause any Core Shares acquired under the Offer to be voted in favour of any such transaction and, where permitted by MI 61-101, to be counted as part of any minority approval required in connection with any such transaction.

To the knowledge of the Offeror, after reasonable enquiry, only the votes attached to Core Shares held by the Offeror, their respective affiliates and the directors and officers of the Offeror would be required to be excluded in determining whether “minority” approval for a Subsequent Acquisition Transaction has been obtained for the purposes of MI 61-101. See Section 9 of the Circular, “Ownership of Securities of Core”.

The income tax consequences to a Core Shareholder of a Subsequent Acquisition Transaction may differ from the income tax consequences to such Core Shareholder having its Core Shares acquired pursuant to the Offer. See Section 19 of the Circular, “Certain Canadian Federal Income Tax Considerations”. Core Shareholders should consult their legal advisors for a determination of their legal rights with respect to a Subsequent Acquisition Transaction if proposed.

### ***Other Alternatives***

Although the Offeror may propose a Compulsory Acquisition or Subsequent Acquisition Transaction on the same terms as the Offer, it is possible that, as a result of the number of Core Shares acquired under the Offer, delays in the Offeror’s ability to effect such a transaction, information hereafter obtained by the Offeror, changes in general economic, industry, regulatory or market conditions or in the business of Core, or other currently unforeseen circumstances, such a transaction may not be so proposed or may be delayed or abandoned. The Offeror expressly reserves the right to propose other means of acquiring, directly or indirectly, all of the outstanding Core Shares in accordance with Law, including, without limitation, a Subsequent Acquisition Transaction on terms not described in the Circular.

If the Offeror is unable to, or determines at its option not to, effect a Compulsory Acquisition or propose a Subsequent Acquisition Transaction, or proposes a Subsequent Acquisition Transaction but cannot obtain any required approvals or exemptions promptly, the Offeror will evaluate other available alternatives. Such alternatives could include, to the extent permitted by Laws, taking no further action, purchasing additional Core Shares in the open market, in privately negotiated transactions, in another take-over bid or exchange offer or otherwise, as applicable, or acquiring the assets of Core by way of an arrangement, amalgamation, reorganization, redemption, asset sale or other transaction between the Offeror and/or one or more of its affiliates.

Subject to Laws, any additional purchases of Core Shares could be at a price greater than, equal to or less than the price to be paid for Core Shares under the Offer and could be for cash, securities and/or other consideration. Alternatively, the Offeror may take no action to acquire additional Core Shares or, subject to Laws, may sell or otherwise dispose of any or all Core Shares acquired under the Offer or otherwise. Such transactions may be effected on terms and at prices then determined by the Offeror, which may vary from the terms and the price paid for Core Shares under the Offer.

### ***Judicial Developments***

On February 1, 2008, MI 61-101 came into force in the Provinces of Ontario and Québec, introducing harmonized requirements for enhanced disclosure, independent valuations and majority of minority security holder approval for specified types of transactions. On July 31, 2017, MI 61-101 came into force in the Provinces of Alberta, Manitoba and New Brunswick. See “Subsequent Acquisition Transaction” above.

Certain judicial decisions may also be considered relevant to any Subsequent Acquisition Transaction that may be proposed or effected subsequent to the expiry of the Offer. Canadian courts have, in a few instances prior to the adoption of MI 61-101 and its predecessors, granted preliminary injunctions to prohibit transactions involving certain business combinations. The current trends in both legislation and Canadian jurisprudence indicate a willingness to permit business combinations to proceed, subject to evidence of procedural and substantive fairness in the treatment of minority shareholders.

Core Shareholders should consult their legal advisors for a determination of their legal rights with respect to any transaction that may constitute a business combination.

## 17. Agreements, Commitments or Understandings

Except as described herein, there are (a) no agreements, commitments or understandings made or proposed to be made between the Offeror and any of the directors or officers of Core, including for any payment or other benefit proposed to be made or given by way of compensation for loss of office or their remaining in or retiring from office if the Offer is successful; and (b) no agreements, commitments or understandings made or proposed to be made between the Offeror and any securityholder of Core relating to the Offer.

Except as described herein, there are no agreements, commitments or understandings between the Offeror and Core relating to the Offer and the Offeror is not aware of any agreement, commitment or understanding that could affect control of Core.

## 18. Effect on Shareholders' Rights

The Titan Shares that Core Shareholders will receive from the Offeror as consideration for tendering their Core Shares under the Offer are subject to different rights and obligations under the Corporations Act than under the BCBCA. Core Shareholders are encouraged to consult with their legal advisors for greater detail with respect to these differences.

A summary of the principal differences between the Corporations Act and BCBCA, along with a description of certain securities laws and stock exchange rules, as applicable, is attached hereto as Appendix "B". The comparisons set forth in Appendix "B" are not an exhaustive statement of all relevant laws, rules and regulations and are intended as a general summary only.

## 19. Certain Canadian Federal Income Tax Considerations

### *General*

In the opinion of Fasken Martineau DuMoulin LLP, Canadian counsel to the Offeror, the following summary fairly presents, as of the date hereof, the principal Canadian federal income tax consequences that generally apply to Core Shareholders who dispose of their Core Shares pursuant to the Offer and who, for purposes of the Tax Act, hold their Core Shares as capital property, deal at arm's length and are not affiliated with each of the Offeror and Core at all times up to and including the completion of the Offer. The Core Shares will generally constitute capital property to a holder unless such holder holds such shares in the course of carrying on a business or has acquired such Core Shares in a transaction or transactions considered to be an adventure or concern in the nature of trade.

This summary does not apply to a Core Shareholder (i) that is, or an interest in which is, a "tax shelter investment" under the Tax Act, (ii) that is a financial institution which is subject to the "mark-to-market" provisions of the Tax Act, (iii) that is a "specified financial institution" as defined in the Tax Act, (iv) that has elected to report its "Canadian tax results," as defined in the Tax Act, in a currency other than Canadian Dollars, (v) that has entered or will enter into a "derivative forward agreement," as such term is defined in the Tax Act, with respect to Core Shares (vi) that holds Core Shares as part of a "dividend rental arrangement" as defined in the Tax Act, or (vii) who acquired Core Shares on the exercise of an employee stock option. All such Core Shareholders are advised to consult with their own tax advisors.

This summary is based upon the current provisions of the Tax Act, the regulations thereunder (in this Section 18 of the Circular, the "**Regulations**"), all specific proposals to amend the Tax Act or the Regulations announced by the Minister of Finance prior to the date hereof (although there is no certainty that such proposals will be enacted in the form currently proposed, if at all) and the current published administrative and assessing practices of Canada Revenue Agency ("**CRA**"). This summary does not otherwise take into account or anticipate changes in the law, whether by way of judicial, governmental or legislative decision or action, nor does it take into account provincial, territorial or foreign tax legislation or considerations.

**This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice or representations to any particular Core Shareholder to whom the Offer is made. This summary is not exhaustive of all Canadian federal income tax considerations. Accordingly, Core Shareholders should consult their own tax advisors for advice concerning the income tax consequences to them of disposing of their Core Shares under the Offer, a Compulsory Acquisition, a Compelled Acquisition or a Subsequent**

**Acquisition Transaction, and any other consequences to them of such transactions under Canadian federal, provincial, territorial or local tax Laws, and under foreign tax Laws, having regard to their own particular circumstances.**

All amounts relating to the disposition of Core Shares must be converted into Canadian dollars for purposes of the Tax Act using the exchange rate applicable at the relevant time.

***Shareholders Resident in Canada***

In addition to the comments set out under the heading “General”, this portion of the summary only applies to Core Shareholders who are resident or deemed to be resident in Canada for purposes of the Tax Act (a “**Resident Holder**”). Certain Resident Holders whose Core Shares might not otherwise qualify as capital property may, in certain circumstances, make an irrevocable election in accordance with Subsection 39(4) of the Tax Act to have their Core Shares and every “Canadian security” (as defined in the Tax Act) owned by such holders in the taxation year of the election and in all subsequent taxation years deemed to be capital property.

***Resident Holders Accepting the Offer***

A Resident Holder who exchanges Core Shares pursuant to the Offer for Titan Shares will be considered to have disposed of such Core Shares for purposes of the Tax Act for proceeds of disposition equal to the sum of the fair market value, at the date of such disposition, of the Titan Shares received by such Resident Holder and any cash received by such Resident Holder under the Offer. On such disposition, the Resident Holder will realize a capital gain (or a capital loss) equal to the amount by which the Resident Holder’s proceeds of disposition in respect of the disposition of such Core Shares exceed (or are exceeded by) the total of (i) the adjusted cost base of such Core Shares to the Resident Holder, and (ii) any reasonable costs of disposition incurred by the Resident Holder for the purpose of the disposition.

One half of a capital gain (a “**taxable capital gain**”) must be included in computing the Resident Holder’s income and one-half of any such capital loss (an “**allowable capital loss**”) must be deducted by the Resident Holder from taxable capital gains arising in the year of disposition. To the extent that a Resident Holder has insufficient taxable capital gains in the current taxation year against which to apply an allowable capital loss, the deficiency will constitute a net capital loss for the current taxation year and may generally be carried back to any of the three preceding taxation years or carried forward to any future taxation year, subject to the detailed rules in the Tax Act in that regard. The amount of any capital loss realized by a Resident Holder that is a corporation or certain partnerships or trusts may be reduced in certain circumstances in respect of dividends previously received or deemed to be received on the Core Shares to the extent and under the circumstances described in the Tax Act.

A Resident Holder that is throughout a taxation year a “Canadian-controlled private corporation” as defined in the Tax Act may be liable to pay, in addition to the tax otherwise payable under the Tax Act, a refundable tax of 10<sup>2</sup>/<sub>3</sub>% determined by reference to its aggregate investment income for the year, which includes an amount in respect of taxable capital gains.

Capital gains realized by individuals and certain trusts may be subject to alternative minimum tax under the Tax Act.

***Acquisition of Core Shares Not Deposited***

**(a) Compulsory Acquisition and Compelled Acquisition**

As described in Section 16 of the Circular, “Acquisition of Core Shares Not Deposited under the Offer,” the Offeror may acquire Core Shares not deposited under the Offer pursuant to a Compulsory Acquisition. The consequences under the Tax Act of any Compulsory Acquisition will depend upon the consideration offered by the Offeror in respect thereof. Generally speaking, to the extent the Core Shares are acquired by the Offeror for the Titan Shares, the consequences to Resident Holders will generally be as set out above under the heading “Resident Holders Accepting the Offer”.

A Resident Holder who dissents in a Compulsory Acquisition and elects to receive the fair value for the holder’s Core Shares will be considered to have disposed of the Core Shares for proceeds of disposition equal to the amount received by the Resident Holder less the amount of interest awarded by the Court and will realize a capital gain (or a

capital loss) in the manner, and subject to the treatment, described above under “Resident Holders Accepting the Offer”. Any interest awarded to the Resident Holder by the Court will be included in the Resident Holder’s income for the purposes of the Tax Act.

(b) Subsequent Acquisition Transaction

As described in Section 16 of the Circular, “Acquisition of Core Shares Not Deposited — Subsequent Acquisition Transaction”, if the Offeror does not acquire all of the Core Shares pursuant to the Offer or by means of a Compulsory Acquisition or Compelled Acquisition, the Offeror may propose other means of acquiring the remaining issued and outstanding Core Shares.

The tax treatment of a Subsequent Acquisition Transaction to a Resident Holder will depend upon the exact manner in which the Subsequent Acquisition Transaction is carried out. The Offeror may propose to carry out a Subsequent Acquisition Transaction by means of an amalgamation, statutory arrangement, capital reorganization, consolidation or other transaction, the tax consequences of which to a holder of Core Shares would depend upon the nature of the particular transaction undertaken and may be substantially the same as, or materially different from, those described above. Depending upon the exact manner in which the transaction is carried out, such tax consequences may include a capital gain or capital loss, a deemed dividend or both a deemed dividend and a capital gain or capital loss. Any such capital loss may, in certain circumstances, be reduced by the amount of certain dividends previously received or deemed to have been received on the Core Shares (or on shares of an amalgamated corporation for which the Core Shares are exchanged) to the extent and under the circumstances described in the Tax Act. No opinion is expressed herein as to the Canadian federal income tax consequences of any such Subsequent Acquisition Transaction to a Resident Holder.

Resident Holders should consult their own tax advisors with respect to the potential tax consequences to them of disposing of their Core Shares pursuant to a Subsequent Acquisition Transaction.

*Potential Delisting*

As described in Section 14 of this Circular, “Effect of the Offer on the Market for and Listing of Core Shares; Stock Exchange Listing and Public Disclosure”, the Core Shares may cease to be listed on the TSXV following the completion of the Offer. Resident Holders are cautioned that, if the Core Shares are no longer listed on a “designated stock exchange” (as defined in the Tax Act, which currently includes the TSXV) and Core ceases to be a “public corporation” for purposes of the Tax Act, the Core Shares will not be “qualified investments” (as defined in the Tax Act) for trusts governed by registered retirement savings plans, registered retired income funds, registered education savings plans, registered disability savings plans, deferred profit sharing plans and tax-free savings accounts (as each term is defined in the Tax Act). Resident Holders who hold Core Shares in such plans should consult their own tax advisors with respect to the potential income tax consequences to them in this regard.

*Holding and Disposing of the Titan Shares*

(a) Dividends on Titan Shares

Dividends, if any, on the Titan Shares will be required to be included in computing the recipient’s income for the purposes of the Tax Act. The amount of the dividend will include any Australian non-resident withholding tax withheld on these dividends which may entitle the Resident Holder to claim a foreign tax credit or deduction in respect of such Australian tax where applicable under the Tax Act. Dividends received by a Resident Holder who is an individual will not be subject to the gross-up and dividend tax credit rules in the Tax Act that generally apply to taxable dividends received from taxable Canadian corporations. A Resident Holder that is a corporation will be required to include such dividends in computing income and generally will not be entitled to deduct the amount of such dividends in computing its taxable income. A Resident Holder that is a Canadian-controlled private corporation may be liable to pay an additional refundable tax of 10<sup>2/3</sup> % on such dividends.

(b) Disposition of Titan Shares

The cost of a Titan Share to a Resident Holder acquired under the Offer or a Compulsory Acquisition in exchange for Core Shares will be equal to the fair market value of the Titan Share at the time of such exchange.

The adjusted cost base of each Titan Share to a holder will be determined by averaging the cost to the holder of the Titan Shares so acquired with the adjusted cost base to the holder of all other Titan Shares owned by the holder and held as capital property immediately prior to such acquisition.

A disposition or deemed disposition of Titan Shares by a holder will generally result in a capital gain (or a capital loss) equal to the amount by which the holder's proceeds of disposition in respect of the disposition of such Titan Shares exceed (or are exceeded by) the total of (i) the adjusted cost base of such securities to such holder, and (ii) any reasonable costs of disposition.

See the description of the Canadian federal income tax treatment of capital gains and capital losses under "Resident Holders Accepting the Offer" above.

#### (c) Offshore Investment Fund Property Rules

The Tax Act contains rules which may require a taxpayer to include in income in each taxation year an amount in respect of the holding of an "offshore investment fund property." These rules could apply to a Resident Holder in respect of the Titan Shares held by the Resident Holder if:

(1) the Titan Shares may reasonably be considered to derive their value, directly or indirectly, primarily from portfolio investments in: (i) shares of one or more corporations, (ii) indebtedness or annuities, (iii) interests in one or more corporations, trusts, partnerships, organizations, funds or entities, (iv) commodities, (v) real estate, (vi) Canadian or foreign resource properties, (vii) currency of a country other than Canada, (viii) rights or options to acquire or dispose of any of the foregoing, or (ix) any combination of the foregoing (collectively, "**Investment Assets**"); and

(2) it may reasonably be concluded, having regard to all the circumstances, that one of the main reasons for the Resident Holder acquiring, holding or having an interest in the Titan Shares was to derive a benefit from portfolio investments in Investment Assets in such a manner that the taxes, if any, on the income, profits and gains from such assets for any particular year are significantly less than the tax that would have been applicable under Part I of the Tax Act if the income, profits and gains been earned directly by such Resident Holder.

If applicable, these rules would generally require a Resident Holder to include in income for each taxation year in which such Resident Holder holds the Titan Shares an imputed amount determined by applying a prescribed rate of interest to the "designated cost" to the Resident Holder of the Titan Shares at the end of each month in the year, less the amount of certain income of the Resident Holder from the Titan Shares in the year. Any amount required to be included in computing a Resident Holder's income in respect of the Titan Shares under these rules would be added to the adjusted cost base to the Resident Holder of the Titan Shares. The application of these rules depends, to a large extent, on the reasons for a Resident Holder acquiring or holding the Titan Shares.

Resident Holders are urged to consult their own tax advisors regarding the application and consequences of these rules.

#### (d) Foreign Reporting Rules

A Resident Holder who is a "specified Canadian entity" as defined in the Tax Act (which includes an individual) for a taxation year or a fiscal period and whose total "cost amount" of "specified foreign property" (each as defined in the Tax Act), including the Titan Shares at any time in the year or fiscal period exceeds \$100,000 will be required to file an information return with the CRA for the year or period disclosing prescribed information in respect of such property.

Subject to certain exceptions, a taxpayer resident in Canada in the year will be a "specified Canadian entity" and the Titan Shares will be specified foreign property. Substantial penalties may apply where a Resident Holder fails to file the required information return in respect of its specified foreign property. Resident Holders are encouraged to consult their tax advisors as to whether they must comply with these rules.

(e) Qualified Investment status of Titan Shares

The Titan Shares will be qualified investments at a particular time for trusts governed by a registered retirement savings plan (“RRSP”), a registered retirement income fund (“RRIF”), a registered education savings plan (“RESP”), a deferred profit sharing plan (“DPSP”), or a tax-free savings account (“TFSA”) provided that, at the particular time, the Titan Shares are listed on a “designated stock exchange” (which currently includes the ASX).

Notwithstanding the foregoing, if the Titan Shares are a “prohibited investment” for the purposes of a TFSA, a RESP, a RDSP, a RRSP or a RRIF, the holder, subscriber or annuitant of such plan, as the case may be, will be subject to a penalty tax as set out in the Tax Act. The Titan Shares will generally not be a prohibited investment for a TFSA, a RESP, a RDSP, a RRSP or a RRIF provided the holder, subscriber, or annuitant thereof, as the case may be, deals at arm’s length with the Offeror, for purposes of the Tax Act, and does not have a “significant interest” (as defined in the Tax Act) in the Offeror. In addition, the Titan Shares will not be a “prohibited investment” if the Titan Shares are “excluded property” as defined in the Tax Act for such TFSA, RESP, RDSP, RRSP or RRIF.

Prospective purchasers who intend to hold Titan Shares in a RRSP, a RRIF, a RESP, a RDSP, a DPSP, or a TFSA are advised to consult their personal tax advisors, including with respect to whether the Titan Shares would be a prohibited investment in their particular circumstances.

***Shareholders Not Resident in Canada***

In addition to the comments set out under the heading “General”, this portion of the summary applies only a Holder who at all relevant times, for purposes of the Tax Act, (i) is not resident in Canada and is not deemed to be resident in Canada, (ii) does not use or hold, and is not deemed to use or hold, its Titan Shares in, or in the course of carrying on, a business in Canada, (iii) is not a person who carries on an insurance business in Canada and elsewhere, (iv) is not an “authorized foreign bank” (as defined in the Tax Act), and (v) is not a “foreign affiliate” (as defined in the Tax Act) of a person resident in Canada (a “**Non-Resident Holder**”).

***Non-Resident Holders Accepting the Offer***

A Non-Resident Holder who accepts the Offer, will not be subject to tax under the Tax Act in respect of any capital gain realized on a disposition of Core Shares pursuant to the Offer unless such shares are or are deemed to be “taxable Canadian property” and the Non-Resident Holder is not afforded any relief under an applicable tax treaty. Generally, Core Shares will not be taxable Canadian property at a particular time provided that such shares are listed on a designated stock exchange (which includes the TSXV), unless at any time during the 60-month period immediately preceding the disposition:

- (a) one or any combination of the Non-Resident Holder, persons with whom the Non-Resident Holder does not deal at arm’s length, a partnership in which the Non-Resident Holder or a non-arm’s length person holds a membership interest directly or indirectly through one or more partnerships owned 25% or more of the issued shares of any class or series of the capital stock of Core, and
- (b) more than 50% of the fair market value of the Core Share was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, “Canadian resource property” (as defined in the Tax Act), “timber resource property” (as defined in the Tax Act), and options in respect of, or interests in, or for civil law rights in, any such properties (whether or not such property exists).

Core Shares may also be deemed to be taxable Canadian property in certain circumstances as set out in the Tax Act.

Even if the Core Shares are taxable Canadian property to a Non-Resident Holder and the disposition would give rise to a capital gain, an exemption from tax under the Tax Act may be available by virtue of the terms of an applicable income tax treaty between Canada and the country of residence of the Non-Resident Holder.

***Acquisition of Core Shares Not Deposited***

The consequences under the Tax Act to a Non-Resident Holder of any Compulsory Acquisition or Subsequent Acquisition Transaction would depend upon the nature of the transaction. In general, the Non-Resident Holder



would not be subject to taxation under the Tax Act in respect of any capital gain that is recognized unless the Non-Resident Shareholder's Core Shares are taxable Canadian property, as described above, and the Non-Resident Holder is not afforded any relief under an applicable tax treaty.

(a) Compulsory Acquisition

As described in Section 16 of the Circular, "Acquisition of Core Shares Not Deposited under the Offer," the Offeror may acquire Core Shares not deposited under the Offer pursuant to a Compulsory Acquisition. The consequences under the Tax Act of any Compulsory Acquisition will depend upon the consideration offered by the Offeror in respect thereof. Generally speaking, to the extent the Core Shares are acquired by the Offeror for the Titan Shares, the consequences to Non-Resident Holders will generally be as set out above under the heading "Non-Resident Holders Accepting the Offer".

A Non-Resident Holder who dissents in a compulsory acquisition and elects to receive the fair value for the holder's Core Shares will be considered to have disposed of the Core Shares for proceeds of disposition equal to the amount received by the Non-Resident Holder less the amount of interest awarded by the Court. In such circumstances, the Non-Resident Holder would not be subject to taxation under the Tax Act in respect of any capital gain that is recognized unless the Non-Resident Holder's Core Shares are taxable Canadian property, as described above, and the Non-Resident Holder is not afforded any relief under an applicable tax treaty. Interest awarded to a dissenting Non-Resident Holder by a court will not be subject to withholding tax under the Tax Act.

(b) Subsequent Acquisition Transactions

As described in Section 16 of the Circular, "Acquisition of Core Shares Not Deposited — Subsequent Acquisition Transaction", if the Offeror acquires less than 90% of the Core Shares under the Offer (other than Core Shares held by or on behalf of the Offeror on the date of the Offer) or the right of Compulsory Acquisition is not available for any reason or if the Offeror elects not to proceed under such provisions, the Offeror may propose other means of acquiring the remaining issued and outstanding Core Shares. The tax treatment of a Subsequent Acquisition Transaction to a Non-Resident Holder will depend upon the exact manner in which the Subsequent Acquisition Transaction is carried out. A Non-Resident Holder may realize a capital gain or a capital loss and/or a deemed dividend. Dividends paid or deemed to be paid to a Non-Resident Holder will be subject to Canadian withholding tax at a rate of 25%. This rate may be reduced under the provisions of an applicable income tax treaty.

Non-Resident Holders should consult their own tax advisors for advice with respect to the potential income tax consequences to them of having their Core Shares acquired pursuant to a Compulsory Acquisition or Subsequent Acquisition Transaction.

(c) Delisting of Core Shares

As noted in "Effect of the Offer on the Market for and Listing of Core Shares" in Section 14 of the Circular, Core Shares may cease to be listed on the TSXV following the completion of the Offer and may not be listed on the TSXV (or another designated or recognized stock exchange) at the time of their disposition pursuant to a Compulsory Acquisition or a Subsequent Acquisition Transaction. Non-Resident Holders are cautioned that if the Core Shares are not listed on a designated stock exchange at the time they are disposed of (a) the Core Shares will be taxable Canadian property to the Non-Resident Holder, (b) the Non-Resident Holder may be subject to income tax under the Tax Act in respect of any capital gain realized on such disposition, subject to any relief under an applicable income tax treaty or convention, and (c) if the Core Shares are not listed on a recognized stock exchange, the notification and withholding provisions of section 116 of the Tax Act will apply to the Non-Resident Holder. The Offeror may be required to withhold and sell in the market a portion of the Titan Shares that the Non-Resident Holder would otherwise be entitled to receive to satisfy the Offeror's withholding obligations under the Tax Act. Non-Resident Holders should consult their own tax advisors for advice with respect to the potential income tax consequences to them of having their Core Shares acquired pursuant to such a transaction.

## 20. Statutory Rights

Applicable Securities Laws in the provinces and territories of Canada provides Core Shareholders with, in addition to any other rights they may have at Law, one or more rights of rescission, price revision or to damages, if there is a misrepresentation in a circular or a notice that is required to be delivered to such Core Shareholders. However, such

rights must be exercised within prescribed time limits. Core Shareholders should refer to the applicable provisions of the Applicable Securities Laws of their province or territory for particulars of those rights and consult their legal advisors.

## **21. Depositary**

The Depositary will receive deposits of certificate(s) or DRS Statement(s) representing Core Shares and accompanying Letters of Transmittal at its Toronto, Ontario, office specified in the Letter of Transmittal. The Depositary will receive Notices of Guaranteed Delivery at its office specified in the Notice of Guaranteed Delivery. The Depositary will also be responsible for giving certain notices, if required. The Depositary will receive reasonable and customary compensation from the Offeror for its services in connection with the Offer, will be reimbursed for certain out-of-pocket expenses and will be indemnified against certain liabilities, including liabilities under Applicable Securities Laws.

Core Shareholders will not be obligated to pay any fee or commission if they accept an Offer by transmitting their Core Shares directly to the Depositary.

## **22. Expenses of the Offer**

The Offeror will be responsible for paying its fees and expenses in connection with the Offer and Circular including, without limitation all legal, financial advisory, filing and printing costs incurred in connection with the Offer.

## **23. Financial Advisor, Dealer Manager and Soliciting Dealer Group**

Bacchus Capital Advisers Ltd. (“**Bacchus**”) has been retained by the Offeror to act as financial advisor to the Offeror with respect to the Offer.

The Offeror may, in its sole discretion, also retain the services of Bacchus as dealer manager, or such other dealer manager as it determines, to form and manage a soliciting dealer group (the “**Soliciting Dealer Group**”) comprised of members of the Investment Industry Regulatory Organization of Canada and members of the TSXV to solicit acceptances of the Offer from Persons who are resident in Canada on terms and conditions, including the payment of fees and reimbursement of expenses, as are customary in a retainer agreement for such services. Each member of the Soliciting Dealer Group is referred to herein as a “**Soliciting Dealer**”.

The Offeror expects that if a dealer manager is engaged and/or a Soliciting Dealer Group is formed, then the Offeror will provide notice of such event by press release and/or such other means as the Offeror may determine. Investment advisors or registered representatives employed by Soliciting Dealers, if any, may solicit their clients to deposit or tender their Core Shares to the Offer. Soliciting Dealers may pay an investment advisor or registered representative a portion of the solicitation fee, if any, for each Core Share deposited or tendered to the Offer by clients of or served by the investment advisor or registered representative.

Core Shareholders will not be required to pay any fee or commission if they accept the Offer by depositing their Core Shares directly with the Depositary or if they make use of the services of a Soliciting Dealer to accept the Offer. Core Shareholders should contact the Depositary or Information Agent or a broker or dealer for assistance in accepting the Offer and depositing their Core Shares with the Depositary.

Except as set out herein, the Offeror has not agreed to pay any fees or commissions to any broker, investment dealer or other Person for soliciting tenders of Core Shares under the Offer; provided that the Offeror may make other arrangements with soliciting dealers, dealer managers or information agents, either within or outside Canada, for customary compensation during the Offer period if it considers it appropriate to do so.

## **24. Legal Matters**

Certain legal matters will be passed upon by Fasken Martineau DuMoulin LLP, the Offeror’s Canadian counsel, on matters of Ontario and British Columbia Law, the federal Laws of Canada applicable in Ontario and British Columbia and Canadian tax Laws. As of the date hereof, the partners and associates of Fasken Martineau DuMoulin

LLP, as a group, beneficially own, directly or indirectly, in the aggregate, less than 1% of the issued and outstanding securities of each of Core and the Offeror.

**25. Directors' Approval**

The contents of the Offer and the Circular have been approved, and the sending of the Offer and Circular to the Core Shareholders and holders of Convertible Securities have been authorized by the board of directors of the Offeror.

## GLOSSARY

*In the Offer and the Circular, unless the subject matter or context is inconsistent therewith, the following terms have the following meanings:*

“**affiliate**” has the meaning ascribed thereto in NI 62-104;

“**Agent’s Message**” has the meaning ascribed thereto in Section 3 of the Offer, “Manner of Acceptance”;

“**allowable capital loss**” has the meaning ascribed thereto in Section 19 of the Circular, “Certain Canadian Federal Income Tax Considerations- Capital Gains and Capital Losses”;

“**Alternative Transaction**” means, in respect of Core: (a) an amalgamation, merger, arrangement, consolidation, or any other transaction involving Core, or an amendment to the terms of a class of its equity securities, as a consequence of which the interest of a holder of an equity security of Core may be terminated without the holder’s consent, regardless of whether the equity security is replaced with another security, but does not include: (i) a consolidation of securities that does not have the effect of terminating the interests of holders of equity securities of Core in those securities without their consent, except to an extent that is nominal in the circumstances, (ii) a circumstance in which Core may terminate a holder’s interest in a security, under the terms attached to the security, for the purpose of enforcing an ownership or voting constraint that is necessary to enable Core to comply with legislation, lawfully engage in a particular activity or have a specified level of Canadian ownership, or (iii) a transaction solely between or among Core and one or more of its subsidiaries, (b) a sale, lease or exchange of all or substantially all the property of Core if the sale, lease or exchange is not in the ordinary course of its business, but does not include a sale, lease or exchange solely between or among Core and one or more of its subsidiaries;

“**Applicable Securities Laws**” means the *Securities Act* (British Columbia) and the regulations thereunder and all other applicable Canadian and United States securities Laws;

“**Amendment**” has the meaning ascribed thereto in Section 3 of the Circular, “Background to the Offer”;

“**Andina**” has the meaning ascribed thereto in the section of the Circular entitled “Highlights of the Offer”;

“**Arrangement**” means an arrangement under the provisions of Division 5 of Part 9 of the BCBCA on the terms and conditions set forth in the Plan of Arrangement as contemplated by the Arrangement Agreement;

“**Arrangement Agreement**” means the arrangement agreement between the Offeror and Core dated February 23, 2019, as amended;

“**Assignment Agreement**” has the meaning ascribed thereto in the section of the Circular entitled “Highlights of the Offer”;

“**associate**” has the meaning ascribed thereto in NI 62-104;

“**ASIC**” means the Australian Securities and Investments Commission;

“**ASX**” means the Australian Stock Exchange;

“**Bacchus**” means Bacchus Capital Advisers Ltd.;

“**BCBCA**” means the *Business Corporations Act* (British Columbia);

“**Book-Entry Confirmation**” means confirmation of a book-entry transfer of a Core Shareholder’s Core Shares into the Depository’s account at CDS or DTC, as applicable;

“**Business Day**” means any day of the week, other than a Saturday, a Sunday or a statutory or civic holiday observed in Toronto, Ontario, Vancouver, British Columbia or Perth, Australia;

“**CDS**” means CDS Clearing and Depository Services Inc., or its nominee (which is, at the date hereof, CDS & Co.);

“**CDS Participant**” means a participant of CDS, which includes investment dealers, stockbrokers, banks, trust companies and other financial institutions that maintain custodial relationships with a participant, either directly or indirectly;

“**CDSX**” means the clearing and settlement system for debt and equity securities in Canada;

“**CHESS**” has the meaning ascribed thereto in Section 6 of the Offer, “Take Up and Payment for Deposited Core Shares”;

“**Circular**” means the take-over bid Circular accompanying and forming part of the Offer;

“**Combined Entity**” means the Offeror following the successful acquisition of 100% of the issued and outstanding Core Shares;

“**Compelled Acquisition**” has the meaning ascribed thereto in Section 16 of the Circular, “Acquisition of Core Shares Not Deposited Under the Offer - Compelled Acquisition”;

“**Compulsory Acquisition**” has the meaning ascribed thereto in Section 16 of the Circular, “Acquisition of Core Shares Not Deposited Under the Offer - Compulsory Acquisition”;

“**Convertible Notes**” has the meaning ascribed thereto in Section 3 of the Circular, “Background to the Offer”;

“**Convertible Securities**” means options, warrants, and all other securities exercisable for, convertible into or exchangeable for Core Shares;

“**Corporations Act**” means the Australian *Corporations Act 2001* (Cth) as amended from time to time;

“**Core**” means Core Gold Inc., a corporation existing under the BCBCA;

“**Core Board**” means the board of directors of Core;

“**Core Debt**” has the meaning ascribed thereto in Section 3 of the Circular, “Background to the Offer”;

“**Core Private Placement**” has the meaning ascribed thereto in Section 3 of the Circular, “Background to the Offer”;

“**Core Shares**” means the issued and outstanding common shares in the capital of Core, including, without limitation, common shares of Core issued on the exercise, conversion or exchange of Convertible Securities, and “**Core Share**” means any one common share of Core;

“**Core Shareholders**” means shareholders of Core;

“**Court**” means the Supreme Court of British Columbia;

“**CRA**” has the meaning ascribed thereto in Section 19 of the Circular, “Certain Canadian Federal Income Tax Considerations”;

“**Depository**” means AST Trust Company (Canada);

“**Deposited Core Shares**” has the meaning ascribed thereto in Section 3 of the Offer “Manner of Acceptance - Dividends and Distributions”;

“**Dissenting Offeree**” has the meaning ascribed thereto in Section 16 of the Circular, “Acquisition of Core Shares Not Deposited Under the Offer - Compulsory Acquisition”;

“**Distributions**” has the meaning ascribed thereto in Section 3 of the Offer, “Manner of Acceptance - Dividends and Distributions”;

“**DPSP**” has the meaning ascribed thereto in Section 19 of the Circular, “Certain Canadian Federal Income Tax Considerations”;

“**DREM**” has the meaning ascribed thereto in the section of the Circular entitled “Highlights of the Offer”;

“**DRS Statements**” means Direct Registration System statements;

“**DTC**” means The Depository Trust Company;

“**Effective Time**” has the meaning ascribed thereto in Section 3 of the Offer, “Manner of Acceptance - Power of Attorney”;

“**Eligible Institution**” means a Canadian Schedule I chartered bank or an eligible guarantor institution with membership in an approved Medallion signature guarantee program, a member of the Securities Transfer Agents Medallion Program (STAMP), a member of the Stock Exchanges Medallion Program (SEMP) or a member of the New York Stock Exchange Medallion Signature Program (MSP). Members of these programs are usually members of a recognized stock exchange in Canada or the United States, members of the Investment Industry Regulatory Organization of Canada, members of the Financial Industry Regulatory Authority, Inc. or banks in Canada or the United States;

“**Expiry Date**” means January 14, 2020 or such earlier or later date or dates to which the Offer may be abridged or extended from time to time by the Offeror in accordance with Section 5 of the Offer, “Variation or Change of the Offer”;

“**Expiry Time**” means, in respect of the Offer, 9:00 a.m. (Toronto time) on the Expiry Date;

“**Financial Adviser**” means Bacchus Capital Advisers Ltd.

“**Governmental Entity**” means: (a) any international, supranational, national, federal, state, provincial, territorial, municipal, local (or other political subdivision of the foregoing) entity exercising any executive, legislative, judicial, regulatory, administrative or quasi-governmental function, including any agency, board, body, bureau, court, tribunal (whether public or private), commissioner, commission (including any securities commission) or any central bank (or similar monetary or regulatory authority) or other entity acting on behalf of or with delegated authority from any of the foregoing; (b) any stock exchange; or (c) any corporation or other entity owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing established to perform a duty or function on its behalf;

“**Ineligible Foreign Shareholder**” has the meaning ascribed thereto in Section 7 of the Offer, “Shareholders Not Resident in Canada”;

“**Information Agent**” means Gryphon Advisors Inc.;

“**Investment Assets**” has the meaning ascribed thereto in Section 19 of the Circular, “Certain Canadian Federal Income Tax Considerations”;

“**Intermediary**” means a registered broker or dealer, financial institution or other intermediary (within the meaning ascribed thereto in National Instrument 54-101 - *Communication with Beneficial Owners of Securities of a Reporting Issuer*, as amended) that holds securities on behalf of a Person who is not the registered holder thereof;

“**Initial Titan Proposal**” has the meaning ascribed thereto in Section 3 of the Circular, “Background to the Offer”;

“**joint actor**” has the meaning ascribed thereto in MI 61-101;

“**Laws**” means laws, treaties, statutes, ordinances, judgments, decrees, injunctions, writs, certificates and orders, notices, by-laws, rules, regulations, ordinances, or other requirements, policies or instruments of any Governmental Entity;

“**Letter of Transmittal**” means the letter of transmittal in the form accompanying the Offer and Circular to be delivered by holders of Core Shares to the Depository to effect the tender of Core Shares pursuant to the Offer;

“**Lock-up Agreement**” means the lock-up agreements entered into between the Offeror and the Locked-up Shareholders in connection with the Offer;

“**Locked-up Shareholders**” means the Core Shareholders who have entered into a Lock-Up Agreement, including Vertex One Asset Management Ltd., Itau AGF Chile, Rachel Del Rio, Carlos Del Rio, and Antun Ucovich;

“**Mandatory Extension Period**” has the meaning ascribed thereto in Section 6 of the Offer, “Take Up and Payment for Deposited Core Shares”;

“**Material Adverse Effect**” means any event, change, occurrence, circumstance, fact, or state of being (a) which has or would reasonably be expected to have a material and adverse effect on the assets, liabilities (absolute, accrued, contingent or otherwise, including without limitation any contingent liabilities that may arise through outstanding, pending or threatened litigation or otherwise), affairs, business, capital, condition (financial or otherwise), contractual arrangements, operations, permits, or properties of Core and its subsidiaries taken as a whole, including a material change and a material fact ow, where applicable, the Offeror (on a consolidated basis), or (b) which, when considered either individually or in the aggregate, would be expected to reduce the anticipated economic value to the Offeror of the acquisition of the Core Shares or make it inadvisable for or impair the ability of the Offeror to proceed with the Offer and/or to take up and pay for the Core Shares deposited under the Offer, or which, if the Offer were consummated, would be materially adverse to the Offeror or any of its affiliates or which would limit, restrict or impose limitations or conditions on the ability of the Offeror to own, operate or effect control over any material portion of the business or assets of Core or its subsidiaries or would compel the Offeror or its affiliates to dispose of or hold separate any material portion of the business or assets of Core or its subsidiaries;

“**MI 61-101**” means Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*, as amended or replaced from time to time;

“**Minimum Tender Condition**” has the meaning ascribed thereto in the Offer under “Conditions of the Offer”;

“**NI 62-104**” means National Instrument 62-104 – *Take-Over Bids and Issuer Bids*, as amended or replaces from time to time;

“**Nominee**” means Canaccord Genuity (Australia) Limited;

“**Non-Resident Holder**” has the meaning ascribed thereto in Section 19 of the Circular, “Certain Canadian Federal Income Tax Considerations - Holders Not Resident In Canada”;

“**Notice of Change**” has the meaning ascribed thereto in Section 5 of the Offer, “Variation or Change of the Offer”;

“**Notice of Guaranteed Delivery**” means the notice of guaranteed delivery in the form accompanying the Offer and Circular;

“**Offer**” means the offer to purchase all of the issued and outstanding Core Shares, the terms of which are set forth in the accompanying Offer and Circular, Letter of Transmittal and Notice of Guaranteed Delivery;

“**Offer Consideration**” has the meaning ascribed thereto on page ii of the Circular;

“**Offeror**” means Titan Minerals Limited, incorporated under the Laws of Australia;

**“Offeror’s Notice”** has the meaning ascribed thereto in Section 16 of the Circular, “Acquisition of Core Shares Not Deposited Under the Offer - Compulsory Acquisition”;

**“Optional Extension Periods”** has the meaning ascribed thereto in Section 6 of the Offer, “Take Up and Payment for Deposited Core Shares”;

**“Person”** includes an individual, partnership, association, body corporate, joint venture, business organization, trustee, executor, administrator, legal representative, Governmental Entity or any other entity, whether or not having legal status;

**“Plan of Arrangement”** has the meaning ascribed thereto in the section entitled “Questions and Answers in Relation to the Previous Plan of Arrangement”;

**“PI Financial”** means PI Financial Corp.;

**“Promissory Notes”** has the meaning ascribed thereto in Section 3 of the Circular, “Background to the Offer”;

**“Prosecutors Office”** has the meaning ascribed thereto in the section of the Circular entitled “Highlights of the Offer”;

**“Purchased Securities”** has the meaning ascribed thereto in Section 3 of the Offer, “Manner of Acceptance - Power of Attorney”;

**“RDSP”** has the meaning ascribed thereto in Section 19 of the Circular, “Certain Canadian Federal Income Tax Considerations”;

**“Regulations”** has the meaning ascribed thereto in Section 19 of the Circular, “Certain Canadian Federal Income Tax Considerations”;

**“Regulatory Approvals”** means, collectively, any approvals required under applicable Law;

**“Resident Holder”** has the meaning ascribed thereto in Section 19 of the Circular, “Certain Canadian Federal Income Tax Considerations - Holders Resident in Canada”;

**“RESP”** has the meaning ascribed thereto in Section 19 of the Circular, “Certain Canadian Federal Income Tax Considerations”;

**“RRIF”** has the meaning ascribed thereto in Section 19 of the Circular, “Certain Canadian Federal Income Tax Considerations”;

**“RRSP”** has the meaning ascribed thereto in Section 19 of the Circular, “Certain Canadian Federal Income Tax Considerations”;

**“SEDAR”** means the Canadian System for Electronic Document Analysis and Retrieval;

**“Soliciting Dealer”** has the meaning ascribed there to in Section 23 of the Circular, “Financial Advisor, Dealer Manager and Soliciting Dealer Group”;

**“Soliciting Dealer Group”** has the meaning ascribed there to in Section 23 of the Circular, “Financial Advisor, Dealer Manager and Soliciting Dealer Group”;

**“Statutory Minimum Condition”** has the meaning ascribed thereto in Section 4 of the Offer, “Conditions of the Offer”;

**“Subsequent Acquisition Transaction”** has the meaning ascribed thereto in Section 16 of the Circular, “Acquisition of Core Shares Not Deposited Under the Offer - Subsequent Acquisition Transaction”;



“**Tax Act**” means the *Income Tax Act* (Canada);

“**taxable capital gain**” has the meaning ascribed thereto in Section 19 of the Circular, “Certain Canadian Federal Income Tax Considerations - Capital Gains and Capital Losses”;

“**TFSA**” has the meaning ascribed thereto in Section 19 of the Circular, “Certain Canadian Federal Income Tax Considerations”;

“**Titan Share**” means an ordinary share in the capital of the Offeror;

“**Tulin Gold**” has the meaning ascribed thereto in the section of the Circular entitled “Highlights of the Offer”;

“**Tulin Plant**” has the meaning ascribed thereto in the section of the Circular entitled “Highlights of the Offer”;

“**TSX**” means the Toronto Stock Exchange;

“**TSXV**” means the TSX Venture Exchange; and

“**Vista Plant**” has the meaning ascribed thereto in section of the Circular entitled “Highlights of the Offer”.

**CONSENT OF FASKEN MARTINEAU DUMOULIN LLP**

To: The Board of Directors of Titan Minerals Limited:

We hereby consent to the reference to our opinion contained under Section 19 of the Circular, "Certain Canadian Federal Income Tax Considerations", accompanying the Offer dated September 30, 2019 by Titan Minerals Limited to the holders of common shares of Core Gold Inc.

Toronto, Ontario

September 30, 2019

(signed) *"Fasken Martineau DuMoulin LLP"*

**APPROVAL AND CERTIFICATE OF TITAN MINERALS LIMITED**

DATED: September 30, 2019

The contents of the Offer and the Circular have been approved, and the sending, communication or delivery thereof to the holders of common shares of Core Gold Inc. has been authorized by the board of directors of Titan Minerals Limited.

The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

(signed) "*Laurence Marsland*"  
Chief Executive Officer, Managing Director

(signed) "*Matthew Carr*"  
Executive Director

On behalf of the Board of Directors

(signed) "*Michael Hardy*"  
Director

(signed) "*Nicholas Rowley*"  
Director

**APPENDIX “A”  
INFORMATION CONCERNING TITAN**

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## INTRODUCTION

This Appendix “A” is a summary of the Offeror (referred to in this Appendix “A” as “Titan”), its business, assets and operations, which should be read together with the audited financial statements for Titan contained at Appendix “C” to the Circular, and the auditors’ report thereon. The information contained in this Appendix “A” – “*Information Concerning Titan*”, unless otherwise indicated is given as at the date of the Offer.

## CURRENCY PRESENTATION AND EXCHANGE RATE INFORMATION

Titan presents its financial statements in Australian dollars and discloses certain financial information in this Appendix “A” in Australian dollars and Canadian dollars. In this Appendix “A”, references to “\$” are to Canadian dollars and references to “AU\$” are to Australian dollars. Amounts are stated in Canadian dollars unless otherwise indicated. Certain totals, subtotals and percentages throughout this Appendix “A” may not reconcile due to rounding.

The following table sets forth, for each period indicated, the low and high exchange rates for Australian dollars expressed in Canadian dollars, the exchange rate at the end of such period and the average of such exchange rates for each day during such period, based on the daily average exchange rate as reported by the Bank of Canada for the conversion of Australian dollars into Canadian dollars:

	Year Ended December 31,		
	2018	2017	2016
	(\$)	(\$)	(\$)
Low	0.9302	0.9755	0.9441
High	0.9952	1.0199	1.0204
Period End	0.9685	0.9946	0.9851
Average	0.9687	0.9951	0.9833

On September 27, 2019, the exchange rate for Australian dollars expressed in Canadian dollars (as reported by the Bank of Canada) was AU\$1.00 = \$1.116.

## GLOSSARY

Certain terms used in this Appendix “A” shall have the meaning ascribed below. All other capitalized terms used herein and not defined below shall have the meanings ascribed thereto in the section “Glossary of Terms” in the Circular to which this Appendix “A” is attached.

“**13<sup>th</sup> Anniversary**” has the meaning set forth in this Appendix under the heading “*Material Contracts*”;

“**2018 Financial Year**” has the meaning set forth in this Appendix under the heading “*Description of the Business*”;

“**AASB Standards**” has the meaning set forth in this Appendix under the heading “*Management’s Discussion & Analysis - General*”;

“**Amending Agreement**” means the amending agreement dated March 10, 2019 between Core and Titan;

“**Andean**” has the meaning set forth in this Appendix under the heading “*Material Contracts*”;

“**Andina**” has the meaning set forth in this Appendix under the heading “*Description of the Business*”;

“**Andina Acquisition**” has the meaning set forth in this Appendix under the heading “*Description of the Business*”;

“**Andina Board**” means the board of directors of Andina;

“**Andina Director**” means a director of Andina;

“**Au**” means gold;

“**Arrangement**” an arrangement under the provisions of Division 5 of Part 9 of the BCBCA on the terms and conditions set forth in the Plan of Arrangement as contemplated by the Arrangement Agreement;

“**Arrangement Agreement**” means the arrangement agreement entered into between Titan and Core on February 25, 2019, as amended;

“**Assignors**” has the meaning set forth in this Appendix under the heading “*Material Contracts*”;

“**Audit Committee Charter**” means the audit committee charter of the Titan Board;

“**ASX Listing Rules**” means the listing rules of the ASX, as amended or supplemented from time to time;

“**Bacchus**” has the meaning set forth in this Appendix under the heading “*Material Contracts*”;

“**Bacchus Agreement**” has the meaning set forth in this Appendix under the heading “*Material Contracts*”;

“**Buying Option**” has the meaning set forth in this Appendix under the heading “*Material Contracts*”;

“**Carr Andina Agreement**” has the meaning set forth in this Appendix under the heading “*Material Contracts*”;

“**Carr Titan Agreement**” has the meaning set forth in this Appendix under the heading “*Material Contracts*”;

“**CEO**” means Chief Executive Officer;

“**Cession Agreement**” has the meaning set forth in this Appendix under the heading “*Material Contracts*”;

“**CFO**” means Chief Financial Officer;

“**CIM**” means the Canadian Institute of Mining, Metallurgy and Petroleum;

“**CIP**” has the meaning set forth in this Appendix under the heading “*Management’s Discussion & Analysis - MD&A for the Year Ended December 31, 2018 - Review of Operations*”;

“**Code of Conduct**” means the code of conduct adopted by Titan and is included in Titan’s Corporate Governance Plan;

“**Combined Entity**” has the meaning set forth in this Appendix under the heading “*Risk Factors - Risks Relating to the Combined Entity*”;

“**Compania Minera**” has the meaning set forth in this Appendix under the heading “*Material Contracts*”;

“**Competent Persons**” has the meaning ascribed thereto in the JORC Code;

“**Concession of Benefit**” has the meaning set forth in this Appendix under the heading “*Description of the Business*”;

“**Copper Duke Project**” has the meaning set forth in this Appendix under the heading “*MD&A for the Year Ended December 31, 2018 - Ecuador Asset Overview*”;

“**Core Acquisition**” means the acquisition by Titan of all of the Core Shares pursuant to the Arrangement Agreement;

“**Core Private Placement**” means the subscription for, and purchase of, 9,151,363 Core Shares by Titan at a subscription price of \$0.44 per Core Share, for aggregate gross subscription proceeds of \$4,026,599.72, which was completed on March 25, 2019;

“**Coriorcco**” means Coriorcco Gold S.A.C;

“**Coriorcco Project**” has the meaning set forth in this Appendix under the heading “*Other Mineral Projects - Coriorcco Project*”;

“**Corporate Governance Plan**” means Titan’s corporate governance plan, which is appended hereto as Exhibit 1 – “*Corporate Governance Charter*” to this Appendix “A”;

“**Diversity Policy**” means the written diversity policy adopted by Titan;

“**DOCA**” has the meaning set forth in this Appendix under the heading “*Three Year History - 2016*”;

“**DREM**” has the meaning set forth in this Appendix under the heading “*Description of the Business*”;

“**Dynasty Copper-Gold Belt Project**” has the meaning set forth in this Appendix under the heading “*Risk Factors - Risks Relating to the Combined Entity*”;

“**Dynasty Goldfield Project**” has the meaning set forth in this Appendix under the heading “*Management’s Discussion & Analysis - MD&A for the Year Ended December 31, 2018 - Review of Operations*”;

“**Earn-In Right**” has the meaning set forth in this Appendix under the heading “*Material Contracts*”;

“**EBITDA**” means earnings before interest, tax, depreciation and amortisation;

“**ECL**” has the meaning set forth in this Appendix under the heading “*Management’s Discussion & Analysis - New, Revised or Amending Accounting Standards and Interpretations Adopted*”;

“**Early Repayment Date**” has the meaning set forth in this Appendix under the heading “*Material Contracts*”;

“**EIA**” has the meaning set forth in this Appendix under the heading “*Description of the Business - Vista Plant*”;

“**First Payment Date**” has the meaning set forth in this Appendix under the heading “*Material Contracts*”;

“**GRI**” has the meaning set forth in this Appendix under the heading “*Significant Acquisitions - Andina Resources Ltd*”;

“**IER**” has the meaning set forth in this Appendix under the heading “*Significant Acquisitions - Andina Resources Ltd*”;

“**IFRS**” means International Financial Reporting Standards as issued by the International Accounting Standards Board;

“**INGEMMET**” has the meaning set forth in this Appendix under the heading “*Description of the Business*”;

“**Interest**” has the meaning set forth in this Appendix under the heading “*Material Contracts*”;

“**IVR**” has the meaning set forth in this Appendix under the heading “*Significant Acquisitions - Andina Resources Ltd*”;

“**Joint Venture**” has the meaning set forth in this Appendix under the heading “*Material Contracts*”;

“**JORC Code**” has the meaning set forth in this Appendix under the heading “*Management’s Discussion & Analysis - Critical Accounting Judgments, Assumptions and Key Sources of Estimation Uncertainty*”;

“**Kairos**” means Kairos Capital Peru S.A.C;

“**Las Antas Project**” has the meaning set forth in this Appendix under the heading “*Other Mineral Projects - Las Antas Project*”;



“**Linderos Project**” has the meaning set forth in this Appendix under the heading “*Management’s Discussion & Analysis - MD&A for the Year Ended December 31, 2018 - Review of Operations*”;

“**Loan**” has the meaning set forth in this Appendix under the heading “*Material Contracts*”;

“**Mantle**” means Mantle Mining S.A.C;

“**Marsland Agreement**” has the meaning set forth in this Appendix under the heading “*Material Contracts*”;

“**MD&A**” means management’s discussion and analysis;

“**Merger**” has the meaning set forth in this Appendix under the heading “*Management’s Discussion & Analysis - MD&A for the Year Ended December 31, 2018 - Review of Operations*”;

“**MES**” has the meaning set forth in this Appendix under the heading “*Material Contracts*”;

“**MINAM**” has the meaning set forth in this Appendix under the heading “*Description of the Business*”;

“**MINEM**” has the meaning set forth in this Appendix under the heading “*Description of the Business*”;

“**Mirador**” means M&S Transportes y Servicios Generales S.R.L;

“**Mirador Plant**” has the meaning set forth in this Appendix under the heading “*Management’s Discussion & Analysis - MD&A for the Year Ended December 31, 2018 - Review of Operations*”;

“**Moore Stephens**” has the meaning set forth in this Appendix under the heading “*Significant Acquisitions - Andina Resources Ltd*”;

“**NEO**” means the named executive officers of Titan and “named executive officer” has the meaning ascribed thereto in Form 51-102F6 – Statement of Executive Compensation of the Canadian Securities Administrators;

“**OCI**” has the meaning set forth in this Appendix under the heading “*Management’s Discussion & Analysis - New, Revised or Amending Accounting Standards and Interpretations Adopted*”;

“**Official List**” means the official list of ASX;

“**Option Holder**” has the meaning set forth in this Appendix under the heading “*Description of the Securities Distributed*”;

“**Performance Rights**” means a right to be issued a Titan Share;

“**Performance Rightholder**” has the meaning set forth in this Appendix under the heading “*Description of the Securities Distributed*”;

“**Plan of Arrangement**” means the plan of arrangement to effect the Arrangement and any amendment or variation thereto;

“**Portovelo Plant**” has the meaning set forth in this Appendix under the heading “*Management’s Discussion & Analysis - MD&A for the Year Ended December 31, 2018 - Review of Operations*”;

“**relevant reporting periods**” has the meaning set forth in this Appendix under the heading “*Management’s Discussion & Analysis - General*”;

“**Repayment Date**” has the meaning set forth in this Appendix under the heading “*Material Contracts*”;

“**San Santiago Plant**” has the meaning set forth in this Appendix under the heading “*Three-Year History*”;

“**San Santiago Project**” has the meaning set forth in this Appendix under the heading “*Three-Year History*”;

“**SilverStream**” has the meaning set forth in this Appendix under the heading “*Other Mineral Projects*”;

“**Sixth Anniversary**” has the meaning set forth in this Appendix under the heading “*Material Contracts*”;

“**SNMPE**” has the meaning set forth in this Appendix under the heading “*Description of the Business*”;

“**SSVR**” has the meaning set forth in this Appendix under the heading “*Significant Acquisitions - Andina Resources Ltd*”;

“**Stantons International Audit**” means Stantons International Audit & Consulting Pty Ltd.;

“**Success Fee**” has the meaning set forth in this Appendix under the heading “*Material Contracts*”;

“**Termination Date**” has the meaning set forth in this Appendix under the heading “*Material Contracts*”;

“**Titan**” has the meaning set forth in this Appendix under the heading “*Introduction*”;

“**Titan Board**” means the board of directors of Titan;

“**Titan Director**” means a director of Titan;

“**Titan Option**” means an option to purchase a Titan Share;

“**Titan Shareholders**” means, at any time, the holders of Titan Shares;

“**Titan Shares**” has the meaning set forth in this Appendix under the heading “*Corporate Structure*”;

“**Torrecillas Project**” meaning set forth in this Appendix under the heading “*Other Mineral Project - Torrecillas Project*”;

“**Total Interest Amount**” has the meaning set forth in this Appendix under the heading “*Material Contracts*”;

“**Trinol**” has the meaning set forth in this Appendix under the heading “*Significant Acquisitions - Andina Resources Ltd*”;

“**Tulin Gold**” has the meaning set forth in this Appendix under the heading “*Description of the Business*”;

“**USA**” means the United States of America;

“**Tulin Plant**” has the meaning set forth in this Appendix under the heading “*Description of the Business*”;

“**VEIF**” has the meaning set forth in this Appendix under the heading “*Material Contracts*”;

“**Vista Gold**” has the meaning set forth in this Appendix under the heading “*Executive & Director Compensation*”;

“**Vista Plant**” has the meaning set forth in this Appendix under the heading “*Description of the Business*”;

“**VMVP**” has the meaning set forth in this Appendix under the heading “*Material Contracts*”;

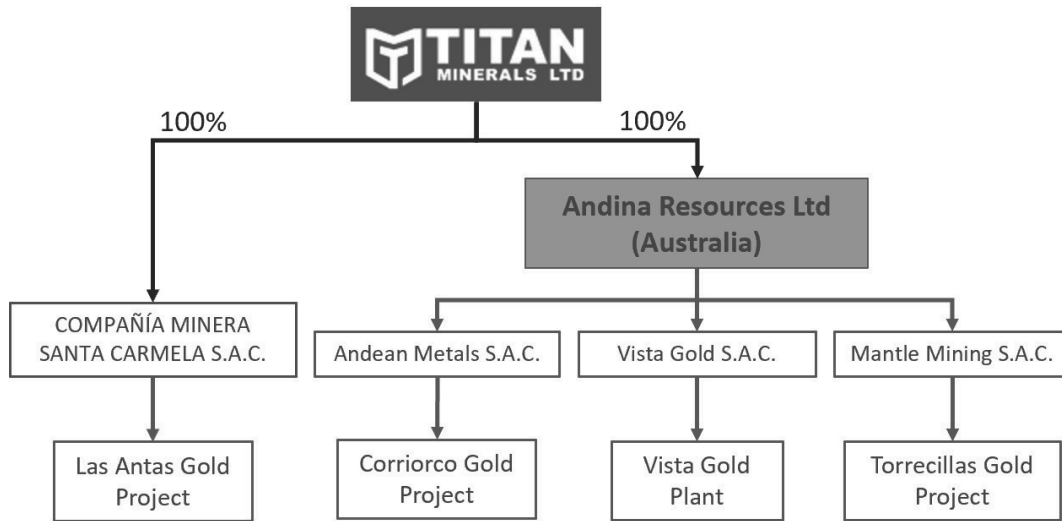
“**Zaruma Project**” has the meaning set forth in this Appendix under the heading “*Management’s Discussion & Analysis - MD&A for the Year Ended December 31, 2018 - Review of Operations*”.

## CORPORATE STRUCTURE

Titan Minerals Limited was incorporated on January 9, 2006 under the Corporations Act and admitted to the official list of the ASX on November 10, 2006 as “Mundo Minerals Limited” following which it changed its name to “Minera Gold Limited” on September 17, 2012 and “Titan Minerals Limited” on June 22, 2017. After a period of suspension from trading, Titan successfully completed a restructure and recapitalisation and was reinstated to trading on the official list of the ASX on October 17, 2017. Titan’s registered office and principal place of business is located at Unit 6, 295 Rokeby Road, Subiaco 6008 Western Australia. Titan’s telephone number is +61 8 6555 2950 and its website address is <https://www.titanminerals.com.au/>.

The closing price of the fully-paid ordinary shares in the capital of Titan (“Titan Shares”) on the ASX on September 27, 2019 was AU\$0.190.

The material subsidiaries controlled by Titan, the jurisdictions of incorporation of those subsidiaries and percentage voting securities held, directly or indirectly, by Titan, are as follows:



*Figure 1 | Titan Minerals Ltd. Company Structure Diagram*

Subsidiary Name	% votes attaching to all voting securities owned/controlled	where subsidiary was incorporated, continued, formed, organized
Andina Resources Ltd.	100%	Australia
Vista Gold S.A.C.	100%	Peru
Andean Metals S.A.C.	100%	Peru
Mantle Mining S.A.C.	100%	Peru
Compañía Minera Santa Carmela S.A.C.	100%	Peru

## DESCRIPTION OF THE BUSINESS

Titan’s principal activities are the operation of a toll treatment business utilising the recently commissioned 100% owned “Vista” gold and silver processing plant located in southern Peru (the “Vista Plant”) together with the undertaking of mineral exploration activities in Peru.

Under the toll treatment business model, Titan purchases high-grade gold-silver bearing material from licensed small-scale miners in the region, processes the material at an operating margin and ultimately exports for sale refined gold and silver product.

A summary of the operational results of Titan for the financial year ended December 31, 2018 (“**2018 Financial Year**”) are as follows:

- processed 13,900 tonnes of mineralised material averaging 17 g/t gold;
- produced 6,957 oz of gold and 8600 oz silver totaling US\$8,922,000 in metal sales with an average realised gold price of US\$1,264 per oz; and
- achieved revenue of AU\$5,802,384 (applicable to Titan for the portion of the 2018 Financial Year that included Andina Resources Ltd. (“**Andina**”) following its acquisition - refer below).

In the 2018 Financial Year, Titan incurred a loss of AU\$7,810,308 (following profit, in the preceding financial year, of AU\$12,433,017) where prior to commissioning the Vista Plant, Titan operated the Tulin Gold SAC (“**Tulin Gold**”) gold treatment plant in southern Peru (the “**Tulin Plant**”), however, since December 2018, Titan has ceased processing ore operations at the Tulin Plant.

In 2019, Titan disposed of Tulin Gold, which held the right to operate the Tulin Plant for a nominal consideration of US\$1 to an arm’s-length party, Mr. Gian Luna, a citizen of Peru. Titan has received Peruvian legal advice to the effect that even if there were any liabilities associated with Tulin Gold, those liabilities and assets passed to Tulin Gold’s new owner upon the sale of Tulin Gold. Neither Andina (the former immediate holding company of Tulin Gold) or Titan are responsible for any liabilities associated with Tulin Gold (including environmental liabilities), as a matter of Peruvian law.

Titan commenced operations at the Vista gold treatment plant in southern Peru (“**Vista Plant**”) in late May 2019 following the grant of a final operator’s permit (“**Concession of Benefit**”) from the Direccion Regional De Energia Y Minas (The Regional Energy and Mines Department, or “**DREM**”) the plant commenced processing gold bearing material stockpiled at the plant at a targeted start-up rate of 80tpd and the Vista Plant has realised gross sales of gold totalling 1,962 ounces in the quarter ending June 30, 2019. A summary of the operational results of Titan for the half-year ended June 30, which is comprised of commissioning and final permitting of the Vista Plant through May and commercial operations through the calendar month of June are as follows:

- processed 4,400 tonnes of mineralised material averaging 18.4g/t gold; and
- produced 1,962 oz of gold and 4,930 oz silver totaling US\$2,602,000 in metal sales with an average realised gold price of US\$1,301

Titan also has interests in several early stage mineral exploration concessions in southern Peru located within 200 km of the Vista Plant with a focus on advancing its development strategy for the gold treatment arm of its business focused in the Southern Peru region within the highly prospective Andean Terrane. The loss from continuing operations of Titan for the half-year ended June 30, 2019 amounted to \$3,102,781 (June 30, 2018: loss of \$1,996,479). Titan continues to operate the Vista Plant.

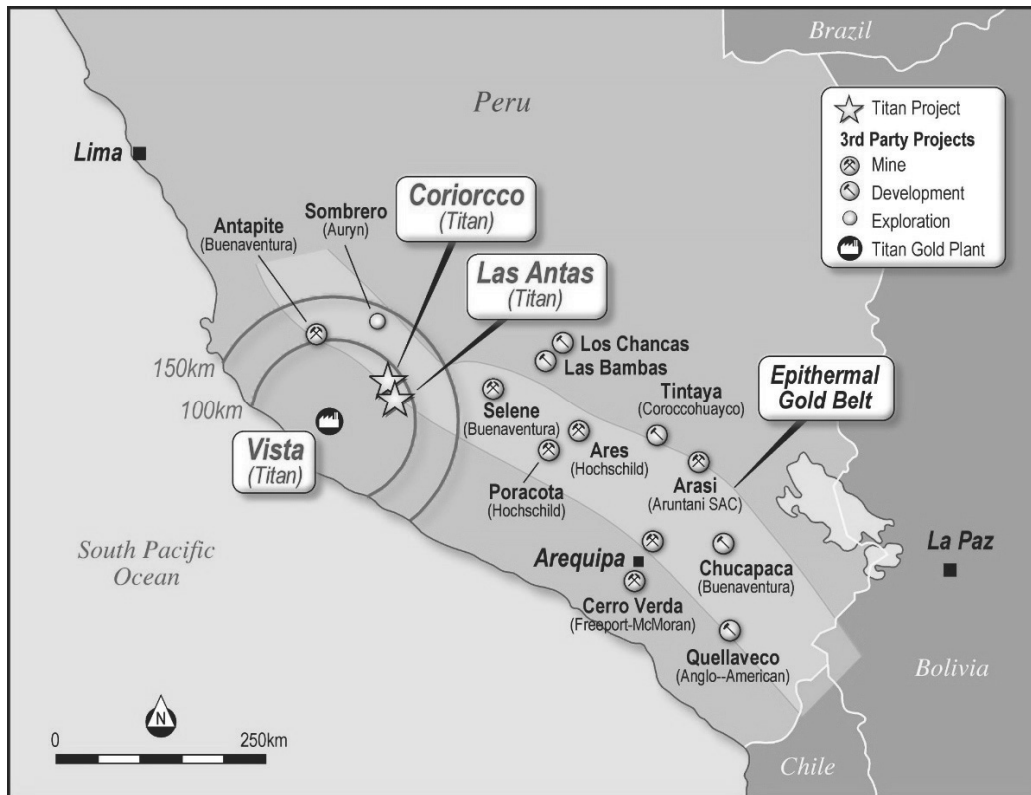


Figure 2 | Location of Titan's wholly owned Vista Plant and location of other gold exploration targets in Southern Peru.

In undertaking toll treatment operations at the Vista Plant and mineral exploration activities in respect of its mineral concessions, Titan's sole business focus is on its operations in Peru. Titan employs three full time corporate employees in Australia together with a workforce of 60 to 70 full time Peruvian employees, including one in-country expatriate technical staff member. In addition, following the completion of the acquisition of Andina in September 2018 ("**Andina Acquisition**"), Titan gained an experienced management team comprised of personnel with a strong history, knowledge and reputation for the acquisition of mineralised materials from licenced small scale miners in Peru (having regard to the competitive landscape in Peru whereby a number of both public and listed entities in Peru are focused on processing mined material, including gold and silver, for export and sale).

## ABOUT PERU

Peru is a country with a rich mining history and is an attractive and competitive jurisdiction for mining investment. Peru was the largest gold producer, and 2<sup>nd</sup> largest silver producer in Latin America, from 2014 through 2017, and, according to the National Society for Mining, Petroleum and Energy ("**SNMPE**"), 151 metric tonnes of gold were mined in Peru in 2017, with over 21% of the gold produced (32 tonnes) generated from the Arequipa and Ayacucho regions in Peru's south.

Natural resources within Peru are owned by the Peruvian state, which has sovereignty on the use and deployment of such resources and the general mining law of Peru regulates a system based on mining concessions. The Ministry of Energy and Mines ("**MINEM**") is the main government body that administers the mining industry in Peru. Other relevant government bodies include the Geological, Mining and Metallurgical Institute ("**INGEMMET**") and the Ministry of the Environment ("**MINAM**"). Mining concession rights are granted on a "first come, first served" basis in Peru and any person or entity is entitled to apply to INGEMMET for a mining concession right. These rights are independent from surface and real estate property rights located over such concessions.

Holders of mining concessions retain the right to both perform exploration and conduct mining activities, so there is no requirement to convert licences based on activities undertaken. Mining concessions are irrevocable subject to all legal obligations being met, with no minimum expenditure requirements imposed. The primary obligation to retain concessions in good standing is payment of annual validity fees calculated on the concession area basis and paid on an annual basis to INGEMMET. Further to the validity fees, there is a minimum annual production threshold after

10 years from when the concession is granted and failure to maintain the production threshold will result in a penalty fee each year up to the 30<sup>th</sup> anniversary of the date when the concession was granted, after which time if the minimum annual production threshold cannot be met, the mining concession will expire.

## VISTA PLANT

The Vista Plant is located approximately 470 km south of Lima in the Ica Province of the Nasca region of southern Peru. With a nameplate capacity of 150 tonnes per day, the Vista Plant commenced operations in late May 2019 following the grant of the final operator's permit ("**Concession of Benefit**" / Concesión de Beneficio) from the Dirección Regional De Energía Y Minas (The Regional Energy and Mines Department, or "**DREM**"). The Vista Plant is currently permitted for up to 350 tonnes per day operational throughput.

The Vista Plant commenced processing gold bearing material stockpiled at the plant and achieved gold sales totalling 1,962 ounces by the end of its first full month of production and achieved an average throughput of 77 tonnes per day. The Vista Plant can generate up to 90 ounces of gold per day based on monthly average grades ranging from 17.5 g/t to 24.4 g/t gold at the current nameplate capacity of 150 tonnes per day. In the medium to long term, Titan's integrated process and exploration team intends to provide additional growth to the Vista Plant's production profile by leveraging on Titan's presence and landholding within the greater than 100 km long Nazca–Ocoña metallogenic belt to define significant mineral resources for Titan. The Vista Plant has been both permitted and designed to increase its capacity to 350 tonnes per day with minimal capital outlay and is readily upgradeable when warranted by supply.

Titan successfully accelerated the construction phase of the Vista Plant at the end of 2018 following the Andina Acquisition and benefited strongly from previous site development and permitting work completed by Andina. Titan presently maintains the experienced gold processing and plant development team that Andina has established over the years of its operations in Peru. This team now operates the Vista Plant for Titan, bringing a depth of processing knowledge, accompanied with a favourable reputation and position to acquire mineralised material in the region. The Vista Plant's production profile in the short term is expected to continue to grow through acquisition of high grade gold-silver bearing material from licensed small-scale miners in the region.

## OTHER MINERAL PROJECTS

### CORIORCCO PROJECT

The Coriorcco gold project, which is adjacent to the Las Antas Project, is an early stage exploration project located in the Lucana Province of the Ayacucho region of southern Peru ("**Coriorcco Project**"). Accessible by paved road to within 5 km of the Coriorcco Project, the Coriorcco Project is located 80 km east of Peru's prominent Pan American highway. The Coriorcco Project covers 2,000 ha across two mineral concessions located in the San Cristóbal district at elevations of 3,900 to 4,100 m above sea level. Titan holds a 100% interest in the Coriorcco Project, subject to a cession agreement with the underlying owner, whereby Titan holds an exclusive right to explore and develop the Coriorcco Project subject to a tribute payment to the underlying owner for materials mined for processing of gold at the Coriorcco Project on a per tonnage basis (refer to the "*Material Contracts*" section for further details).

The Coriorcco Project is one of a number of zones within the San Juan de Lucanas mining district with outcropping quartz vein hosted gold and silver mineralisation, and is host to underground artisanal workings on two of the sixteen quartz veins mapped in the preferred andesitic host rocks forming a dome structure within the highly prospective district.

Titan is currently progressing environmental permitting authorisation to commence a maiden drilling program on targets defined from historical surface geochemistry. Titan anticipates such work to be completed in the fourth quarter of 2019 with the objective of identifying sub-surface mineralisation from drill testing in 2020 that could merit continued exploration for potential resource delineation and estimation work.

The Coriorcco Project has no current mineral resource or reserve estimation completed on the project and no relevant mineral processing or metallurgical testing has been completed. Exploration targeting on the project remains conceptual in nature with no exploration activity completed on the project to date.

## LAS ANTAS PROJECT

The Las Antas gold project, which is adjacent to the Coriorcco Project, is an early stage exploration project located in the Lucana Province of the Ayacucho region of southern Peru (“**Las Antas Project**”). Accessible by paved road to within 8 km of the project, the Las Antas Project is located 80 km east of Peru’s prominent Pan American highway, and can be accessed by driving 408 km south of Lima on the Pan American highway, followed by a 100 km drive east on the Interoceanic highway towards the city of Puquio and a further 8 km drive along a dirt road off the Interoceanic highway. The Las Antas Project covers 2,000ha across two mineral concessions located in the San Cristóbal district at elevations of 3,900 to 4,100 m above sea level. Titan holds an exclusive option to acquire up to an 85% interest in the Las Antas Project (refer to the “*Material Contracts*” section for further details).

The local mining district contains multiple high-grade gold and silver veins located proximal to key prospects within the Las Antas Project. Titan considers the Las Antas Project to be an important step towards Titan’s objective of generating multiple opportunities with potential to provide high-grade gold ore feed to the Vista Plant.

Titan is currently progressing environmental permitting authorisation to commence a maiden drilling program on targets defined from historical surface geochemistry and geophysical survey work. With the objective of identifying sub-surface mineralisation from planned drill testing in 2020 that could merit continued exploration for potential resource delineation and estimation work.

The Las Antas Project has no current mineral resource or reserve estimation completed on the project and no relevant mineral processing or metallurgical testing has been completed. Exploration targeting on the project remains conceptual in nature with no exploration activity completed on the project to date.

## TORRECILLAS PROJECT

The Torrecillas gold project is an early stage exploration project situated in the Caraveli Province of the Arequipa Region of Peru (“**Torrecillas Project**”). The Torrecillas Project can be accessed by driving 617 km south from Lima on the prominent PanAmerican highway to the city of Chala, then driving 50 km east on an unimproved gravel road. The project covers 7,000 ha across 14 mineral concessions located in the Chaparra and Quichacha districts at elevations of 2,500 to 3,200 m above sea level. Titan holds a 100% interest over the Torrecillas Project and the Torrecillas Project remains subject to streaming agreements (refer to the “*Material Contracts*” section for further details).

Titan completed a detailed mapping and surface geochemical sampling campaign, in 2018, which yielded a revised structural interpretation for the area and identified several new, early stage vein targets and vein extensions for potential follow-up drilling. The targets will be assessed and ranked against other targets generated in 2019 acquisition work and an update to any planned work for the Torrecillas Project will follow.

Historical activity included production from quartz veins within the Torrecillas Project area by previous operators, where reported historical exploitation totalling 12,165 tonnes averaging 30.9 g/t gold yielded an estimated 12,300 ounces of gold produced from 2001 through 2006. The Torrecillas Project was acquired by Titan (then known as “Minera Gold Limited”) in 2008 and further developed and mined from 2009 to 2010 extracting 19,737 tonnes averaging 18.1 g/t gold over a two-year period. Titan (then known as “Minera Gold Limited”) continued small scale underground extraction of the main Torrecillas vein structures and trial mining of surrounding narrow vein sets through to scale back of operations and ceased mining in 2014.

The Torrecillas Project lies within the Pisco-Chala structural domain in a corridor between two regional-scale northwest striking fault structures known as the Nazca Ocoña metallogenic belt, within the northern-most mineral concessions of the Torrecillas Project crossing over the eastern structure and into the Western Cordillera domain.

Locally, the Torrecillas Project is located within the Bella Union Complex, on the edge of a large tonalite-granodiorite pluton that forms part of the larger Coastal Batholith. The Bella Union Complex formed during the Cretaceous and subsequently suffered many cycles of deformation and intrusions, resulting in widespread hydrothermal and low-grade metamorphism. Mineralisation within the project area, similarly to the whole of the >100 km long Nazca-Ocoña metallogenic belt, occurs as mesothermal quartz vein systems where gold primarily occurs as free grains associated with pyrite and/or chalcopyrite. The veins are typically relatively thin (>10 g/t Au) and in localised zones can be extremely high grade (>30 g/t Au).

The Torrecillas Project has no current mineral resource or reserve estimation completed on the project and no relevant mineral processing or metallurgical testing has been completed. Exploration targeting on the project remains conceptual in nature with only early stage reconnaissance work completed on the project in the past three years.

Titan is in advanced negotiations with Silverstream SECZ (“**Silverstream**”) with respect to the sale of a royalty on two of Titan’s concessions to Silverstream for US\$1,000,000 and payments of US\$500,000 currently in arrears and an early payment of US\$500,000 under the existing streaming agreement between Titan’s subsidiary Mantle Mining SAC and Silverstream over the Torrecillas concessions. These proposed arrangements remain subject to completion of negotiations and the execution of formal documents. As is natural of all business negotiations prior to completion, there can be no certainty that any binding agreement or agreements will be reached, or that any concluding arrangement will eventuate.

### **THREE YEAR HISTORY**

Titan was incorporated on January 9, 2006 and, since the completion of the Andina Acquisition, Titan’s focus, in addition to the undertaking of mineral exploration activities in Peru, has been the operation of the Tulin Plant and the permitting, construction and commissioning of the Vista Plant.

The following is a summary of Titan’s operations over the three most recent financial years.

#### **2016**

On August 25, 2015, Titan (then known as “Minera Gold Limited”) was placed into voluntary administration and on June 30, 2016, Titan entered into a deed of company arrangement pursuant to Part 5.3A of the *Corporations Act* (“**DOCA**”) which provided for, amongst other things, the release and extinguishment of various liabilities and a restructure and recapitalisation (which included AU\$6,000,000 capital raising).

On August 9, 2016, Titan announced the appointment of Mr. Nicholas Rowley as a Titan Director.

#### **2017**

On February 7, 2017, Titan announced the appointment of Mr. Matthew Carr as a Titan Director.

On August 14, 2017, Titan announced the appointment of Mr. Robert Skalor and Mr. Cameron Henry as Titan Directors. On August 17, 2017, Mr. Carr was appointed as Executive Chairman of Titan.

On October 4, 2017, Titan completed the restructure and recapitalisation pursuant to the DOCA, issued the securities in respect to the AU\$6,000,000 capital raising and the DOCA was fully effectuated. Accordingly, Titan exited external administration and control of Titan passed to the new Titan Directors, being Messrs Carr, Rowley, Henry and Skalor.

On October 17, 2017, Titan Shares were reinstated to official quotation on the ASX.

On November 14, 2017, Titan announced that it was undertaking a review of the historical exploration data for the high-grade mineralisation at its 100% owned San Santiago project situated in the Cobrepampa Province of the Acari Region of Peru (“**San Santiago Project**”). On November 21, 2017, Titan announced that it had received an independent review of the San Santiago Project that made a number of recommendations around increasing the facilities throughput to allow for a significant increase of copper and gold production. The Cu-Au processing plant located on the mineral concessions comprising the San Santiago Project (the “**San Santiago Plant**”) was subsequently placed in care and maintenance program from December 2017.

On December 4, 2017, Titan announced that it had undertaken a detailed review of the historical exploration data for the Torrecillas Project.



## 2018

On March 26, 2018, Titan entered into a bid implementation agreement with Andina, pursuant to which Titan would acquire all of the issued capital in Andina via an off-market takeover bid under the *Corporations Act* with Andina shareholders receiving one Titan Share for every 1.18 Andina shares held.

On April 17, 2018, Titan executed a binding heads of agreement to acquire Peruvian companies Kairos Capital Peru S.A.C (“**Kairos**”) and M&S Transportes y Servicios Generales S.R.L (“**Mirador**”). Major assets held by Kairos and Mirador include the 100% owned Mirador processing plant located in Chimbote, Peru and six 100% owned mineral concessions. Titan subsequently announced, in September 2018, that it had elected not to proceed with the acquisition of Mirador and Kairos and that it would not be acquiring the Mirador processing plant.

On May 22, 2018, Titan announced a capital raising of approximately AU\$11,000,000 via the issue of 366,666,666 Titan Shares at AU\$0.03 per Titan Share (on a pre consolidation basis) to institutional and sophisticated investors. The Titan Shares were issued in May and July 2018.

On June 28, 2018, Titan announced that it had appointed Mr. Travis Schwertfeger to the role of Chief Operations Officer and Group Geologist for Titan.

On July 12, 2018, Titan announced that it had completed reconnaissance mapping and channel sampling on the Torrecillas concessions. Results of the exploration campaign included discoveries of multiple gold-bearing vein sets sub-cropping on the property and provided additional information across a number of outcropping early-stage prospects with high-grade gold showings at surface within Titan’s significant land holding on the >100 km long Nazca-Ocoña metallogenic belt in Southern Peru. Previous exploration and mining on the Torrecillas concessions highlighted multiple targets with high-grade resource potential within the project area.

On September 12, 2018, Titan had agreed to non-binding indicative terms with Management Environmental Solutions S.A, a privately held Peruvian company, to acquire up to an 85% ownership interest in the Las Antas Project.

On September 27, 2018 Titan completed the Andina Acquisition.

In December 2018, Titan ceased operations at the Tulin Plant.

## EVENTS SUBSEQUENT TO DECEMBER 31, 2018

On January 9, 2018, Titan announced that it had received the requisite environmental permitting approval for the Vista Plant and mill located in Southern Peru. With environmental approval received from the DREM, the Vista Plant proceeded to physical inspection of the fully operating plant by the DREM for the issue of an operator’s permit.

On January 14, 2019, Titan executed a binding agreement pursuant to which Titan was granted an exclusive option to acquire up to an 85% ownership interest in the Las Antas Project (refer to the “*Material Contracts*” section for further details).

On January 17, 2019, Titan announced the appointment of an exploration geologist, Mr. Sam Pierce for a period of 12 months.

On February 25, 2019, Titan announced the intention to proceed with Core Acquisition. On the same date, Titan advised that prior to completion of the Arrangement Agreement, Titan intended to, subject to shareholder approval, undertake a 10:1 share consolidation. On the March 12, 2019, Titan and Core entered into an Amending Agreement to amend the Arrangement Agreement.

On March 25, 2019, Titan announced that it had completed the Core Private Placement. In addition, Titan had also entered into a US\$3,000,000 secured debt facility with various third party financiers to fund its purchase of Core Shares under the Core Private Placement.

On April 23, 2019, Titan executed a binding agreement to acquire the exclusive right to hold title and operate a 100% interest in the Coriorcco Project.

On May 9, 2019, Titan responded to an ASX query in relation to whether the Titan's full year statutory accounts for the full year ended December 31, 2018 complied with relevant accounting standards and gave a true and fair view of Titan's financial performance and position.

On May 14, 2019, Titan announced that the management information circular of Core in relation to the acquisition of Core by Titan has been sent to Core Shareholders on May 13, 2019.

On May 24, 2019, Titan announced that 45.69% of all issued and outstanding Core Shares had been voted with 94.91% of the votes of all the votes being cast for the acquisition.

On May 27, 2019, Titan announced that the Vista Plant received its final permit from DREM to commence commercial production. With the receipt of the operator's permit, the Vista Plant is fully permitted and licensed to commence commercial production, with a nameplate capacity of 150 tonnes per day.

On June 4, 2019, Titan announced that it has received firm commitments to raise gross proceeds of approximately AU\$20 million via the issue of 1,333,333,333 new fully paid Titan Shares (on a pre-consolidation basis) at an issue price of AU\$.015.

On June 4, 2019, Titan announced a 10 for 1 consolidation of Titan Shares resulting in there being 256,370,607 issued and outstanding Titan Shares as of the date thereof.

On June 12, 2019, Titan announced that the Core securityholders voted in favour of Titan's proposed acquisition of all the issued and outstanding Core Shares by Titan pursuant to the Arrangement Agreement.

On June 13, 2019, Titan released a statement responding to the allegations made by Mr. Piggott in relation to the previous Plan of Arrangement proposal with Core.

On June 19, 2019, Titan announced that the final court hearing in respect of the proposed acquisition of all the issued and outstanding Core Shares was expected to take place on Tuesday, June 25, 2019, in Vancouver, British Columbia.

On July 5, 2019, Titan announced that on July 4, 2019, the British Columbia Supreme Court issued its decision in which it declined to approve Core's proposed transaction with Titan because given the conflicting evidence before the judge and the limited time for the hearing, the judge could not satisfy himself that Core had met its burden of proof establishing that the transaction was fair and reasonable.

On July 5, 2019, Titan requested that trading in securities of Titan be suspended from the commencement of trading on July 5, 2019.

On July 15, 2019, Titan announced the appointment of Mr. Laurence Marsland as Managing Director and CEO, and Mr. Michael Hardy as Non-Executive Chairman of the Titan Board. Mr. Cameron Henry and Mr. Robert Scakor both resigned from the Titan Board. Mr. Matthew Carr continued in the role of an Executive Director.

On July 19, 2019, Titan announced that following the decision of the British Columbia Supreme Court on July 4, 2019, in respect to the proposed acquisition of all the issued and Core Shares by Titan, the parties agreed to terminate the Arrangement Agreement.

On July 19, 2019, Titan announced a request for further voluntary suspension from trading on the ASX.

On August 5, 2019, Titan announced that it has received firm commitments for a placement of approximately 40 million new Titan Shares at an issue price of AU\$0.15 per share to investors to raise approximately AU\$6 million.

On August 7, 2019, Titan announced a new issue of 40,196,080 fully paid Titan Shares at AU\$0.15 per Titan Share.

On August 21, 2019, in connection with Titan's acquisition of the Core Debt, Core announced that Core and the former holder Core Debt agreed to amend the Core Debt and bring it current on the following terms: (i) the maturity date of the Promissory Notes was to be changed from March 31, 2019 to March 31, 2021; (ii) the maturity date of the Convertible Notes was to be changed from March 31, 2019 to March 31, 2020; (iii) the conversion price of the Convertible Notes would be reduced from \$0.30 per share to \$0.18 per share; and (iv) certain restrictions on the transfer of the Promissory Notes would be removed. Such amendments were approved by the TSXV on September 11, 2019 and subsequently rescinded as a result of the TSXV not being aware that the Core Debt had been acquired by Titan. As a result of the rescission of the approval, the Core Debt reverted to its original terms, pursuant to which the Core Debt was due March 31, 2019, and the Convertible Notes became debt obligation with no conversion features. Titan understands that Core has reapplied to the TSXV to amend the Core Debt on the same terms as described above, which amendments are subject to TSXV approval. Titan has acquired the Core Debt with a long-term view to the value of the Core business and assets

On August 28, 2019, Titan announced an extension to the voluntary suspension in reference to the voluntary suspension granted on July 19, 2019.

On August 28, 2019, Titan announced the issuance of 1,500,000 Performance Rights.

On September 13, 2019, the Titan Board agreed to relinquish Titan's operating rights to the San Santiago Plant.

On September 16, 2019, Titan announced that: (i) it had provided notice to the lenders of its secured debt of US\$3,000,000 to extend the repayment date to December 2019; (ii) it had determined to relinquish its right to operate the San Santiago Plant and will seek to dispose of, or relinquish, its two remaining tenements in the San Santiago Project; (iii) it had disposed of Tulin Gold, which held the right to operate the Tulin Plant, for a nominal consideration of US\$1 to an arm's length third party; and (iv) it was in advanced negotiations with SilverStream with respect to the sale of a royalty on two of Titan's concessions to Silverstream for US\$1,000,000 and payments of US\$500,000 currently in arrears and an early payment of US\$500,000 under the existing streaming agreement between Titan's subsidiary Mantle Mining SAC and Silverstream over the Torrecillas concessions.

On September 16, 2019, Titan announced its intention to make the Offer.

## **DIVIDENDS OR DISTRIBUTIONS**

Titan has not declared or paid any dividends on the Titan Shares for each of the three most recently completed financial years and its current financial year. A dividend policy has not been adopted by the Titan Board. While there are no restrictions precluding Titan from paying dividends, Titan anticipates using all available cash resources to advance its stated business objectives. At present, Titan's policy is to retain earnings, if any, to finance its business operations. The Titan Board will determine if and when dividends should be declared and paid in the future based on Titan's financial position at the relevant time. Unless Titan commences the payment of dividends, holders of Titan Shares will not be able to receive a return on their Titan Shares unless they sell them. See "*Risk Factors*" of this Appendix "A".

## **DESCRIPTION OF THE SECURITIES DISTRIBUTED**

### **TITAN SHARES**

The share capital of Titan is divided into Titan Shares. Titan Shares have no par value and Titan has an unlimited authorized capital. As of the date hereof, there were 296,566,718 Titan Shares issued and outstanding.

On June 4, 2019, Titan consolidated the Titan Shares on a 10 to 1 basis. Any reference to Titan Shares in this Appendix "A" is expressed on a post-consolidation basis unless stated otherwise.

All of Titan Shares rank equally as to voting rights, participation in a distribution of the assets of Titan on a liquidation, dissolution or winding-up of Titan and entitlement to any dividends declared by Titan. Titan Directors alone may declare a dividend to be paid to shareholders. Any dividend is payable at a time determined in the Titan Directors' discretion. No dividend may be declared or paid except as allowed by the *Corporations Act*. No interest is

payable in respect of unpaid dividends. The holders of Titan Shares are entitled to receive notice of, and to attend and vote at, all general meetings of shareholders of Titan. Each Titan Share carries the right to one vote. In the event of the liquidation, dissolution or winding-up of Titan or any other distribution of the assets of Titan among its shareholders for the purpose of winding-up its affairs, the holders of Titan Shares will be entitled to receive, on a pro rata basis, all of the assets remaining after the payment by Titan of all of its liabilities. The holders of Titan Shares are entitled to receive dividends as and when declared by Titan Board in respect of the Titan Shares on a pro rata basis.

There are no pre-emptive rights, conversion or exchange rights, redemption, retraction, purchase for cancellation or surrender provisions, sinking or purchase fund provisions, provisions permitting or restricting the issuance of additional securities and any other material restrictions, and provisions requiring a securityholder to contribute additional capital in respect of existing Titan Shares on issue.

Whenever the capital of Titan is divided into different classes of shares, the rights attached to any class of share may be altered with the sanction of a special resolution passed at a general meeting and a separate general meeting of the holders of the shares of that class, or with the written consent of the holders of at least three quarters of the shares of that class.

Titan Shares are currently listed on the ASX under the symbol “TTM”.

## TITAN OPTIONS

As of the date hereof, there were a total of 4,500,000 Titan Options issued and outstanding, as set out below:

Grant Date	Number of Titan Options	Exercise Price	Expiry Date
10/08/2018	1,200,000	AU\$0.50	July 1, 2021
10/08/2018	1,500,000	AU\$0.60	July 1, 2021
10/08/2018	1,800,000	AU\$0.70	July 1, 2021

A holder of a Titan Option (an “**Option Holder**”) is not entitled to voting rights, participation rights or any entitlements. Each Titan Option is convertible into one Titan Share upon the Option Holder paying the exercise price. Each Titan Option is exercisable at any time on and from the date that is one year from the date of issue and prior to the expiry date, after which time any unexercised Titan Options will automatically lapse. Each Titan Share issued upon exercise of a Titan Option will rank equally with and confer rights identical with all other Titan Shares, and the Titan Shares will be listed on the ASX. Titan Shares issued on exercise of the Titan Options would be free from all encumbrances, securities and third-party interests and freely tradeable. If there is any reconstruction of the issued share capital of Titan, the rights of the Option Holder may be varied to comply with the ASX Listing Rules that apply to the reconstruction at the time of the reconstruction. Unless otherwise determined by the Titan Board, the Titan Options are non-transferable.

## PERFORMANCE RIGHTS

As of the date hereof, there were a total of 9,550,000 Performance Rights issued and outstanding, as follows:

Grant Date	No. of Performance Rights Granted	Vesting Date and Exercisable Date	Expiry Date	Exercise Price	Description
29/12/2017	2,450,000	Class A Milestone <sup>1</sup>	29/12/2019	Nil	Class A Performance Rights
29/12/2017	2,712,500	Class B Milestone <sup>2</sup>	29/12/2019	Nil	Class B Performance Rights
29/12/2017	2,887,500	Class C Milestone <sup>3</sup>	29/12/2019	Nil	Class C Performance Rights
28/08/2019	500,000	Class D Milestone <sup>4</sup>	28/08/2021	Nil	Class D Performance Rights
28/08/2019	500,000	Class E Milestone <sup>5</sup>	28/08/2021	Nil	Class E Performance Rights
28/08/2019	500,000	Class F Milestone <sup>6</sup>	28/08/2021	Nil	Class F Performance Rights

**Notes:**

1. Class A Milestone means Titan Shares achieving a daily VWAP of greater than AU\$0.50 for a period of 10 consecutive Trading Days.
2. Class B Milestone means Titan Shares achieving a daily VWAP of greater than AU\$0.60 for a period of 10 consecutive Trading Days.
3. Class C Milestone means Titan Shares achieving a daily VWAP of greater than AU\$0.70 for a period of 10 consecutive Trading Days.
4. Class D Milestone means Titan Shares achieving a daily VWAP of greater than AU\$0.50 for a period of 10 consecutive Trading Days.
5. Class E Milestone means Titan Shares achieving a daily VWAP of greater than AU\$0.60 for a period of 10 consecutive Trading Days.
6. Class F Milestone means Titan Shares achieving a daily VWAP of greater than AU\$0.70 for a period of 10 consecutive Trading Days.

A holder of a Performance Right (a “**Performance Rightholder**”) is not entitled to any dividends, voting rights, participation rights or any entitlements. Each Performance Right expires two years from the date of issuance. Titan is entitled to issue the Performance Rights in various classes including Class A Performance Rights, Class B Performance Rights Class C Performance Rights, Class D Performance Rights, Class E Performance Rights and/or Class F Performance Rights, as the context requires depending on certain prescribed milestones of Titan. Each Performance Right, regardless of class, is convertible into one Titan Share at no additional consideration, subject to applicable laws. Upon expiry, each Performance Right converts into one Titan Share. Each Titan Share issued upon conversion of a Performance Right will rank equally with and confer rights identical with all other Titan Shares, and the Titan Shares so converted will be listed on the ASX. Titan Shares issued on conversion of the Performance Right would be free from all encumbrances, securities and third party interests and freely tradeable. Each Performance Right, whether unvested or vested, will lapse and be automatically cancelled if the Performance Rightholder’s employment with Titan or its subsidiaries is terminated. If Titan is wound-up prior to the conversion of all of the Performance Rights into Titan Shares, the Performance Rightholders have no right to any payments in cash nor any right to participate in surplus assets or profits of Titan. The terms of the Performance Rights include specific provisions dealing with instances of conversion that would contravene section 606 of the *Corporations Act*. The Performance Rights are not transferable.

### CONSOLIDATED CAPITALIZATION

The following table sets out the consolidated capitalization of Titan as at December 31, 2018.

	As at December 31, 2018 (AU\$)
Share Capital	\$64,528,945
Accumulated Losses	\$100,386,685
Reserves	\$4,102,586
Total Equity	\$20,841,695
Current Liabilities	\$2,491,837
Non-Current Liabilities	\$3,661,329
Total Liabilities	\$6,153,166
Total Capitalization	\$26,994,861

### OPTIONS TO PURCHASE SECURITIES

As of the date hereof, the following is a summary of the outstanding Titan Options and Performance Rights.

Class of Titan Options and Titan Performance Rights	Number of Titan Options/ Titan Performance Rights Granted	Exercise Price (AU\$/Titan Share)	Grant Date	Expiry Date
Unquoted Options <sup>1</sup>	1,200,000	\$0.50	20/08/2018	July 1, 2021
Unquoted Options <sup>2</sup>	1,500,000	\$0.60	20/08/2018	July 1, 2021
Unquoted Options <sup>3</sup>	1,800,000	\$0.70	20/08/2018	July 1, 2021
Class A Performance Rights <sup>4</sup>	2,450,000	N/A	29/12/2017	2 years from date of issue
Class B Performance Rights <sup>5</sup>	2,712,500	N/A	29/12/2017	2 years from date of issue
Class C Performance Rights <sup>6</sup>	2,887,500	N/A	29/12/2017	2 years from date of issue
Class D Performance Rights <sup>7</sup>	500,000	N/A	28/08/2019	2 years from date of issue
Class E Performance Rights <sup>8</sup>	500,000	N/A	28/08/2019	2 years from date of issue
Class F Performance Rights <sup>9</sup>	500,000	N/A	28/08/2019	2 years from date of issue
Total - All Titan Options and Titan Performance Rights	14,050,000	N/A (various)	N/A (various)	N/A (various)

**Notes:**

- As at September 24, 2019, the total aggregated value of the options exercisable at AU\$0.50 each on or before July 1, 2021 was AU\$83,011.
- As at September 24, 2019, the total aggregated value of the options exercisable at AU\$0.60 each on or before July 1, 2021 was AU\$59,214.
- As at September 24, 2019, the total aggregated value of the options exercisable at AU\$0.70 each on or before July 1, 2021 was AU\$61,212.
- As at June 30, 2019, the total aggregated value of the Class A Performance Rights was AU\$420,383.
- As at June 30, 2019, the total aggregated value of the Class B Performance Rights was AU\$465,425.
- As at June 30, 2019, the total aggregated value of the Class C Performance Rights was nil.
- As at June 30, 2019 the total aggregated value of the Class D Performance Rights was AU\$1,060.
- As at June 30, 2019 the total aggregated value of the Class E Performance Rights was AU\$636.
- As at June 30, 2019 the total aggregated value of the Class F Performance Rights was AU\$424.

A further breakdown of these securities is provided under relevant categories below. It is noted that no executives or other employees hold Titan Options in Titan.

### DIRECTORS

As of the date hereof, the following Performance Rights are held by the Titan Directors (in aggregate).

Performance Rights	Performance Rights Granted	Exercise Price (AU\$/Titan Share)	Grant Date	Expiry Date
Class A Performance Rights	1,750,000	N/A	29/12/2017	2 years from date of issue
Class B Performance Rights	1,937,500	N/A	29/12/2017	2 years from date of issue
Class C Performance Rights	2,062,500	N/A	29/12/2017	2 years from date of issue

#### ALL CONSULTANTS

As of the date hereof, the following Titan securities are held by consultants of Titan (in aggregate).

Holder of Titan Options	Titan Securities Granted	Exercise Price (AU\$/Titan Share)	Grant Date	Expiry Date
Unquoted Options <sup>1</sup>	1,200,000	\$0.50	20/08/2018	July 1, 2021
Unquoted Options <sup>2</sup>	1,500,000	\$0.60	20/08/2018	July 1, 2021
Unquoted Options <sup>3</sup>	1,800,000	\$0.70	20/08/2018	July 1, 2021

**Notes:**

- Options are exercisable at AU\$0.50 each on or before July 1, 2021
- Options are exercisable at AU\$0.60 each on or before July 1, 2021
- Options are exercisable at AU\$0.70 each on or before July 1, 2021

Upon completion of the Offer: (i) 9,920,000 Titan Shares will be issued to third parties for the provision of consultancy and advisory services to Titan in respect to the Offer; and (ii) Titan may, at Titan's election, pay up to 50% of the Success Fee to Bacchus in Titan Shares (refer to the “*Material Contracts*” section for further details).

#### PRIOR SALES

The following table sets out the number of Titan Shares, and securities that are convertible into Titan Shares, issued by Titan during the 12-month period preceding the date of the Circular.

Issue/Exercise Price	Number of Securities Issued/Granted	Date of Issuance/Grant
Nil <sup>1</sup>	1,639,240 Titan Shares	September 26, 2018
Nil	1,500,000 Performance Rights	August 28, 2019
AU\$0.15	40,000,000 Titan Shares	August 7, 2019
AU\$0.15	196,080 Titan Shares	August 7, 2019

**Notes:**

- Under the terms of the Andina Acquisition announced by Titan March 26, 2018, one Titan Share was issued for each 1.18 share in Andina. On June 26, 2019, Titan completed a 1:10 consolidation and figures are presented on a post-consolidation basis (unless otherwise indicated).

#### TRADING PRICE AND VOLUME

Titan Shares trade on the ASX under the symbol “TTM”. See below for the reported high and low prices (including intra-day prices) and the total volume of trading of Titan Shares on the ASX, in Australian dollars, on a monthly basis for the past 12 months on a post consolidation basis:

	High AU\$	Low AU\$	Total Volume
<b>September 2019</b>	<b>0.20</b>	<b>0.185</b>	<b>2,233,169</b>
<b>August 2019</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
<b>July 2019</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
<b>June 2019</b>	<b>0.19</b>	<b>0.16</b>	<b>2,938,600</b>
<b>May 2019</b>	<b>0.25</b>	<b>0.19</b>	<b>4,207,031</b>

<b>April 2019</b>	<b>0.25</b>	<b>0.19</b>	<b>3,630,980</b>
<b>March 2019</b>	<b>0.26</b>	<b>0.21</b>	<b>2,837,940</b>
<b>February 2019</b>	<b>0.26</b>	<b>0.22</b>	<b>3,434,717</b>
<b>January 2019</b>	<b>0.26</b>	<b>0.21</b>	<b>2,329,430</b>
<b>December 2018</b>	<b>0.26</b>	<b>0.19</b>	<b>1,339,655</b>
<b>November 2018</b>	<b>0.30</b>	<b>0.23</b>	<b>2,885,065</b>
<b>October 2018</b>	<b>0.28</b>	<b>0.23</b>	<b>2,226,035</b>
<b>September 2018</b>	<b>0.31</b>	<b>0.23</b>	<b>1,983,113</b>
<b>August 2018</b>	<b>0.32</b>	<b>0.23</b>	<b>3,499,564</b>

**ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER**

To the knowledge of Titan, there are no issued and outstanding Titan Shares currently held in escrow or that are subject to a contractual restriction on transfer.

**PRINCIPAL SECURITYHOLDERS**

There are no persons or companies who beneficially own, directly or indirectly, or exercise control or direction over, shares carrying more than 10% of the voting rights attached to Titan Shares.

**DIRECTORS AND EXECUTIVE OFFICERS**

**NAME, OCCUPATION AND SECURITY HOLDING**

The following table sets out Titan directors and officers, together with the city and country of residence, positions and offices held, principal occupations during the last five years, the years in which they were first appointed as directors and/or officers of Titan and the number of Titan Shares owned, directly or indirectly, legally or beneficially, or over which control or discretion is exercised by them, as of the date of the Circular.

<b>Name and Place of Residence</b>	<b>Position Held at Titan</b>	<b>Principal Occupation</b>	<b>Director/ Officer Since</b>	<b>Term Expiring</b>	<b>Number of Titan Shares Held<sup>(1)</sup> (Percentage Held)</b>
Laurence Marsland Sofia, Bulgaria	Managing Director and Chief Executive Officer	Previously CEO of Laguna Gold Company, and COO of Dundee Precious Metals Inc.	July 15, 2019	N/A	N/A
Matthew Carr Perth, Western Australia	Executive Director	Founder and Director of Urban Capital Group, a private equity company. The Executive Chairman of Titan since August 17, 2017. Mr. Carr was previously the Non-Executive Chairman of Andina.	February 3, 2017	N/A	7,314,493 (2.46%)
Michael Hardy Perth, Western Australia	Non-Executive Chairman	Founder of Hardy Bowen. Formerly Chairman of Fleetwood Corporation Limited and presently a board member of WA Country Health Service	July 15, 2019	N/A	67,000 (0.02%)



Name and Place of Residence	Position Held at Titan	Principal Occupation	Director/Officer Since	Term Expiring	Number of Titan Shares Held <sup>(1)</sup> (Percentage Held)
Nicholas Rowley Perth, Western Australia	Non-Executive Director	Director of Corporate Development at Galaxy Resources Limited (ASX:GXY) since 2014.  Non-Executive Director of Cobalt One Ltd. (ASX: CO1) from September 2016 until November 2017 Non-Executive Director of ARC Exploration Limited (ASX: ARX) from May 2018 to present.	August 1, 2017	N/A	2,348,999 (0.79%)
Travis Schwertfeger Perth, Western Australia	Chief Geologist	Non-Executive Director of Exore (ASX:ERX) from 19 August 2019  Managing Director of Alicanto Minerals (ASX:AQI) from September 2014 to June 2018.  Non-Executive Director of Alicanto Minerals Ltd. from June 2018 to present Non-Executive Director of Magnolia Resources Ltd. from June 2012 to August 2015.  Non-Executive Director of International Goldfields Ltd. ending July 2014.	June 28, 2018	N/A	11,000 (0.003%)
Gonzalo Enrique Freyre Armestar	General Manager – Vista Gold S.A.C.	Board Member for Ligabue Peru Catering Company from October 2016 to date and Independent Board Member of Delgado-Lira SA (Construction Company) from February 2017 to date.  Director of Business Development for MINSUR SA from January 2013 to December 2015.  CEO of CIA. Minera Raura S.A. from January 2010 to January 2013.  Manager of a Peruvian Phosphate project from May 2008 to March 2010. CEO of Hochschild Mining Argentina from December 2004 to February 2008.	March 1, 2017	March 1, 2020	Nil

**Notes:**

- Includes direct and indirect interests of the directors and their related entities.

## **CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS**

To the knowledge of Titan, as at the date hereof, no director or executive officer of Titan has, within the 10 years prior to the date of this document, been a director, CEO or CFO of any issuer (including Titan) that: (i) was the subject of a cease trade or similar order or an order that denied the issuer access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days while the person was acting in the capacity as director, CEO or CFO; or (ii) was subject to an order that, after the director or executive officer ceased to be a director, CEO or CFO of an issuer, resulted in the issuer being the subject of a cease trade or similar order or an order that denied the relevant issuer access to any exemption under securities legislation, for a period of more than 30 consecutive days and which resulted from an event that occurred while that person was acting as a director, CEO or CFO of the issuer.

No current or proposed director or officer or securityholder holding a sufficient number of securities of Titan to affect materially the control of Titan has, within the last 10 years prior to the date of this document, been a director or executive officer of any company (including Titan) that, while such person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement for compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

No current director or officer or securityholder holding a sufficient number of securities of Titan to affect materially the control of Titan has, within the last 10 years prior to the date of this document, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, officer or securityholder.

No current or proposed director or officer or securityholder holding a sufficient number of securities of Titan to affect materially the control of Titan has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

## **CONFLICTS OF INTEREST**

Certain directors and officers of Titan will not be devoting all of their time to the affairs of Titan. Certain directors and officers of Titan are directors and officers of other companies. See “*Risk Factors*” and “*Audit Committees and Corporate Governance*” of this Appendix “A”. The directors and officers of Titan are required by law to act in the best interests of Titan. They have the same obligations to the other companies in respect of which they act as directors and officers. Any decision made by any of such officers or directors involving Titan will be made in accordance with their duties and obligations under the applicable laws of Australia. In addition to its statutory obligations and as a matter of good corporate governance, Titan continuously monitors any potential conflicts of interest as they arise. Where any such conflict exists or could potentially exist, Titan addresses such situations in accordance with its internal policies and procedures, including but not limited to excluding conflicted officers or directors in relevant discussions and/or decision-making processes. Where appropriate, Titan is able to avail itself of external advisors to assist in resolving these matters. As of the date hereof, Titan was not aware of any existing or potential material conflicts of interest between Titan and a subsidiary of Titan, a director or officer of Titan or of a subsidiary of Titan.

## **EXECUTIVE & DIRECTOR COMPENSATION**

The following discussion describes the significant elements of Titan’s executive compensation, with particular emphasis on the process for determining compensation payable to Titan’s “Named Executive Officers” or “NEOs” for the year ended December 31, 2018, which means each of the following individuals: (i) each individual who, in respect of Titan, during any part of year ended December 31, 2018, served as the CEO, including an individual performing functions similar to a CEO; (ii) each individual who, in respect of Titan, during any part of the year ended December 31, 2018, served as the CFO, including an individual performing functions similar to a CFO; (iii) in respect of Titan, the three most highly compensated executive officer than the individuals identified in paragraphs (i) and (ii) at the end of the year ended December 31, 2018 whose total compensation was more than \$150,000; and

(iv) each individual who would be an NEO under (iii) but for the fact that the individual was neither an executive officer of Titan, nor acting in a similar capacity, at the end of that financial year. For the purposes of this section, the only NEOs of Titan are Mr. Matthew Carr, Executive Chairman (during that period), Mr. Travis Schwertfeger, Group Geologist, and Mr. Gonzalo Freyre, General Manager Vista Gold S.A.C. (“**Vista Gold**”)

## COMPENSATION DISCUSSION AND ANALYSIS

The objective of Titan’s executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders and conforms to the market best practice for delivery of reward. The Titan Board ensure that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders; and
- transparency.

The remuneration structure for key management personnel, excluding non-executive directors, is set by the Titan Board and is based on a number of factors including, market remuneration for comparable companies, particular experience of the individual concerned and overall performance of Titan.

Compensation is determined in accordance with the general remuneration policy. The manner of payment is determined on a case by case basis and is generally a mix of cash and non-cash benefits as considered appropriate by the Titan Board. Titan determines the levels of cash compensation to attract suitably qualified directors and executive. Where appropriate, Titan may issue non-cash benefits such as performance-based equity securities as means of effective director and executive incentivization while conserving cash reserves. There is no relationship between the performance or the impact on shareholder wealth of Titan for the current financial year or the previous financial years and either the remuneration of directors and executives or the issue of shares and options to directors. Remuneration is set at levels to reflect market conditions and encourage the continued services of directors and executives. No new decisions or policies were made after the end of the most recently completed financial year that could affect a reasonable person’s understanding of an NEO’s compensation for the most recently completed financial year.

Titan has adopted a share trading policy that applies to all directors and executive and which prohibits entering into margin lending arrangements and hedging arrangements. A copy of the share trading policy can be found on Titan’s website at [www.titanminerals.com.au](http://www.titanminerals.com.au) and is included in Titan’s Corporate Governance Plan, which is appended hereto as Exhibit 1 – “*Corporate Governance Charter*” to this Appendix “A”

## EXECUTIVE DIRECTOR REMUNERATION

Mr. Carr and Mr Marsland are the only executive directors of Titan. See “*Material Contracts*” for details of the terms of the consultancy agreement pursuant to which Mr. Carr is engaged by Titan and the executive service agreement pursuant to which Mr. Marsland is engaged by Titan. Mr. Marsland was appointed as the managing director of Titan on July 15, 2019.

In addition to a base pay outlined in the tables below, Mr. Carr holds the following performance rights in Titan:

- 700,000 Class A Performance Rights
- 775,000 Class B Performance Rights
- 825,000 Class C Performance Rights

See “*Description of the Securities Distributed – Titan Performance Shares/Rights*” for the material terms of the performance rights. The Performance Rights have the following objective milestones that must be satisfied in order for the respective classes of Performance Rights to vest:

- the Class A Performance Rights will vest upon Titan Shares achieving a daily volume weighted average price greater than AU\$0.50 per Titan Share for a period of 10 consecutive business days.

- the Class B Performance Rights will vest upon Titan Shares achieving a daily volume weighted average price greater than AU\$0.60 for a period of 10 consecutive business days; and
- the Class C Performance Rights will vest upon Titan Shares achieving a daily volume weighted average price greater than AU\$0.70 for a period of 10 consecutive business days.

Fixed remuneration, consisting of base salary, superannuation (where applicable) and non-monetary benefits, are reviewed annually by the Titan Board, based on individual and business unit performance, the overall performance of Titan and comparable market remunerations. There are no retirement schemes for Titan non-executive directors and Titan executive directors.

Base salary is the fixed component of total direct compensation for the NEOs, and is intended to attract and retain executives, providing a competitive amount of income certainty. The actual base salaries of the NEOs reflect numerous factors relevant to the discharge of their duties, including the complexity of their respective roles, the amount of applicable industry experience, the function their respective roles play in Titan’s corporate development and the need to attract and retain talented individuals. Base salaries are reviewed and set with reference to market data and will reflect the scope and role and the size and activities of Titan as well as individual contribution and performance.

Executives can receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to Titan and adds additional value to the executive.

### **NON-EXECUTIVE DIRECTOR REMUNERATION**

The constitution of Titan provides that the directors may be paid for their services as directors a sum not exceeding such fixed sum per annum as may be determined by the shareholders in general meetings, to be divided among the directors as the directors shall determine, and in default of agreement then in equal shares. The aggregate pool of remuneration paid to Titan non-executive directors is currently AU\$270,000 per annum for Titan.

A director may also be paid fees or other amounts as the directors determine where a director performs special duties or otherwise performs services outside the scope of the ordinary duties of a director. A director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

### **COMPENSATION GOVERNANCE**

Titan does not have a formal remuneration policy and has not established a separate remuneration committee. The whole Titan Board takes on the function of the remuneration committee with independent advice sought as required. Due to the early stage of development and small size of Titan, a separate remuneration committee was not considered to add any efficiency to the process of determining the levels of remuneration for directors and key executives. The Titan Board considers that it is more appropriate to set aside time at a Titan Board meeting each year to specifically address matters that would ordinarily fall to a remuneration committee such as reviewing remuneration, recruitment, retention and termination procedures and evaluating senior executives’ remuneration packages and incentives.

See “*Audit Committees and Corporate Governance*” of this Appendix A”.

### **SUMMARY COMPENSATION TABLES**

The following table sets out information concerning the compensation paid by Titan to its NEOs for the financial years ended December 31, 2018, 2017 and 2016:

Name and Principal Position	Year Ended	Salary (AUS)	Share and Option Based Awards (AUS)	Non-Equity Incentive Plan Compensation (AUS)		Pension Value	All Other Compensation (AUS)	Total Compensation (AUS)
				Annual Incentive Plan	Long-Term Incentive Plans			
Matthew Carr (Executive Chairman)	31/12/18	180,000	237,293	Nil	Nil	Nil	Nil	417,293
	31/12/17	30,000	1,293	Nil	Nil	Nil	Nil	31,293
Nicholas Rowley (Non-Executive Director)	31/12/18	80,000	237,293	Nil	Nil	Nil	Nil	317,293
	31/12/17	18,000	1,293	Nil	Nil	Nil	Nil	19,293
	31/12/16	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Gonzalo Enrique Freyre Armestar (General Manager – Vista Gold S.A.C.)	31/12/18	204,552 <sup>1</sup>	Nil	Nil	Nil	Nil	19,239 <sup>1</sup>	223,791 <sup>1</sup>
	31/12/17	137,184 <sup>2</sup>	Nil	Nil	Nil	Nil	9,229 <sup>2</sup>	146,414 <sup>2</sup>
Travis Schwertfeger (Group Geologist)	31/12/18	91,400	Nil <sup>3</sup>	Nil	Nil	Nil	Nil	91,400

**Notes:**

- Figures based on a USD/AUD exchange rate as at December 31, 2018 of 1.4205 Australian Dollars for each US Dollar
- Figures based on a USD/AUD exchange rate as at December 31, 2017 of 1.2821 Australian Dollars for each US Dollar
- The remuneration agreement with Mr. Schwertfeger includes a total of 1,500,000 performance rights issued to Mr. Schwertfeger on August 28, 2019

Titan was under external administration from August 25, 2015, consequently Titan did not have sufficient information to allow the level of disclosure required for the year ended December 31, 2016.

The following table sets out information concerning all awards outstanding at the end of the most recently completed financial year for each NEO.

Name	Share-based Awards		
	Number of shares or units of shares that have not vested	Market or payout value of share-based awards that have not vested	Market or payout value of vested share-based awards not paid out or distributed
	(#)	(\$)	(\$)
Matthew Carr	2,300,000	237,293	Nil
Travis Schwertfeger	Nil <sup>1</sup>	Nil	Nil
Gonzalo Enrique Freyre Armestar	Nil	Nil	Nil

**Notes:**

- The remuneration agreement with Mr. Schwertfeger includes a total of 150,000 performance rights issued to Mr. Schwertfeger.

During the 2018 Financial Year, none of the non-NEO Titan Directors held any incentive plan awards and no incentive plan awards were issued, vested or exercised, as applicable.

Titan does not have any retirement plan in which an NEO of Titan participates.

Titan does not have any deferred compensation plan relating to any NEO of Titan.

The following table sets out information concerning all amounts of compensation provided to the directors for Titan's most recently completed financial year.

Name	Fees earned (AU\$)	Share-based awards (AU\$)	Option-based awards (AU\$)	Non-equity incentive plan compensation (AU\$)	Pension value (AU\$)	All other compensation (AU\$)	Total (AU\$)
Nicholas Rowley (Non-Executive Director)	80,000	237,293	Nil	Nil	Nil	Nil	317,293
Robert Skalar (Non-Executive Director)	67,000	118,647	Nil	Nil	Nil	Nil	185,647
Cameron Henry (Non-Executive Director)	68,000	118,647	Nil	Nil	Nil	Nil	186,647

#### **EMPLOYMENT AGREEMENTS AND POTENTIAL BENEFITS UPON CHANGE OF CONTROL AND TERMINATION**

Each of the NEOs has entered into contracts for service with Titan, providing for the payment of a fixed component of compensation. Details of termination and change of control benefits, if any, relating to the NEO agreements are as follows:

- Carr Agreements between Titan and Ripperday Pty Ltd. and Mr. Matthew Carr dated August 17, 2017 – see section entitled “*Material Contracts – Consultancy Agreements – Mr. Matthew Carr*” in the body of the Circular.
- Pursuant to the letter of appointment between Titan and Mr. Nicholas Rowley dated August 1, 2017, and amended on September 1, 2018, Mr. Rowley is entitled to an annual fee of AU\$96,000 (excluding GST). Mr. Rowley is entitled to any annual fees under the agreement, on a pro-rata basis, to the extent that the fees are unpaid, up to the date of termination. If termination results from a change of control, Mr. Rowley will be paid a minimum of 3/12 of his annual fee.
- Pursuant to the consultancy agreement between Titan and Mr. Travis Schwertfeger dated June 28, 2018, and amended on April 1, 2019, Mr. Schwertfeger is entitled to a consultancy fee of up to AU\$20,000 per month (excluding GST). Upon termination of the agreement, Mr. Schwertfeger is entitled to all consultancy fees not yet paid to him provided that the termination does not involve a material breach of his obligations under the agreement. In the event a takeover offer is made for Titan and the takeover is recommended to Titan's shareholders by the Titan Board and the entity making the offer is successful in acquiring at least 51% of the issued ordinary shares in Titan, Mr. Schwertfeger will be paid a 6-month bonus payment of his consultancy fee at that time.
- Pursuant to the general management services agreement between Vista Gold, Tulin Gold and Mr. Gonzalo Enrique Freyre Armestar dated March 1, 2017, and amended on 1 May 2018, Mr. Armestar is entitled to US\$12,500 per month as consideration for his ongoing services under the agreement. In the event that the agreement is terminated by force majeure or unforeseeable circumstances and the agreement cannot

continue to be executed, Mr. Armestar is entitled to the payment of bonuses recognised up to the date of the resolution and in accordance with the provisions of the agreement.

## **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

As of the date of the Circular, except as disclosed under the heading “*Interests of Management and Others in Material Transactions*” below and elsewhere in this Appendix “A”, there exists no indebtedness outstanding with any current or former director, executive officer or employee of Titan or its subsidiaries, or any associate or affiliate of such person, which is owing to Titan or its subsidiaries, or which is owing to another entity, which indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by Titan or its subsidiaries, entered into in connection with a purchase of securities or otherwise.

## **AUDIT COMMITTEES AND CORPORATE GOVERNANCE**

### **AUDIT COMMITTEES**

Given the size of Titan and the nature of its activities, Titan does not have a separate audit committee and instead the Titan Board undertakes the internal audit function as required. The Titan Board considers it appropriate to engage external advisors (independent of the external auditor) as appropriate from time to time to undertake various tasks that an internal audit function would perform. No external advisors were engaged during 2018 Financial Year to undertake internal audit activities. The Titan Board has elected to retain responsibility for the functions that would have otherwise been delegated to a separate audit committee. Titan has adopted an Audit Committee Charter which is included in Titan’s Corporate Governance Plan. The Audit Committee Charter is available on Titan’s website at [www.titanminerals.com.au](http://www.titanminerals.com.au) and is included in Titan’s Corporate Governance Plan, which is appended hereto as Exhibit 1 – “*Corporate Governance Charter*” to this Appendix “A”.

The Titan Board is responsible for assessing any significant estimates or judgements in Titan’s financial reports, reviewing all half yearly and annual reports with management, advisers and the external auditors (as appropriate) and adopting same, overseeing the establishment and implementation of risk management and internal compliance and control systems and ensuring that there is a mechanism for assessing the ongoing efficiency of those systems, approving the terms of engagement with the external auditor at the beginning of each financial year, approving policies and procedures for appointing or removing an external auditor and for external audit engagement partner rotation. The Titan Board has the authority to obtain independent professional or other advice in the fulfilment of its duties and obtain such resources and information from Titan in the fulfilment of its duties as it may reasonably require.

The Managing Director is primarily responsible for reporting to the Titan Board on a regular basis in relation to whether Titan’s material business risks are being managed effectively by way of Titan’s risk management and internal control systems.

Prior to approving Titan’s financial statements for the 2018 reporting period, the Titan Board received from the Executive Chairman a written declaration under section 295A of the *Corporations Act* that, in his opinion, the financial records of Titan have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of Titan. The Executive Chairman has given a written assurance to the Titan Board that the opinion forming the basis for the declaration was made and was formed on the basis of a sound system of risk management and internal control, which is operating effectively.

Titan’s external auditor will be represented at the annual general meetings of Titan by a suitably qualified member of the audit team who is in a position to answer questions about the audit. Titan Shareholders are entitled and encouraged to submit questions to the auditor that are relevant to the content of the auditor’s report or the conduct of the audit.

The Chairman is required, and will, allow a reasonable opportunity for the shareholders as a whole at the annual general meeting of Titan shareholders to ask the auditor’s representative questions relevant to the conduct of the audit, the preparation and content of the auditor’s report, the accounting policies adopted by Titan in relation to the

preparation of the financial statements, and the independence of the auditor in relation to the conduct of the audit. Titan Shareholders are encouraged to take advantage of this opportunity.

## RELEVANT EDUCATION AND EXPERIENCE

The Titan Board as part of its role will undertake the responsibilities of the audit committee and will carry out the functions thereof unless and until Titan Board committees are reinstated.

Name	Relevant Education and Experience	Independent	Financially Literate
Laurence Marsland	Mr. Marsland brings more than 35 years of technical experience in mining project evaluation, development and implementation. Mr Marsland spent a number of years with Minproc Limited in Australia and the USA before joining Laguna Gold Company where he was CEO, he was also the executive vice president and COO for Dundee Precious Metals Inc.	Yes	Yes
Michael Hardy	Mr. Hardy is a graduate of the University of Western Australia with a degree in law. He has practised as a barrister and solicitor for 40 years, having been a partner of Robinson Cox (subsequently Clayton Utz) from 1983 to 2002 before establishing the firm Hardy Bowen in 2002. Mr Hardy is a former Chairman and Director of Fleetwood Corporation Limited and is presently a Board member of WA Country Health Service.	Yes	Yes
Matthew Carr	Mr. Carr is an experienced director having founded Urban Capital Group, a private equity company. Mr. Carr has been the Executive Chairman of Titan since August 17, 2017. Mr. Carr was previously the Non-Executive Chairman of Andina.	No	Yes
Nicholas Rowley	Mr. Rowley is an experienced corporate executive with a background in the financial services industry, specifically corporate advisory, M&A transactions, equity markets and advice to institutional and high net worth investors. Mr. Rowley is also currently a Director of Corporate Development for Galaxy Resources (ASX:GXY).	Yes	Yes

## EXTERNAL AUDITOR SERVICE FEES

The aggregate fees billed to Titan by Stantons International Audit, Titan's external auditor, for the years ended December 31, 2018 and 2017, are as follows:

Financial Year ended 31 December	Audit Fees (AUS)	Audit-Related Fees (AUS) <sup>2</sup>	Tax Fees <sup>3</sup> (AUS)	All Other Fees (AUS)
2018	74,985	22,732	Nil	Nil
2017	66,695	Nil	45,103	Nil

Notes:

1. The aggregate fees billed by the auditor for audit fees
2. Other auditors – associate firms of the auditor of the parent entity in Peru
3. Tax compliance fees

## CORPORATE GOVERNANCE

The Titan Board is comprised of four directors, two of whom is an independent director under National Instrument 58-101 – *Disclosure of Corporate Governance Practices*. Mr. Rowley, Non-Executive Director of Titan, Mr. Hardy, Non-Executive Chairman of Titan are all considered independent on the basis that they do not have any material relationships that could reasonably be expected to interfere with the exercise of their independent judgement. 50% of the Titan Directors are independent.

Mr. Carr, Executive Director and Mr. Marsland, Managing Director and CEO, are not independent directors as they are acting in an executive capacity at Titan.

The independent directors do not hold regular scheduled meetings at which non-independent directors and members



of management are not in attendance; however, they do meet informally to discuss matters such as executive remuneration.

The Titan Board chair, Mr. Hardy, is an independent director. Mr. Hardy's role and responsibilities as Titan Board chair include the following:

- leadership of the Titan Board, efficient organization and conduct of the Titan Board's function;
- briefing of all directors in relation to issues arising out of Titan Board meetings;
- shareholder communication and arranging Titan Board performance evaluation; and
- consider any real or apparent conflict of issue matters.

Generally, the powers and obligations of the Titan Board are governed by the *Corporations Act*. The Titan Board expressly considers itself responsible for, but not limited to, the following:

- ensuring compliance with the *Corporations Act*, ASX Listing Rules (where appropriate) and all relevant laws;
- Titan's culture;
- developing, implementing and monitoring operational and financial targets for Titan;
- appointment of appropriate staff, consultants and experts to assist in Titan's operations, including key management personnel;
- ensuring appropriate financial and risk management controls are implemented;
- approving and monitoring financial and other reporting;
- setting, monitoring and ensuring appropriate accountability for directors' and executive officers' remuneration;
- establishing and maintaining communications and relations between Titan and third parties, including its shareholders and ASX by delegating such a role to the Corporate Secretary as relevant;
- implementing appropriate strategies to monitor performance of the Titan Board in implementing its functions and powers;
- oversight of Titan including its framework of control and accountability systems to enable risk to be assessed and managed;
- appointing and removing the key management personnel;
- appointing and removing the CFO and the Corporate Secretary;
- input into and final approval of the management's development of corporate strategy and performance objectives;
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- monitoring senior management's performance, implementation of strategy and ensuring appropriate resources are available;
- approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;
- approval of the annual budget;
- monitoring the financial performance of Titan;
- liaising with Titan's external auditors in conjunction with the audit committee (if any);
- monitoring, and ensuring compliance with, all of Titan's legal obligations;
- approving and monitoring financial and other reporting; and
- appointing and overseeing relevant committees where appropriate to assist in the above functions and powers.

Titan has adopted the corporate governance framework and practices set out in its 2018 Corporate Governance Statement, which is available on Titan's website at [www.titanminerals.com.au](http://www.titanminerals.com.au).

## **BOARD MEETING ATTENDANCE**

The following table sets out the attendance of each of the Titan Directors at meetings of the Titan Board for 2018 Financial Year.

<b>Director</b>	<b>Number of meetings held</b>	<b>Number of meetings attended</b>
Matthew Carr	8	8
Nicholas Rowley	8	8
Cameron Henry (resigned 15/07/2019)	8	8
Robert Skalor (resigned 15/07/2019)	8	8

## **BOARD CHARTER**

The charter of the Titan Board is included in the Corporate Governance Plan, which is appended hereto as Exhibit 1 – “*Corporate Governance Charter*” to this Appendix “A”.

## **POSITION DESCRIPTIONS**

Due to Titan’s size and nature of operations, the Titan Board has not yet developed a written position description for the Chairman. There are also no written position descriptions for the Chair of any Titan Board committees. The Titan Board delineates the role and responsibilities of each such position through informal discussions with the Chairman and each member of the Titan Board.

The Titan Board has not developed a written position description for the Managing Director/CEO but has clearly outlined the roles and responsibilities of Mr. Marsland acting in this capacity through his services contract, through formal and informal discussions with the Titan Board and through Titan policies and procedures regarding work, health, safety, strategy and risk management.

## **ORIENTATION AND CONTINUING EDUCATION**

Titan has an informal program for the induction of new directors. This induction covers all aspects of Titan’s operations including the provision of information and meetings with relevant senior executives so as to ensure that new directors are able to fulfil their responsibilities and contribute to Titan Board discussions.

Existing directors are encouraged to participate in appropriate professional development opportunities to develop and maintain the skills and knowledge needed to perform their role as a director.

The Chairman of the Titan Board assesses individual Titan Board members skills during the performance review of each director. Any training or skill gaps identified are tabled to the Titan Board to consider options to fill gaps identified.

With the prior approval of the Chairman, all Titan Directors have the right to seek independent legal and other professional advice at Titan’s expense concerning any aspect of Titan’s operations or undertakings in order to fulfil their duties and responsibilities as directors. If the Chairman is unable or unwilling to give approval, Titan Board approval will be sufficient.

## **ETHICAL BUSINESS CONDUCT**

Titan has adopted a Code of Conduct, which is included in Titan’s Corporate Governance Plan, which is available on Titan’s website at [www.titanminerals.com.au](http://www.titanminerals.com.au) and also appended hereto as Exhibit 1. The Titan Board has adopted a Code of Conduct for directors, senior executives and employees to promote ethical and responsible decision making and execution of their roles and responsibilities. The code is based on a code of conduct prepared by the Australian Institute of Company Directors and the ASX Corporate Governance Council’s *Principles of Good Corporate Governance*. The Code of Conduct covers such matters as:

- responsibilities to shareholders;
- compliance with laws and regulations;
- relations with customers and suppliers;
- ethical responsibilities;
- employment practices, including equal opportunity; and
- responsibility to the environment and the community.

The Titan Board endeavours to ensure that the Titan Directors, officers and employees of Titan act with integrity and observe the highest standards of behaviour and business ethics in relation to their corporate activities. The Code of Conduct sets out the principles, practices, and standards of personal behaviour Titan expects people to adopt in their daily business activities.

All Titan Directors, officers and employees are required to comply with the Code of Conduct. Senior managers are expected to ensure that employees, contractors, consultants, agents and partners under their supervision are aware of Titan's expectations as set out in the Code of Conduct.

All Titan Directors, officers and employees are expected to:

- comply with the law;
- act in the best interests of Titan;
- be responsible and accountable for their actions; and
- observe the ethical principles of fairness, honesty and truthfulness, including prompt disclosure of potential conflicts.

The directors and officers of Titan are required by law to act in the best interests of Titan. Any decision made by officers or directors involving Titan will be made in accordance with their duties and obligations under the applicable laws of Australia. In addition to its statutory obligations and as a matter of good corporate governance, Titan continuously monitors any potential conflicts of interest as they arise and impede the Titan Board's ability to exercise independent judgement in considering transactions and agreements. Where any such conflict exists or could potentially exist, Titan addresses such situations in accordance with its internal policies and procedures, including but not limited to excluding conflicted officers or directors in relevant discussions and/or decision-making processes. Where appropriate, the Titan Board is able to engage independent external advisors to assist in resolving these matters. As of the date hereof, Titan was not aware of any existing or potential material conflicts of interest between Titan and a subsidiary of Titan, a director or officer of Titan or of a subsidiary of Titan that would impede directors exercising independent judgement.

## **NOMINATION OF TITAN DIRECTORS**

The Titan Board has not established a nomination committee since, in the view of the Titan Board, a company of Titan's size and stage of development can best operate with the full Titan Board undertaking the functions of a nomination committee undertaken by the full Titan Board. The functions include Titan Board renewal, succession planning, induction and evaluation.

When a vacancy on the Titan Board arises, the Titan Board assesses the range of skills, experience, expertise and diversity and other attributes from which the Titan Board would benefit and the extent to which current directors possess such attributes, before putting forward potential candidates for the position. Candidates that are proposed are assessed through interviews, meetings and background and reference checks (which may be conducted both by external consultants and by directors) as appropriate.

While recognizing that each director will not necessarily have experience in each of the following areas, the Titan Board believes that a highly credentialed Titan Board, with a diversity of background, skills and perspectives, will be effective in supporting and enabling delivery of good governance for Titan and value for Titan's shareholders.

The mix of skills comprised in the current Titan Board, and that the Titan Board would look to maintain and to build on includes:

- Executive and non-executive experience
- Industry experience and knowledge
- Leadership
- Corporate Governance and Risk Management
- Strategic thinking
- Desired behavioural competencies
- Geographic experience

- Capital markets experience
- Subject matter expertise
- Exploration
- Capital Management
- Corporate financing
- Industry Taxation
- Risk Management
- Legal

Nominations of new Titan Directors or executives are considered by the full Titan Board. If any vacancies arise on the Titan Board or at executive level, all directors are involved in the search and recruitment of a replacement. The Titan Board has taken a view that the full Titan Board will hold special meetings or sessions as required. The full Titan Board also assesses its balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively. The Titan Board are confident that this process for selection and review is stringent and full details of all Titan Directors are provided to shareholders in the annual report and on Titan website.

## **COMPENSATION**

Titan does not have a formal remuneration policy and has not established a separate remuneration committee. The whole Titan Board takes on the function of the remuneration committee with independent advice sought as required. Due to the early stage of development and small size of Titan a separate remuneration committee was not considered to add any efficiency to the process of determining the levels of remuneration for directors and key executives. The Titan Board considers that it is more appropriate to set aside time at a Titan Board meeting each year to specifically address matters that would ordinarily fall to a remuneration committee such as reviewing remuneration, recruitment, retention and termination procedures and evaluating senior executives' remuneration packages and incentives.

In addition, all matters of remuneration will continue to be in accordance with the *Corporations Act* requirement, especially with regard to related party transactions. That is, none of the directors participate in any deliberations regarding their own remuneration or related issues. Independent external advice is sought from remuneration consultants when required, however no advice has been sought during the financial year ended December 31, 2018.

There have been no new actions, decisions or policies that were made after the end of the most recently completed financial year that could affect a reasonable person's understanding of an NEO's compensation for the financial year ended December 31, 2018.

The level of remuneration for non-executive directors is considered with regard to the practices of other public companies and the aggregate amount of fees paid to non-executive directors approved by shareholders. At this stage, the level of remuneration is based on market rates and is not directly linked to shareholders' share performance.

## **ASSESSMENT AND BOARD RENEWAL**

Titan has an informal process in place where directors can raise any issues regarding the performance of the Titan Board and/or its directors and/or its committees directly for discussion and further action on an annual basis. This is an internal and informal process and does not generally involve external review of the Titan Board or its performance.

Titan has not adopted director term limits. The Titan Board fulfils all functions necessary to ensure necessary renewal, succession planning, induction and evaluation for a company that is of the size and stage of development as Titan. Titan Board assesses the existing range of skills, experience, expertise and diversity and other attributes from which the Titan Board would benefit and the extent to which current directors possess such attributes. Where necessary, the Titan Board will hold special meetings or sessions in order to assess its ability to discharge its duties and responsibilities effectively. Where it is considered that the Titan Board does not have the requisite balance of skills, knowledge, experience, independence and diversity, the Titan Board is confident that its existing processes provide the flexibility to renew the Titan Board as needed.

## **DIVERSITY**

Titan has adopted a written Diversity Policy which can be found on the Titan website at [www.titanminerals.com.au](http://www.titanminerals.com.au). The Diversity Policy includes provisions relating to the identification and nomination of women directors. Titan is dedicated to promoting a corporate culture that embraces diversity and believes that diversity begins with the recruitment and selection practices of the Titan Board and its staff. Titan employs new employees and promotes current employees on the basis of performance, ability and attitude. Emphasis in filling board and senior management vacancies has been finding the best qualified candidates given the needs and circumstances of the Titan Board and Titan. As the need for new directors or executive officers arises, the Titan Board evaluates candidates on the basis of experience, skills, financial literacy, professional ethics and business acumen.

The objectives of the Diversity Policy include the setting out of beliefs and goals and strategies of Titan with respect to diversity within the organisation. Diversity within the Titan means all the things that make individuals different to one another, including gender, ethnicity, religion, culture, language, sexual orientation, disability and age. It involves a commitment to equality and to the treating of one another with respect. The Diversity Policy provides a framework for the Titan Board to achieving measurable objectives for achieving overall and gender diversity. The Titan Board reviews the Diversity Policy and the composition of the personnel for Titan annually.

Due to the size and scale of Titan, other than as noted above, Titan does not consider the level of representation of women on the board in identifying and nominating candidates for election or re-election to the board; consider the level of representation of women in executive officer positions when making executive officer appointments; or set a target of women on Titan's board or in executive officer positions of Titan by a specific date. As of the date of the Circular, Titan has no female directors and 0% of the senior executives are female.

## **OTHER BOARD COMMITTEES**

The Titan Board has no formal committees. After taking into account the absence of complexity in Titan's activities and the size of the Titan Board, the Titan Board decided that formally constituted committees of the Titan Board are no longer appropriate. As outlined elsewhere in this Appendix "A", the whole Titan Board takes on the function of the audit, nomination and remuneration and health, safety and environment committees with independent advice sought as required and carries out these functions unless and until Titan Board committees are reinstated.

As Titan is not included in the S&P All Ordinaries Index, it is not required under the ASX Listing Rules to have an audit committee.

The Titan Board has decided that they are able:

- to oversee the corporate reporting process efficiently and effectively without an audit board;
- to deal efficiently and effectively with board composition and succession issues without
- establishing a separate nomination committee; and
- to deal efficiently and effectively with remuneration issues without establishing a separate remuneration committee.

## **RISK FACTORS**

Titan is in the toll treatment business, with a gold and silver processing plant (being the Vista Plant), and also undertakes the business of exploring for gold, copper and other minerals in Peru. which involves a variety of operational, financial and regulatory risks that are typical in the natural resource industry. The risks described below are not an exhaustive list of the risks faced by Titan. Additional risks not currently known to Titan, or that Titan currently deems immaterial, may also impair Titan's operations. If any of the following risks actually occur, Titan's business, financial condition and operating results could be adversely affected.

In evaluating Titan and its business and whether to tender your Core Shares under the Offer, Core Shareholders should carefully consider, in addition to the other information contained in the Circular, the risk factors, below. The risk factors below may not be a definitive list of all risk factors associated with accepting the Offer.

The business activities of Titan and the Combined Entity are subject to various risks that may affect the future performance of Titan and the Combined Entity. Some of these risks can be mitigated by the use of safeguards and appropriate systems and controls, but some are outside the control of Titan and the Combined Entity, and cannot be mitigated.

Accordingly, an investment in the Combined Entity carries no guarantee with respect to the payment of dividends, return of capital or price at which shares will trade and should be considered speculative. The principal risk factors include, but are not limited to, the following.

## **RISKS RELATING TO THE OFFER**

### **THE FOLLOWING RISKS HAVE BEEN IDENTIFIED IN RESPECT TO THE OFFER:**

- (a) **The Titan Shares issued in connection with the Offer may have a market value different than expected.**

Titan is offering to purchase the Core Shares on the basis of 2.5 Titan Shares for each Core Share. Because the exchange ratio will not be adjusted to reflect any changes in the market value of Titan Shares, the market values of the Titan Shares and the Core Shares at the time of the take up of Core Shares under the Offer may vary significantly from the values at the date of the Offer and Circular or the date that Core Shareholders tender their Core Shares under the Offer. If the market price of Titan Shares declines, the value of the Offer Consideration received by Core Shareholders will decline as well.

- (b) **After the consummation of the Offer, Core will become a majority-owned subsidiary of Titan, and Titan's interests could differ from those of the other Core securityholders.**

After the consummation of the Offer (which may result in Titan holding less than 100% of the issued and outstanding Core Shares), Titan will, through the control of Core, have the power to elect directors, appoint new management, or approve certain actions requiring the approval of Core Shareholders, including adopting certain amendments to Core's constating documents and approving mergers or dispositions of Core's assets. In particular, after the consummation of the Offer, Titan intends to exercise its statutory right, if available, to acquire all of the Core Shares not deposited pursuant to the Offer or, if such statutory right of acquisition is not available or Titan elects not to pursue such right, to integrate Core and Titan, by amalgamation, capital reorganization, share consolidation, statutory arrangement or other transaction for the purpose of enabling Titan or its affiliates to acquire all Core Shares not acquired pursuant to the Offer. In any of these contexts, Titan's interest with respect to Core may differ from those of any remaining minority Core Shareholders who do not deposit their Core Shares under the Offer.

- (c) **Following the completion of the Offer and prior to the completion of any Compulsory Acquisition or Subsequent Acquisition Transaction, or if a Compulsory Acquisition or Subsequent Acquisition Transaction cannot be completed, the trading liquidity for Core Shares not deposited under the Offer will be reduced, which might affect the price of the Core Shares and the ability of a Shareholder to dispose of its Core Shares.**

If the Offer is completed, the liquidity and market value of any remaining Core Shares, prior to the completion of any Compulsory Acquisition or Subsequent Acquisition Transaction, held by the public could be adversely affected by the fact that they will be held by a smaller number of holders. The purchase of any Core Shares by Titan pursuant to the Offer will reduce the number of Core Shares that might otherwise trade publicly, as well as the number of Core Shareholders, and, depending on the number of Core Shareholders depositing and the number of Core Shares purchased under the Offer, successful completion of the Offer would likely adversely affect the liquidity and market value of the remaining Core Shares held by the public. In addition, if Titan is unable to complete a Compulsory Acquisition or Subsequent Acquisition Transaction, the liquidity and market value of the Core Shares held by the public will likely be adversely affected. After the purchase of the Core Shares under the Offer, it may be possible for Core to take steps towards the elimination of any applicable public reporting requirements under applicable securities legislation in any province of Canada. If such requirements are eliminated, Core will

cease filing periodic reports with the Canadian Securities Administrators, which may further impact the value of the Core Shares.

The rules and regulations of the TSXV establish certain criteria that, if not met, could lead to the delisting of the Core Shares from the TSXV. Among such criteria are the number of Core Shareholders, the number of Core Shares publicly held and the aggregate market value of the Core Shares publicly held. Depending on the number of Core Shares purchased under the Offer, it is possible that Core would fail to meet the criteria for continued listing on the TSXV. If this were to happen, the Core Shares could be delisted and this could, in turn, adversely affect the market or result in a lack of an established market for the Core Shares. Titan intends to cause Core to apply to delist the Core Shares from the TSXV as soon as practicable after the completion of the Offer or any Compulsory Acquisition or Subsequent Acquisition Transaction. If the Core Shares are delisted and Core ceases to be a “public corporation” for the purposes of the Tax Act, Core Shares would cease to be qualified investments for trusts governed by registered retirement savings plans, registered retired income funds, registered education savings plans, registered disability savings plans, deferred profit sharing plans and tax-free savings accounts (as each term is defined in the Tax Act). Delisting can also have adverse tax consequences to non-resident Core Shareholders, as described under “Certain Canadian Federal Income Tax Considerations” in Section 19 of the Circular.

**(d) The acquisition by Titan of Core may not be successfully completed without the possibility of Core Shareholders exercising dissent and appraisal rights in connection with a Compulsory Acquisition or a Subsequent Acquisition Transaction.**

In order for Titan to acquire all of the issued and outstanding Core Shares, it will likely be necessary, following the completion of the Offer, to effect a Compulsory Acquisition or a Subsequent Acquisition Transaction. A Compulsory Acquisition or a Subsequent Acquisition Transaction may result in Core Shareholders having the right to dissent and demand payment of the fair value of their Core Shares. If the statutory procedures governing dissent rights are available and are complied with, this right could lead to judicial determination of the fair value required to be paid to such dissenting Core Shareholders for their Core Shares which would be paid in cash rather than in the form of the Offer Consideration to be paid pursuant to the Offer.

**(e) Titan has been unable to independently verify the accuracy and completeness of Core information in the Offer and Circular.**

Titan has not had access to Core’s detailed accounting records or other non-public books and records. Titan has not been able to independently assess or verify the information in Core’s publicly filed documents, including its financial statements in a comprehensive manner. As a result, all historical information regarding Core contained herein, including all of Core’s financial information and all pro forma financial information reflecting the pro forma effects of a combination of Core and Titan derived in part from Core’s financial information, has been derived, by necessity, from Core’s public reports and securities filings. Although Titan has no reason to doubt the accuracy of Core’s publicly disclosed information, any inaccuracy or material omission in Core’s publicly available information, including the information about or relating to Core contained in the Offer, could result in unanticipated liabilities or expenses, increase the cost of integrating the two companies, or adversely affect the operational plans of the combined company and its results of operations and financial condition.

**(f) The unaudited pro forma condensed consolidated financial statements are presented for illustrative purposes only and may not be an indication of Titan’s financial condition or results of operations following completion of the Offer.**

The unaudited pro forma condensed consolidated financial statements contained in the Circular are presented for illustrative purposes only and may not be an indication of Titan’s financial condition or results of operations following completion of the Offer for several reasons. For example, the unaudited pro forma condensed consolidated financial statements have been derived from the respective historical financial statements of Titan and Core and certain adjustments and assumptions have been made. The information upon which these adjustments and assumptions have been made is historical, preliminary and subject to change. Moreover, the unaudited pro forma condensed consolidated financial statements do not reflect all costs that are expected to be incurred in connections with the Offer. For example, the impact of

any incremental costs incurred, or synergies realized, in integrating Titan and Core is not reflected in the unaudited pro forma condensed consolidated financial statements. In addition, the assumptions used in preparing the pro forma consolidated financial information may not prove to be accurate, and other factors may affect Titan's financial condition or results of operations following completion of the Offer. The price of Titan Shares may be adversely affected if the actual results of Titan following completion of the Offer fall short of the pro forma consolidated financial information contained in the Circular. See the unaudited pro forma condensed consolidated financial statements of Titan following the completion of the Offer attached as Appendix "D" of the Circular.

**(g) The Offer may not be completed for a variety of reasons.**

In addition to various risks identified under the heading "*Forward-Looking Information*", completion of the Offer is subject to satisfaction or waiver of a number of conditions, certain of which are outside the control of Titan, including, but not limited to Core Shareholders tendering a sufficient number of Core Shares to the Offer, Titan obtaining the Regulatory Approvals, as needed, and the approval of the issuance of the Titan Shares by the Titan Shareholders. There is no certainty, nor can Titan provide any assurance, that the conditions of the Offer will be satisfied.

**RISKS RELATING TO THE COMBINED ENTITY**

The following risks have been identified as arising out of the acquisition of Core by Titan, or affecting Titan and its subsidiaries following the acquisition by Titan of all of Core Shares on issue ("**Combined Entity**"):

**(a) Synergies**

There is a risk that the synergies expected to arise from the combination of Titan and Core fail to materialise or take longer than expected to materialise. This may affect the future earnings performance of the Combined Entity.

**(b) Timing delays**

There is a risk that the Combined Entity will not achieve its financial and strategic goals due to delays or difficulties occurring during the integration of the two businesses.

**(c) Increased costs**

Titan may incur greater than anticipated implementation costs during the integration of the businesses of Titan and Core.

**(d) Dynasty Goldfield Project**

A delay or difficulty encountered in the operations of the Dynasty Goldfield Project could materially and adversely affect the Combined Entity's financial condition and financial sustainability. Any adverse changes or developments affecting the Dynasty Goldfield Project, such as, but not limited to, the Combined Entity's inability to successfully complete any of the development projects, work programs or exploration activity, obtain financing on commercially suitable terms, or hire suitable personnel and drilling contractors, may have a material adverse effect on the Combined Entity's financial performance, results of operations and liquidity.

Exploration on the Dynasty Goldfield Project concessions may be unsuccessful, resulting in a reduction of the value of those mineral concessions, diminution in the cash reserves of Titan and possible relinquishment of the exploration and mining concessions

In addition, the Combined Entity's business and results of operations from small-scale mining at the Cerro Verde prospect located within the Dynasty Goldfield Project could be materially and adversely affected by any events which cause the Dynasty Goldfield Project to operate at less than optimal capacity, including among other things, equipment failure or shortages of spares, consumables and reagents, adverse weather,



serious environmental and safety issues, any permitting or licensing issues and any failure to produce expected amounts of gold.

**(e) Integration of Titan and Core may not occur as planned**

The anticipated benefits of the Offer will depend in part on whether the operations, systems, management and cultures of Titan and Core can be integrated in an efficient and effective manner and the timing and manner of completion of a Compulsory Acquisition or Subsequent Acquisition Transaction, if any. Most operational and strategic decisions, and certain staffing decisions, with respect to the Combined Entity have not yet been made and may not have been fully identified. If Titan does not acquire at least 66% of the Core Shares and cannot or does not complete a Compulsory Acquisition or Subsequent Acquisition Transaction, it will not be able to integrate Core into its business. There can be no assurance that there will be operational or other synergies realized by the combined company, or that the integration of the two companies' operations, systems, management and cultures will be timely or effectively accomplished, or ultimately will be successful in increasing earnings and reducing costs.

**(f) Revenues and financial performance dependent upon the price of gold**

Future production from all of the Combined Entity's mining properties is dependent upon the price of gold and other metals and minerals being adequate to make these properties economic. Sustained low gold prices could reduce revenues through production declines due to cessation of the mining of deposits, or portions of deposits, that have become uneconomic at the then-prevailing market price; reduce or eliminate the profit that we currently expect from reserves; halt or delay the development of new projects; reduce funds available for exploration; and reduce existing reserves by removing ores from reserves that can no longer be economically processed at prevailing prices. Such declines in price and/or reductions in operations could cause significant volatility in the Combined Entity's financial performance. The Combined Entity's revenues will be derived primarily from the sale of gold. The price that the Combined Entity obtains for gold is directly related to world market prices. The price of gold has historically fluctuated widely and is affected by numerous factors beyond the Combined Entity's control, including, but not limited to, industrial and retail supply and demand, exchange rates, inflation rates, price and availability of substitutes, actions taken by governments, changes in global economies, confidence in the global monetary system, forward sales of metals by producers and speculators as well as other global or regional political, social or economic events.

**(g) Failure to meet key production and other cost estimates may adversely affect the Combined Entity's cash flows**

A decrease in the amount of or a change in the timing of the Combined Entity's mineral production outlook may impact the amount and timing of the Combined Entity's cash flow from operations. The actual impact of such a decrease on the Combined Entity's cash flow from operations would depend on the timing of any changes in production and on actual prices and costs. Any change in the timing of projected cash flows that would occur due to production shortfalls or labour disruptions or other reasons would, in turn, result in delays in receipt of such cash flows and in using such cash to, as applicable, reduce debt levels and fund operating and exploration activities, which may require additional borrowings to fund capital expenditures. The Combined Entity currently does not have a working capital bank facility and therefore will depend on cash flow from operations to fund its liquidity needs.

It is likely that actual results and/or costs for the Combined Entity's projects will differ from current estimates and assumptions, and these differences may be material. In addition, experience from actual mining or processing operations may identify new or unexpected conditions that could reduce production below, and/or increase capital and/or operating costs above, current estimates. If actual results are less favourable than currently estimated, the Combined Group's business, results of operations, financial condition and liquidity could be materially adversely impacted.

**(h) The Combined Entity will be dependent on critical supplies, a lack of which could impact production and development of projects**

Timely and cost effective execution of the Combined Entity's mining operations and exploration activities are dependent on the adequate and timely supply of water, fuel, chemicals and other critical supplies. If the Combined Entity is unable to procure the requisite quantities of water, fuel or other inputs in time and at commercially acceptable prices or if there are significant disruptions in the supply of fuel, water or other inputs to the Dynasty Copper-Gold Belt Project or for the Combined Entity's exploration activities, the performance of the Combined Entity's business and results of operations could be materially and adversely affected.

**(i) The Combined Entity will depend on key management and qualified operating personnel and may not be able to attract and retain such persons in the future**

The Combined Entity's success depends to a significant extent upon the ability to attract, retain and train key management and technical personnel in Peru and Ecuador (including those employed on a contractual basis). If the Combined Entity is not successful in retaining or attracting personnel, its business may be adversely affected. The loss of the services of any of the Combined Entity's key management personnel could materially and adversely affect its business and results of operations.

In addition, the recruiting of qualified personnel is critical to the Combined Entity's success. As the Combined Entity's business grows, it will require additional key financial, administrative, mining, processing and exploration personnel as well as additional staff for operations. If the Combined Entity is not successful in recruiting and training such personnel, it could materially and adversely affect its business, prospects and results of operations.

The Combined Entity's operations in Peru and Ecuador will depend on its local employees and contractors. If the Combined Entity is not successful in maintaining a positive relationship with its workforce and the communities surrounding its projects, it could find it difficult to attract and retain skilled workers, develop successful collaborations and generally build its business. Likewise, if the Combined Entity's relationship to its workforce or the communities surrounding its projects becomes strained, its business may be adversely affected.

**(j) Government Regulations**

Any material adverse changes in government policies, legislation or shifts in political attitude in Australia, Peru, Ecuador or any other jurisdiction in which Titan operates, that affect mineral mining and exploration activities, tax laws, royalty regulations, government subsidies and environmental issues may affect the viability of a project or the Combined Entity.

No assurance can be given that amendments to current laws and regulations or new rules and regulations will not be enacted, or that existing rules and regulations will not be applied in a manner which could substantially limit or affect the viability of a project or the Combined Entity.

**(k) Sovereign Risks**

The Combined Entity will have projects located in Peru and Ecuador which are less developed countries than Australia and has associated political, economic, legal and social risks. There can be no assurance that the systems of government and the political systems in Peru and/or Ecuador will remain stable. Further, there can be no assurance that government regulations relating to foreign investment, repatriation of foreign currency, taxation and the mining industry in Peru and/or Ecuador will not be amended or replaced in the future to the detriment of the Combined Entity's business and/or projects. The Titan Directors are unaware of any such proposals as at the date of the Circular.

**(l) Environmental and Other Regulations**

The operations and activities of the Combined Entity will be subject to environmental laws and regulations. Like most exploration projects and mining operations, the Combined Entity's operations and activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. The Combined Entity will attempt to conduct its operations and activities to the highest standard of environmental obligation, including compliance with all environmental laws.

**(m) Financing**

The net funds of the Combined Entity may not be sufficient for expenditure that may be required to integrate the operations of Titan and Core or to expand its operations or projects or for other capital expenditure, further exploration or feasibility studies or otherwise in the Combined Entity's operations. The Combined Entity may need to raise additional debt or equity funds in the future. There is no assurance that the Combined Entity will be able to obtain additional debt or equity funding when required in the future, or that the terms associated with such funding will be acceptable to the Combined Entity, particularly having regard to the current uncertain economic environment and the effect that metal prices may have on future production and earnings performance. This may have an adverse effect on the Combined Entity's financial results.

**(n) Insurance**

The Combined Entity will have various insurances covering its business. However, certain risks are not covered by insurance due to limitations or exclusions in insurance policies or because the Combined Entity will have decided not to insure against certain risks because of high premiums or for other reasons. Insurance against all risks associated with mineral exploration and production is not always available or affordable. Although Titan maintains insurance to protect against certain risks in amounts it considers reasonable, Titan's insurance may not adequately cover all potential risks. Such events, to the extent not covered by insurance, could have a significant effect on the profitability of the Combined Entity.

**(o) Market for shares in the Combined Entity**

There can be no guarantee that a liquid market in Titan Shares will exist after Titan acquires Core. There may be relatively few, or many, potential buyers or sellers of Titan Shares on ASX at any given time. This may affect the prevailing market price at which Titan Shareholders are able to sell their Titan Shares. This may result in Titan Shareholders receiving a market price for their Titan Shares that is less or more than the current market price at which Titan Shares trade on ASX.

**SPECIFIC RISKS TO TITAN**

**(a) Vista Plant**

Any adverse changes or developments affecting the Vista Plant, such as, but not limited to, Titan's inability to successfully complete any of the development projects, work programs or expansions, obtain financing on commercially suitable terms, or hire suitable personnel and mining contractors, may have a material adverse effect on Titan's financial performance, results of operations and liquidity.

Titan has incurred significant losses in the past, ultimately resulting in the appointment of administrators and a deed of company arrangement recapitalisation. It is not possible to evaluate Titan's future prospects based on past performance. The past performance should not impact the future opportunities of Titan. While the Titan Directors have confidence in the future revenue-earning potential of Titan, there can be no certainty that Titan will achieve or sustain profitability or achieve or sustain positive cash flow from its operating activities.

**(b) Title Risk**

Titan's mining and exploration activities are dependent upon the maintenance (including renewal) of the mineral concessions in which Titan has or acquires an interest. Maintenance of Titan's concessions is dependent on, among other things, Titan's ability to meet the licence conditions imposed by the relevant authorities including compliance with Titan's work program requirements which, in turn, is dependent on Titan being sufficiently funded to meet those expenditure requirements. Although Titan has no reason to think that the mineral concessions in which it currently has an interest will not be renewed, there is no assurance that such renewals will be given as a matter of course and there is no assurance that new conditions will not be imposed by the relevant granting authority.

**(c) Exploration Hazards and Risks**

The success of Titan depends on the delineation of economically minable reserves and resources, access to required development capital, movement in the price of commodities, securing and maintaining title to Titan's exploration and mining concessions and obtaining all consents and approvals necessary for the conduct of its exploration activities.

Exploration on Titan's existing exploration and mining concessions may be unsuccessful, resulting in a reduction of the value of those mineral concessions, diminution in the cash reserves of Titan and possible relinquishment of the exploration and mining concessions.

It may not always be possible for Titan to exploit successful discoveries that may be made in areas in which Titan has an interest. Such exploitation would involve obtaining the necessary licences or clearances from relevant authorities that may require conditions to be satisfied and/or the exercise of discretions by such authorities. It may or may not be possible for such conditions to be satisfied. Further, the decision to proceed to further exploitation may require participation of other companies whose interests and objectives may not be the same as Titan's.

**(d) Mining and development risks**

Profitability depends on successful exploration and/or acquisition of reserves, design and construction of efficient processing facilities, competent operation and management and proficient financial management. Mining and development operations can be hampered by force majeure circumstances, environmental considerations and cost overruns for unforeseen events

**(e) Contract and Joint Venture Risks**

Titan may enter into agreements and undertakings with third parties from time to time. If Titan is unable to satisfy the conditions of these agreements and undertakings, or if it defaults on its obligations under these agreements and undertakings, Titan's interest in their subject matter may be jeopardised. Further, if the third parties default on their obligations under the agreements and undertakings, Titan may be adversely affected.

In addition, there is a risk of financial failure or default by a participant in any joint venture to which Titan is or may become a party or the insolvency or managerial failure by any of the contractors used by Titan in any of its activities or the insolvency or other managerial failure by any of the other service providers used by Titan for any activity.

**(f) Dependence on Key Personnel**

The success of Titan will to an extent depend on the directors' and key management personnel's ability to successfully manage Titan's performance and exploit new opportunities. The loss of service of these personnel could have an adverse effect on the proposed operations of Titan.

**(g) Metal Price Volatility**

As an exploration, development and toll treatment company, Titan's ability to raise capital may be significantly affected by changes in the market price of gold, silver and other minerals. Titan's possible future revenues may be derived primarily from mining commodities and/or from revenue royalties gained from joint ventures or from mineral projects sold. Consequently, Titan's potential future earnings could be closely related to the price of commodities it commercially exploits. Gold and other mineral prices fluctuate on a daily basis and are affected by numerous factors beyond the control of Titan including demand, forward selling by producers, production cost levels in major producing regions and macroeconomic factors (e.g., inflation, interest rates, currency exchange rates) and global and regional demand for, and supply of, the relevant commodity.

If the market price of any commodity sold by Titan were to fall below the costs of production and remain at such a level for any sustained period, Titan would experience losses and could have to curtail or suspend

some or all of its proposed mining activities. In such circumstances, Titan would also have to assess the economic impact of any sustained lower commodity prices on recoverability.

**(h) Shortages and Price Volatility**

Titan is dependent on various input commodities (such as diesel fuel, electricity, natural gas, steel and concrete) and equipment (including parts) to conduct its exploration activities. A shortage of such input commodities or equipment or a significant increase in their cost could have a material adverse effect on Titan's ability to carry out its exploration and therefore limit, or increase the cost of, discovery. Titan is also dependent on access to and supply of water and electricity to carry out its exploration, and such access and supply may not be readily available. Market prices of input commodities can be subject to volatile price movements, which can be material, occur over short periods of time and are affected by factors that are beyond Titan's control. An increase in the cost, or decrease in the availability, of input commodities or equipment may affect the timely conduct and cost of Titan's exploration objectives. If the costs of certain input commodities consumed or otherwise used in connection with Titan's exploration were to increase significantly, and remain at such levels for a substantial period, Titan may determine that it is not economically feasible to continue exploration on some or all of its current projects, which could have an adverse impact on Titan's financial performance and share price.

**(i) Future Capital Requirements**

Titan's ongoing activities may require substantial further financing in the future for its business activities. Any additional equity financing may be dilutive to Titan Shareholders, may be undertaken at lower prices than the current market price or may involve restrictive covenants which limit Titan's operations and business strategy. Although the directors believe that additional capital may be obtained, no assurances can be made that appropriate capital or funding, if and when needed, will be available on terms favourable to Titan or at all. If Titan is unable to obtain additional financing as needed, it may be required to reduce, delay or suspend its operations and this could have a material adverse effect on Titan's activities and could affect Titan's ability to continue as a going concern or remain solvent.

**(j) Insurance**

Insurance against all risks associated with mineral exploration and production is not always available or affordable. Titan will maintain insurance where it is considered appropriate for its needs. However, insurance coverage against all risks may not be undertaken because either such cover is not available or because the Titan Directors consider that the associated premiums are excessive having regard to the benefits from the cover.

The occurrence of an event that is not covered or is only partially covered by insurance could have a material adverse effect on the business, financial condition and results of the operations of Titan. There is no assurance that Titan will be able to maintain adequate insurances in the future at rates that the Titan Directors consider reasonable.

**(k) Incomplete Records**

Titan's shares were suspended from trading on ASX from August 19, 2015, and Titan was placed into voluntary administration on August 25, 2015. This resulted in the previous directors and officers ceasing to have control of Titan's activities. The current directors consider that Titan's corporate records may be incomplete for the period surrounding the commencement of the voluntary administration because of, among other things, the turnover of previous staff and officers and the appointment of administrators to Titan. Consequently, there may be actions that were taken by the previous directors and officers of Titan or its subsidiaries of which the current Titan Directors are unaware. While the current directors consider that the deed of company arrangement process has dealt with any outstanding liabilities relating to Titan, there is a risk that previous unknown actions may adversely affect the operations and financial position of Titan or its subsidiaries.

**(l) Acquisitions**

Titan may also review and consider other business opportunities. Consequently, this strategy may result in Titan making acquisitions of, or significant investments in, complementary or alternative companies or assets. Any such transactions would be accompanied by the risks inherent in making acquisitions of companies and assets. For example, there may be liabilities in connection with such acquisitions which are not identified in Titan's due diligence or the acquisitions may not prove to be successful. Further, risks associated with such acquisitions will also arise from Titan's ability to execute the acquisition and then to correctly manage the business operations and growth strategies moving forward.

**(m) Competition**

Titan competes with other companies, including major mining companies in Australia and internationally. Some of these companies have greater financial and other resources than Titan has and, as a result, may be in a better position to compete for future business opportunities. There can be no assurance that Titan can compete effectively with these companies.

**GENERAL RISKS**

**(a) Labour and Employment Relations**

Exploration at Titan's projects and toll treatment activities at the Vista Plant is dependent upon the efforts of, and maintaining good relationships with, employees of Titan. Relations between Titan and its employees may be impacted by changes in labour relations, which may be introduced by, among others, employee groups, unions, and the relevant governmental authorities in whose jurisdictions Titan carries on business. Adverse changes in such legislation or in the relationship between Titan and its employees may have a material adverse effect on Titan's business, results of operations, and financial condition.

**(b) Global Financial Conditions**

Global financial conditions have been characterized by increased volatility and some financial institutions have either gone into bankruptcy or have had to be rescued by governmental authorities. Although there has been some recovery, there is no certainty that the disruptions and their effects have ended and will not continue to affect the markets. These factors may impact the ability of Titan to obtain equity or debt financing in the future on terms favourable to Titan or at all. Securities of mining companies have experienced substantial volatility, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in the country where Titan carries on business and globally, and market perceptions of the attractiveness of particular industries.

**(c) Dividends and Working Capital Risk**

Titan has not paid dividends on the Titan Shares and does not anticipate doing so in the foreseeable future. The only present source of funds available to Titan is through its toll treatment activities, the sale of its securities, short-term high-cost borrowing, or the sale or syndication of a portion of its interest in its mineral properties. While Titan may generate additional working capital through further equity offerings, short-term borrowing or through the sale or possible syndication of its properties, there is no assurance that any such funds will be available on favourable terms, or at all. At present, it is impossible to determine what amounts of additional funds, if any, may be required. Failure to raise such additional capital could put the continued viability of Titan at risk.

**(d) Exchange Rate Fluctuations**

Titan Shares are quoted in Australian dollars and are listed on the ASX. An investment in Titan Shares by an investor in a jurisdiction, in which the principal currency is not Australian dollars, exposes the investor to foreign currency rate risk. Any depreciation of the Australian dollar may reduce the value of the investment of the investor in terms of their local currency.

**(e) Anti-corruption Laws**

Titan and certain of its subsidiaries and affiliated entities may conduct business in countries where there is government corruption. Titan is committed to doing business in accordance with all applicable laws and its codes of ethics, but there is a risk that it, its subsidiaries or affiliated entities or their respective officers, directors, employees or agents may act in violation of its codes and applicable laws, including the *Corruption of Foreign Public Officials Act* (Canada) and the Organization of Economic Cooperation and Development's Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. Any such violations could result in substantial civil and criminal penalties and might materially adversely affect Titan's business and results of operations or financial condition.

**(f) Litigation Risk**

Legal proceedings may be brought against Titan, for example, litigation based on its business activities, environmental laws, tax matters, volatility in its stock price or failure to comply with its disclosure obligations, which could have a material adverse effect on Titan's financial condition or prospects. Regulatory and government agencies may bring legal proceedings in connection with the enforcement of applicable laws and regulations, and as a result Titan may be subject to expenses of investigations and defense, and fines or penalties for violations if proven, Titan may potentially incur cost and expense to remediate, increased operating costs or changes to operations, and cessation of operations if ordered to do so or required in order to resolve such proceedings.

**(g) Industrial Risk**

Industrial disruptions, work stoppages and accidents in the course of Titan's operations could result in losses and delays, which may adversely affect profitability.

**(h) Stock market conditions**

As with all stock market investments, there are risks associated with an investment in Titan. Titan Share prices may rise or fall and the price of Titan Shares might trade below the price paid for those Titan Shares.

General factors that may affect the market price of Titan Shares include economic conditions in both Australia and internationally, investor sentiment and local and international share market conditions, changes in interest rates and the rate of inflation, variations in commodity prices, the global security situation and the possibility of disturbances, changes to government regulation, policy or legislation, changes which may occur to the taxation of companies as a result of changes in Australian and foreign taxation laws, changes to the system of dividend imputation in Australia, and changes in exchange rates.

**(i) Liquidity risk**

There cannot be any guarantee that there will continue to be an active market for Titan Shares or that the price of Titan Shares will increase. There may be relatively few buyers or sellers of shares on ASX at any given time. This may affect the volatility of the market price of Titan Shares. It may also affect the prevailing market price at which Titan Shareholders are able to sell Titan Shares held by them. This may result in Titan Shareholders receiving a market price for their Titan Shares that is less or more than the price paid for the Titan Shares.

**(j) Securities investment risk**

Applicants should be aware that there are risks associated with any securities investment. Securities listed on the stock market, and in particular securities of mining and exploration companies have experienced extreme price and volume fluctuations that have often been unrelated to the operating performances of such companies. These factors may materially affect the market price of the securities regardless of Titan's performance.

**(k) Economic factors**

Factors such as inflation, currency fluctuation, interest rates, supply and demand and industrial disruption have an impact on operating costs, commodity prices and stock market processes. Titan's future possible

revenues and Share price can be affected by these factors, which are beyond the control of Titan and Titan Directors.

## **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

### **Legal Proceedings**

Since January 1, 2018, the beginning of Titan's most recently completed financial year, there have been and are no legal proceedings outstanding, threatened or pending, by or against Titan or to which Titan is a party or to which any of Titan's property is subject, nor to Titan's knowledge are any such legal proceedings contemplated, which could become material to Titan other than as disclosed below.

On April 1, 2019, Victor Obukhov filed suit against Tulin Gold in connection with an alleged default of contractual obligations under a mining assignment agreement to which Tulin Gold was a party. The amount claimed by Mr. Obukhov is approximately \$58 million. Following a rejection of the initial claim, the Civil Court of Lima accepted an amended version of the claim on July 1, 2019. Titan understands that the present ownership of Tulin Gold is contesting the claim and that the matter is ongoing.

Between April and August of 2019, six former employees of Tulin Gold filed suit against Tulin Gold in connection with payment of labour benefits and indemnification for alleged unfair dismissal. The aggregate amounts claimed by the plaintiff are not material. Titan understands that the present ownership of Tulin Gold is contesting the claim and that the matter is ongoing.

As at the date of this Circular, Titan has disposed of Tulin Gold, which held the right to operate the Tulin Gold Plant for a nominal consideration of US\$1 to an arm's-length party, Mr. Gian Luna, a citizen of Peru.

In addition, Titan and Andina have received Peruvian legal advice to the effect that: (i) Andina (the immediate holding company of Tulin Gold while it was a subsidiary of Titan) and Titan (the ultimate parent company of Andina and, previously, Tulin Gold) are not responsible for any liabilities incurred by Tulin Gold in respect of its operation of the Tulin Plant, even during the time Andina owned Tulin Gold; and (ii) even if there were any liabilities associated with Tulin Gold, those liabilities passed to Tulin Gold's new owner upon the sale of Tulin Gold. Neither Andina (the former immediate holding company of Tulin Gold) nor Titan are responsible for any liabilities associated with Tulin Gold (including environmental liabilities), as a matter of Peruvian law.

Consequently, management of Titan holds the view, supported by Peruvian legal advice received to date, that it does not bear any liability for the outstanding litigation matters to which Tulin Gold is a party.

Following shareholder approval of the Core Arrangement Resolution, Core was required to seek a final court order approving the Plan of Arrangement. Mr Piggott opposed that order. The materials filed by Core, Titan and Mr. Piggott with respect to the final order for the Arrangement are available online at <http://ttm-cgld.com/> from the Superior Court in British Columbia. Ultimately, the Court found that Core had not met its burden of proving that the final order should be granted, and so on July 4, 2019 dismissed Core's application for a final order approving the Plan of Arrangement. Accordingly, the Arrangement was not able to be implemented.

### **Regulatory Actions**

Within the three years immediately preceding the date of the Circular, there have been and are no regulatory actions, proceedings outstanding, threatened or pending, by or against Titan or to which Titan is a party or to which any of Titan's property is subject, nor to Titan's knowledge are any such regulatory actions contemplated, which could become material to Titan.

## **INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Within the three years before the date of the Circular, no director or executive officer of Titan, or shareholder who beneficially owns, or controls or directs, directly or indirectly, more than 10% of the outstanding Titan Shares, or any known associates or affiliates of such persons, has or has had any material interest, direct or indirect, in any



transaction or in any proposed transaction that has materially affected or is reasonably expected to materially affect Titan.

## AUDITORS, TRANSFER AGENTS AND REGISTRARS

### AUDITORS

The external auditor of Titan is Stantons International Audit, located at level 2, 1 Walker Avenue, West Perth, Western Australia 6005. Stantons International Audit has advised that they are independent of Titan within the meaning of the *Corporations Act*. Stantons International Audit audited the financial statements of Titan for the year ended December 31, 2018 and issued an auditor's report dated March 29, 2019.

### TRANSFER AGENTS, REGISTRARS, TRUSTEES OR OTHER AGENTS

The transfer agents and registrar for Titan Shares is Automic Group Pty Ltd, which is located at Level 2, 267 St Georges Terrace, Perth, Western Australia 6000, where transfers of securities of Titan may be recorded.

### MATERIAL CONTRACTS

Other than the contracts entered into in the ordinary course of business and as disclosed below, there are no material contracts entered into by Titan since the beginning of the most recently completed fiscal year, or that are still in effect prior to the date of this Appendix "A".

- **Coriorcco Cession Agreement**

On April 18, 2019, Andean Metals S.A.C. ("**Andean**") entered into a cession agreement ("**Cession Agreement**") with Coriorcco for an exclusive right to hold title and operate a 100% interest in the Coriorcco Project located in Southern Peru. The Cession Agreement is for a 10 year term, with an option to extend for eight years on the following terms:

- i) Coriorcco has granted to Titan 100% exclusive rights to the Coriorcco Project for a 10 year period with a renewal clause for an extra eight years if all aspects of the contract are fully complied with.
- ii) Titan will pay a non-refundable US\$100,000 advance on future production payments (exclusive of a potentially recoverable US\$18,000 payment).
- iii) To maintain the Cession Agreement, Titan is required to maintain the tenements in good standing and complete the following production requirements:
  - (a) commence commercial production within two years from the execution date, or pay an additional US\$50,000 advance towards production payments to extend the commencement of commercial production to within three years of the execution date;
  - (b) achieve a minimum 60 dry metric tonne per day production rate from the 3rd anniversary of the production date; and
  - (c) achieve a minimum 100 dry metric tonne per day production rate from the fifth anniversary of the production date.
- iv) Titan will make a fixed production payment on any ore extraction from the Coriorcco Project processed for gold recovery for the first three years of production following commencement of commercial production.
- v) After the first three years, the production payment amount will be revised each third year based on grade of the ore material being mined, increased on a graduating scale reaching a maximum 4.5% net smelter royalty equivalent if average gold grades exceed 11 g/t gold.
- vi) Separately, Titan will have an option ("**Buying Option**") to purchase a 100% interest in the Coriorcco Project and terminate the production payments for US\$3,000,000 cash and a royalty payment of (i)

US\$3.50 per tonne vein ore if the Buying Option is exercised on or before the fourth anniversary of the date of execution or, (ii) US\$7.00 per tonne vein ore if the Buying Option is exercised after the fourth anniversary of the date of execution.

vii) At all times following the formation of a joint venture, Titan will retain a first right of refusal over Coriorcco's interest in the Project.

- **Las Antas Earn-In Agreement**

On January 13, 2019, Compania Minera Santa Carmela S.A.C ("**Compania Minera**") entered into an earn in agreement with Management Environmental Solutions S.A. ("**MES**"), pursuant to which Compania Minera, Titan's wholly owned subsidiary, will be granted a right to acquire a 60% ownership interest in the Las Antas Project ("**Earn-In Right**") on the following terms:

- (i) The Earn-In Right is subject to the satisfaction of certain earn-in obligations including, Compania Minera undertaking US\$2,000,000 of exploration expenditure within two years of receipt of all permitting requirements to commence drilling, Titan may exercise the Earn-In Right to acquire a 60% ownership interest in the Las Antas Project by paying US\$450,000.
- (ii) Upon Compania Minera acquiring its 60% interest in the Las Antas Project, the parties will do all things necessary to establish an incorporated or unincorporated joint venture ("**Joint Venture**").
- (iii) Upon delivery of a feasibility study, Compania Minera's ownership interest in the Las Antas Project and the Joint Venture will increase by 10%, from 60% to 70%.
- (iv) Compania Minera will be granted further options to acquire up to an additional 15% ownership interest in the Las Antas Project and the Joint Venture from MES on the following terms:
  - (a) Compania Minera may elect to acquire a further 5% interest from MES, on or prior to the date that a feasibility study is first delivered, for US\$500,000;
  - (b) Compania Minera may, at any time on or before the date that is five years after a feasibility study is first delivered, elect to acquire a further 5% interest from MES, at any time within 60 days following the making of a decision to mine, for US\$1,000,000; and
  - (c) Compania Minera may elect to acquire a further 5% interest in the Joint Venture, at any time within 60 days following the commencement of commercial production in relation to an operating mine, for US\$1,000,000.
- (v) Compania Minera will retain a first right of refusal over MES's interest in the Joint Venture and the Las Antas Project.

- **Executive Services Agreements - Mr. Matthew Carr**

Titan has entered into a consultancy agreement with Ripperday Pty Ltd. and Mr. Matthew Carr ("**Carr Titan Agreement**").

Under the Carr Titan Agreement, on and from October 2017, Mr. Matthew Carr will be engaged by Ripperday Pty Ltd. to provide the consultancy services, including acting as an executive director of Titan. Ripperday Pty Ltd. will be paid a consulting fee of AU\$120,000 (excluding GST) per annum and will also be reimbursed for reasonable expenses incurred in the performance of its duties.

The Carr Titan Agreement continues indefinitely unless terminated ("**Termination Date**"). Titan may terminate the Carr Titan Agreement:

- (i) with immediate effect if:
  - (a) Ripperday Pty Ltd. or Mr. Carr are guilty of gross misconduct;

- (b) Mr. Carr becoming incapacitated by illness or accident for an accumulated period of six months in any 12 month period;
  - (c) Ripperday Pty Ltd. or Mr. Carr committing any breach of the Carr Titan Agreement which is not rectified to the reasonable satisfaction of Titan within 10 business days of prior notice;
  - (d) For so long as Mr. Carr is a Titan Director, Mr. Carr:
    - (1) being removed, or being disqualified from acting as a Titan Director;
    - (2) resigning, retiring or failing to be re-elected as a Titan Director;
  - (e) Ripperday Pty Ltd. or Mr. Carr failing to provide the consultancy services pursuant to the Carr Titan Agreement;
  - (f) Mr. Carr dying or becoming permanently incapacitated;
  - (g) Ripperday Pty Ltd. or Mr. Carr failing to comply with any of the obligations and covenants contained in the Carr Titan Agreement; or
  - (h) Ripperday Pty Ltd. or Mr. Carr committing any other act or omission which is referred in the Carr Titan Agreement as giving Titan the right to terminate; or
- (ii) in any other circumstance, 12 months' notice.

Ripperday Pty Ltd. may terminate the Carr Titan Agreement:

- (i) on notice of breach or non-performance by Titan, and failure by Titan to remedy or adequately respond to the breach or non-performance within 10 business days; or
- (ii) in any other circumstance, six months' notice.

### **Carr Andina Agreement**

Titan has entered into a consultancy agreement with Ripperday Pty Ltd and Mr Matthew Carr ("**Carr Andina Agreement**").

Under the Carr Andina Agreement, on and from July 13, 2018, Mr Matthew Carr will be engaged by Ripperday Pty Ltd to provide the consultancy services, including acting as an executive director of Andina. Ripperday Pty Ltd will be paid a consulting fee of AU\$120,000 (excluding GST) per annum and will also be reimbursed for reasonable expenses incurred in the performance of its duties.

The Carr Andina Agreement continues indefinitely unless terminated. Titan may terminate the Carr Andina Agreement:

- (i) with immediate effect if:
  - (a) Ripperday Pty Ltd or Mr. Carr are guilty of gross misconduct;
  - (b) Mr. Carr becoming incapacitated by illness or accident for an accumulated period of six months in any 12-month period;
  - (c) Ripperday Pty Ltd or Mr. Carr committing any breach of the Carr Andina Agreement which is not rectified to the reasonable satisfaction of Andina within 10 business days of prior notice;
  - (d) For so long as Mr. Carr is an Andina Director, Mr. Carr:
    - (1) being removed, or being disqualified from acting as an Andina Director;

- (2) resigning, retiring or failing to be re-elected as an Andina Director;
  - (e) Ripperday Pty Ltd or Mr. Carr failing to provide the consultancy services pursuant to the Carr Andina Agreement;
  - (f) Mr. Carr dying or becoming permanently incapacitated;
  - (g) Ripperday Pty Ltd or Mr. Carr failing to comply with any of the obligations and covenants contained in the Carr Andina Agreement; or
  - (h) Ripperday Pty Ltd or Mr. Carr committing any other act or omission which is referred in the Carr Andina Agreement as giving Andina the right to terminate; or
- (ii) in any other circumstance, 12 months' notice.

Ripperday Pty Ltd may terminate the Carr Andina Agreement:

- (i) on notice of breach or non-performance by Andina, and failure by Andina to remedy or adequately respond to the breach or non-performance within 10 business days; or
- (ii) in any other circumstance, six months' notice.

- **Executive Service Agreement – Mr. Laurence Marsland**

Titan has entered into an executive service agreement with Mr. Laurence Marsland (“**Marsland Agreement**”).

The terms of the Marsland Agreement are as follows:

- (i) Mr. Marsland’s appointment as a Managing Director and Chief Executive Officer is effective on July 15, 2019;
- (ii) will terminate on a date that is four years from the commencement date, unless extended by the parties or terminated earlier by written notice from Titan or Mr. Marsland or immediately by Titan if Mr. Marsland engages in serious misconduct; and
- (iii) Mr. Marsland will be paid a consultancy fee of AU\$240,000 per annum and will also be reimbursed for reasonable expenses incurred in the performance of its duties.

- **Loan Agreements**

On March 25, 2019, Titan entered into secured loan facility agreements with various third-party financiers to fund its payment obligations under the Core Private Placement on the following terms:

- (i) The total amount drawn down under the secured loan facility is US\$3,000,000 (“**Loan**”).
- (ii) Titan will pay interest of 15% per annum on the Loan (“**Interest**”), calculated on a pro rata basis from the draw down date to, and including, the date on which the Loan is repaid under this agreement (“**Total Interest Amount**”).
- (iii) Titan must repay the Loan together with the Total Interest Amount to the Lender within the earlier of:
  - (a) the date that is 21 days from the date of implementation of the Plan of Arrangement; or
  - (b) the date that is either:
    - (i) six months from the draw down date (“**First Payment Date**”); or

- (ii) subject to Titan providing written notice to the lenders five business days prior to the First Payment Date, nine months from the draw down date,

**(“Repayment Date”).**

- (iv) Titan shall be at liberty to repay all monies due to the lenders prior to the Repayment Date.
- (v) If the Loan and Total Interest Amount is repaid prior to the date that is five months from the draw down date (**“Early Repayment Date”**), Titan shall on the Early Repayment Date pay to the lenders an amount equivalent to the Interest calculated on a pro-rata basis from the draw down date to the date that is five months from the draw down date less the Total Interest Amount.
- (vi) Titan has granted a share pledge over the common shares acquired in Core and over Vista Gold to the lenders.

Titan has provided notice to the lenders of the secured loan facility to extend the repayment date from the First Payment Date to 9 months from the draw down date, being December 2019.

- **Bacchus Agreement**

On July 10, 2019, Titan engaged Bacchus Capital Advisers Limited (**“Bacchus”**) to act as Titan’s strategic financial adviser (**“Bacchus Agreement”**). Titan has agreed to pay Bacchus each of the following:

- (i) a retainer work fee, structured as follows:
  - (a) US\$100,000 payable in cash upon Titan’s acceptance and execution of the Bacchus Agreement; and
  - (b) US\$50,000 payable in cash upon Titan making an offer announcement to acquire Core.
- (ii) Upon Titan acquiring control of Core, a success fee of 2.5% of the combined enterprise value of Titan and Core, based on the closing price of a Titan Share immediately prior to the offer announcement and the offer price for the target (**“Success Fee”**). 50% of the Success Fee may be payable in Titan Shares, at Titan’s election.

- **Assignment Agreement - Vertex**

On August 21, 2019, Titan, Vertex Managed Value Portfolio (**“VMVP”**) and Vertex Enhanced Income Fund (**“VEIF”**) entered into a note and security assignment agreement pursuant to which it was agreed that VMVP and VEIF (**“Assignors”**) will sell, transfer and assign to Titan all the respective rights and obligations under the Core Debt and the associated security interest for consideration of US\$1,882,999.90.

## **EXPERTS**

### **NAMES OF EXPERTS**

Stantons International Audit prepared the independent auditor’s report for the audited annual consolidated financial statements of Titan for the year ended December 31, 2018, December 31, 2017, and June 30, 2016. Stantons International Audit is independent in accordance with the *Corporations Act* and the ethical requirements of the Accounting Professional and Ethical Standards Board’s APES 110 Code of Ethics for Profession Accountants that are relevant to the audit of Titan’s financial statement in Australia.

### **INTEREST OF EXPERTS**

To the knowledge of Titan, after reasonable inquiry, as of the date hereof, the aforementioned experts and, as applicable, their associates or affiliates, do not beneficially own, directly or indirectly, any securities of Titan as of the date hereof.

## OTHER MATERIAL FACTS

There are no material facts relating to Titan that are necessary to disclose in order to have full, true and plain disclosure of all material facts relating to Titan's shares.

## FINANCIAL STATEMENT DISCLOSURE FOR ISSUERS

If, on a fully-diluted basis, 10% or fewer of the Titan Shares upon completion of the Offer, are owned, directly or indirectly, by residents in Canada, Titan will be permitted under NI 71-102 to report in Canada as a "designated foreign issuer". If, on a fully-diluted basis, greater than 10% of the Titan Shares upon completion of the Offer, are owned, directly or indirectly, by residents in Canada, Titan will not, pursuant to the provisions of NI 71-102, be permitted to report in Canada as a "designated foreign issuer". Currently, it is expected that upon completion of the Offer, Titan Shares owned directly or indirectly by Titan Shareholders who are resident in Canada will represent slightly more or slightly less than 10% of the Titan Shares, on a fully-diluted basis. If the former is the case, Titan intends to apply to the British Columbia Securities Commission for exemptive relief so that it is permitted to report as a "designated foreign issuer". As a "designated foreign issuer", Titan will be exempt from most of the continuous disclosure requirements of Canadian securities legislation provided Titan complies with the continuous disclosure requirements of Australia.

Included in Appendix "C" to the Circular are the following:

- the Titan Interim Financial Report for the 3- and 6-months ended June 30, 2019 and 2018, containing the unaudited interim financial statements for the 3- and 6-months ended June 30, 2019 and 2018;
- the Titan 2018 Annual Financial Report for the year ended December 31, 2018, containing the audited financial statements for the financial year ended December 31, 2018;
- the Titan 2017 Annual Financial Report for the year ended December 31, 2018, containing the audited financial statements for the financial year ended December 31, 2017;
- the Titan 2016 Annual Financial Report for the year ended December 31, 2018, containing the audited financial statements for the financial year ended December 31, 2016;
- the Andina 2017 Annual Financial Statements for the year ended December 31, 2018, containing the audited financial statements for the financial year ended December 31, 2017;
- the Andina 2016 Annual Financial Statements for the year ended December 31, 2018, containing the audited financial statements for the financial year ended December 31, 2016;
- the Andina 2015 Annual Financial Statements for the year ended December 31, 2018, containing the audited financial statements for the financial year ended December 31, 2015;
- the Andina income statement and statement of financial position for the 6-month period ended June 30, 2018 and 2017; and
- the income statement of Titan for the year ended December 31, 2018 prepared on the basis that Andina was acquired on January 1, 2018.

## SIGNIFICANT ACQUISITIONS

### ANDINA RESOURCES LTD.

Andina is an unlisted gold and base metals exploration company founded in 2009, based in Subiaco, Australia with an additional office in Peru and has operated a mineral treatment business in Peru for more than eight years. Andina operated a wholly owned gold and silver processing plant called the Vista Plant through its 100% owned subsidiary Vista Gold for growth of its mineral treatment business.

The acquisition date used for accounting purposes was December 31, 2017.

On March 26, 2018, Titan announced that it had entered into a bid implementation agreement with Andina, pursuant to which Titan would acquire all of the issued capital in Andina via an off-market takeover bid with Andina shareholders receiving one Titan Share for every 1.18 Andina shares held. Pursuant to the Andina Acquisition, Titan would issue up to 561,656,385 Titan shares at a notional share price of AU\$0.035 (on a pre-consolidated basis) per Titan share to acquire all Andina shares and provide Titan with ownership of Andina's Peruvian based gold treatment business including Andina's processing capability at its Tulin Plant, ownership over the partially constructed and permitted Vista Plant, and exposure to a group of early stage exploration gold and gold-copper

projects. Titan issued a total of 561,656,376 Titan Shares as a result of the compulsory acquisition of all Andina shares pursuant to the Andina acquisition. The Andina acquisition was not with an informed person, associate or affiliate of Titan.

On July 12, 2018, the Andina Acquisition became unconditional and Titan announced its intention to proceed to issue the offer consideration and compulsorily acquire Andina shares from Andina shareholders in accordance with the provisions of the *Corporations Act*. See “*Description of the Business – Three Year History – 2018*” for details of other key events and dates in respect of the Andina Acquisition.

Following completion of the Andina Acquisition, Titan has, among other things, accomplished the following:

- successfully accelerated the construction phase of the Vista Plant funding the final phase of capital expenditure for plant construction in the second half of the 2018 calendar year. Titan benefited strongly from the previous site development and existing permitting work (which can be in excess of a three to four-year timeline in Peru) completed by Andina prior to acquisition of the assets by Titan. Titan also maintains the strong operational team that Andina built continues to operate the Vista Plant for Titan accompanied with a favourable reputation in the region to acquire high-grade gold bearing material from licensed artisanal miners in the region for growth of the Vista Plant’s production profile.
- completed the permitting and licencing process to bring the Vista Plant into production in May 2019. The Vista Plant successfully completed all requisite physical inspections for safety and environmental aspects of the operations required by the DREM. Vista successfully achieved commercial operations with no safety or environmental incidents during the start-up of operations and the Vista Plant currently employees over 60 staff, and the operational team is 100% comprised of Peruvian nationals. Vista actively work with the DREM to maintain a high operational standard and maintain its strong record in regard to both the environment and occupational health and safety.
- With commencement of operations at Vista, Titan anticipates the Vista Plant will provide sufficient cash flow to fully fund its operational costs, and also fund further capital injections for growth of the plant and toll treatment business. It is anticipated that surplus cash flow generated will partially fund exploration activity to advance a mine development strategy for Titan and further expand gold production by developing its own feed for the Vista Plant;
- completed a strategic review of Andina exploration holdings and in July 2018 completed a campaign of mapping and sampling programmes at the Torrecillas Project, where a number of undrilled targets proximal to the mined out historical Torrecillas mine have been assessed for potential for resource delineation and development with exploration expenditure. Titan is currently assessing opportunities at the Torrecillas Project in alignment with Titan’s strategy to expand its land position within trucking distance of a centralised Vista Plant;
- in the September quarter of 2018, completed a strategic review of early stage exploration assets at the San Santiago Project, and elected to rationalise and reduce its land holding costs associated with the exploration targets surrounding the San Santiago Project facility, relinquishing 20 of 22 mining concession at the San Santiago Project area;
- ensured that all directors on Andina are Titan’s nominees, and all other directors have resigned and unconditionally and irrevocably released Andina from any claims they may have against Andina (without limitation to any accrued rights they may have under any deed of access and indemnity or policy of directors’ and officers’ insurance).

It is Titan’s current intention to advance its development strategy for the recently acquired gold treatment arm of its business focused in the Southern Peru region within the highly prospective Andean terrane. Titan intends to continue to acquire and process high grade ore from licensed artisanal miners in the region in the near term and utilise the Vista Plant’s additional processing capacity to advance a mine development strategy for Titan and process any mineralised material mined from several projects identified with mine development potential. Titan has an ongoing process to expand its land position with mine development potential to compliment the current mineral processing

capability and take advantage of synergies from company owned projects generating wholly owned feed to the centralised Vista Plant.

On June 8, 2018, a copy of the Andina target's statement was lodged with the ASIC and released by Titan on the ASX market announcements platform. The target's statement included an independent expert's report ("**IER**") prepared by Moor Stephens Perth Corporate Services Pty Ltd. June 6, 2018 ("**Moore Stephens**"), an independent valuation report ("**IVR**") prepared by Global Resources & Infrastructure Pty Ltd. dated May 23, 2018 ("**GRI**") and an independent valuation report of the San Santiago Metallurgical Plant Assets ("**SSVR**") prepared by Trinol Pty Ltd. ("**Trinol**") dated May 3, 2018.

The IVR focused on the values of the minerals exploration concessions that formed Andina's and Titan's potential production assets including the Torrecillas Project consisting of 29 mineral exploration concessions totalling 15,667.68 ha, for which Titan held an earn-in right of 70% and San Santiago copper-gold project consisting of 21 minerals exploration concessions totalling 5,753.69 ha.

The IVR was prepared to provide, among other things, the market value of the mineral concessions and a statement as to what defines market value. GRI undertook an assessment of the San Santiago and Torrecillas concessions and estimated the value range of these assets and provided an estimation of the preferred value of each. GRI's valuation of the San Santiago copper-gold project, using the comparable transaction method and in consideration of several modifying factors, was in the range of AU\$0.013 million to AU\$0.38 million, with a preferred value of AU\$0.32 million. GRI estimated the value of the Torrecillas Project, using the comparable transactions method and in part the joint venture terms method and after consideration of several modifying factors, was in the range of AU\$4,800,000 to AU\$6,000,000, with a preferred value of AU\$5,400,000.

Trinol undertook the SSVR of the combined copper and gold plant assets at the San Santiago processing facility in the Nazca Province of Peru using the Lang factor method of capital cost estimation. Trinol estimated asset value of the combined plant at the San Santiago site to be US\$4,390,000 (estimated value new), US\$1,302,500 (estimated realisable used value) and US\$13,170,000 (estimated plant replacement cost 3x equipment multiplier).



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2019 AND JUNE 30, 2018**

**MD&A for the Three and Six Month Periods Ended June 30, 2019**

**Review of Operations**

*Coriorcco Gold Project Acquisition*

Titan executed a binding agreement ("Cession Agreement") for an exclusive right to hold title and operate a 100% interest in the Coriorcco Gold Project located in Southern Peru ("Project"). The Cession Agreement is for a 10-year term, with an option to extend for eight years, pursuant to which payments include a US\$100,000 advance to be offset against future production payments fixed for the first three years for any gold production from the Project and production payments subsequently varying with gold grade in accordance with the key terms outlined in the ASX Announcement dated 23 April 2019.

*Appointment and Resignation of Directors*

Subsequent to the reporting period, Titan announced the appointment of two highly credentialed members to the board of the Company ("Board") (Refer to ASX release dated 15 July 2019). Mr Laurence Marsland has been appointed as the Managing Director and Chief Executive Officer and Mr Michael Hardy has been appointed as a Non-Executive Chairman of the Board.

Concurrent with the new appointments to the board, Mr Cameron Henry and Mr Robert Sckalor both resigned as Directors of the Company.

*Operational Report*

Titan continues to advance its development strategy for the recently acquired gold treatment arm of its business focused in the Southern Peru region within the highly prospective Andean Terrane. Complimentary to the current ore processing capability, the Company has an ongoing process to develop a land position with mine development potential to provide Company generated feed to the centralised Vista Gold Plant.

In the short term, the Company continues to source ore from licensed miners in the region. To establish increased gold production at the wholly owned Vista Gold Plant, a ramp-up of ore purchasing was successfully initiated in the December quarter of 2018 and the Company commenced operations with the issue of its operational permit (refer to ASX Release dated 27 May 2019).

*Vista Gold Plant*

The Vista Plant is located approximately 470km south of Lima in the Ica Province of the Nasca region of southern Peru and conveniently located a few kilometres off the Panamerican highway and connected to the regional power distribution grid. The Plant has a nameplate capacity of 150 tonnes per day and can generate up to 90 ounces of gold per day based on monthly average grades ranging from 17.5 g/t to 24.4g/t gold.

Following the grant of the final operator's permit ("Concession of Benefit" / Concesión de Beneficio) in late May from the Direccion Regional De Energia Y Minas (The Regional Energy and Mines Department, or "DREM") the plant commenced processing gold bearing material stockpiled at the plant at a targeted start-up rate of 80tpd and the Vista Plant has realised gross sales of gold totalling 2,074 ounces in the reporting period.

The Vista Plant has successfully completed all requisite physical inspections for safety and environmental aspects of the operations required by the DREM. The Vista Plant currently employees over 70 staff, and the operational team is 100% comprised of Peruvian nationals. Vista successfully achieved commercial operations with no safety or environmental incidents during the start-up of operations and will actively work with the DREM to maintain a high operational standard to maintain integrity of both the environment and occupational health and safety of the Vista Plant's workers.

The Vista Gold Plant has been designed to increase its capacity to its full permitted capacity of 350 tons per day with minimal capital outlay, when warranted by supply of ore. The team intends to acquire and process high grade

ore from licensed artisanal miners in the region in the near term and utilise the Vista Gold Plant’s additional capacity to advance a mine development strategy for the company and process any ore mined from several projects identified with mine development potential for providing significant synergies to the group. In the medium to long term, Titan's integrated process and exploration team intends to provide additional growth to the Vista Plant’s production profile by leveraging on Titan’s presence and landholding within the >100km long Nazca–Ocoña metallogenic belt to define significant mineral resources for Titan.

*Coriorcco Gold Project – Southern Peru*

Coriorcco is an early stage exploration project with no previous drilling located adjacent to the Company’s Las Antas project Earn-in. Coriorcco is accessible by paved road to within 5km of the Project area and located 80km east of Titan’s wholly owned Vista Gold Plant, and is positioned well within trucking distance of Vista and is well suited for development of high-grade, low-tonnage mine development work that can be transported for beneficiation at the Vista Plant.

The Company has commenced work on various permitting requirements to concurrently drill and access the shallow mineralization in the existing historical underground development areas within the target area for bulk sampling. Planned work will initially focus on defining and developing the potential to deliver mineralized material to the Vista Gold Plant in the short term for beneficiation test work, with the intention to predominantly fund exploration work in support of the Vista Plant from the cash flow generated by the existing processing capability of the Company in Peru.

The Project is located within the Oligocene-Pliocene gold-silver Belt of Southern Perú, which contains various precious metal deposits including the Ares Mine (1.2Moz Au & 15Moz Ag) and the Antapite Mine (600koz Au), and it is one of multiple zones of high-grade vein gold mineralization in the mining district surround the extensive alteration footprint of the Company’s nearby Las Antas Gold Project. Coriorcco is a drill-ready project with potential to provide high-grade gold ore feed to the Company’s Vista Gold Plant, initially targeting a number of outcropping veins with historical development on quartz veins with 0.8 to 2.5m mineable widths in previous mining, which are mined from historical underground workings and exposed at surface in a few locations.

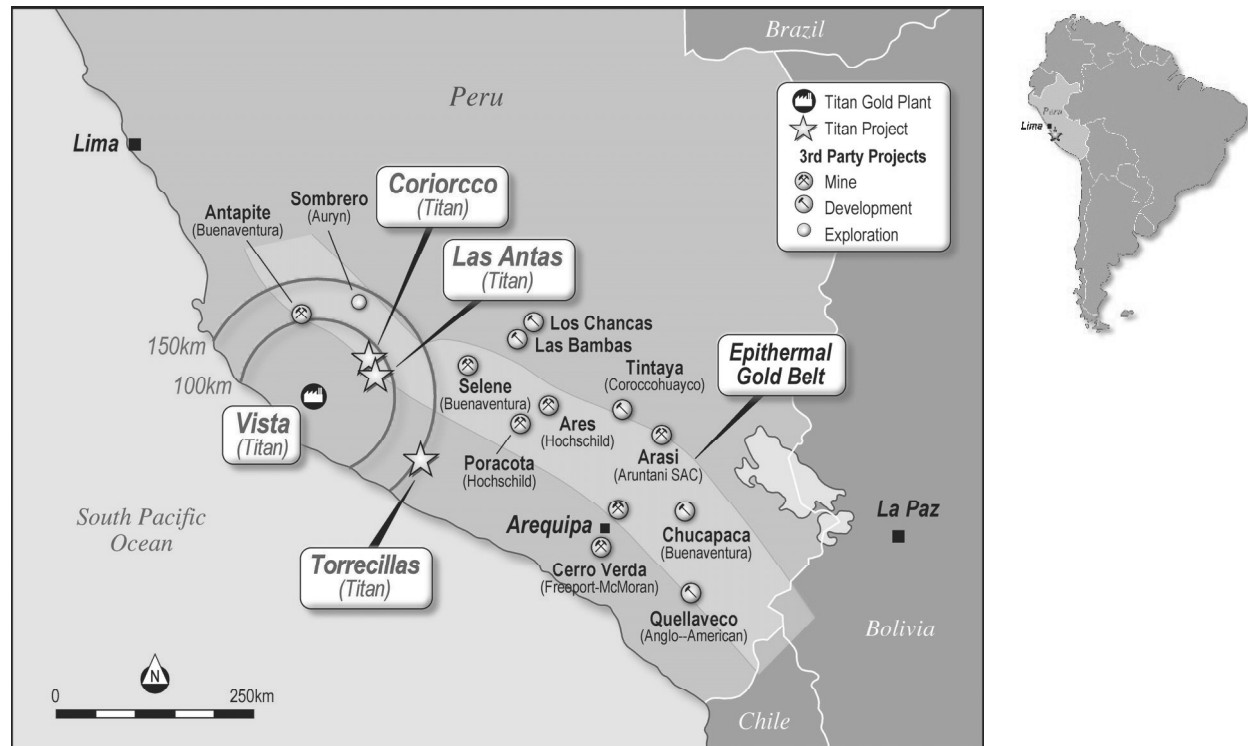


Figure 1 | Location map – Titan project within trucking distance of the Company’s Vista gold processing facility.

The Coriorcco project acquisition provides the Company with a low-cost entry into a highly prospective project with potential to bring significant financial benefit to the Vista Gold Plant in the near term, along with resource growth potential for the Company in the future. The project has an existing camp and boasts two existing underground adits with over 1500m of existing underground development.

*Las Antas Gold Project – Southern Peru*

The Las Antas gold project (“Las Antas Project”) is an early stage exploration project located in the Lucana Province of the Ayacucho region of southern Peru.

Titan is currently progressing environmental permitting authorisation to commence a maiden drilling program on targets defined from historical surface geochemistry and geophysical survey work. Titan anticipates such work to be completed in Q4 2019 with the objective of identifying sub-surface mineralisation that could merit continued exploration for potential resource delineation and estimation work.

Accessible by paved road to within 8km of the project, Las Antas is located 80km east of Peru’s prominent Pan American highway, and can be accessed by driving 408km south of Lima on the Pan American highway, followed by a 100km drive east on the Interoceanic highway towards the city of Puquio and a further 8km drive along a dirt road off the Interoceanic highway. The Las Antas Project covers 2,000 ha across 2 mineral concessions located in the San Cristóbal district at elevations of 3,900 to 4,100 m above sea level. Titan holds an exclusive option to acquire up to an 85% interest in the Las Antas Project. Titan considers the Las Antas Project to be an important step towards Titan's objective of generating multiple opportunities with potential to provide high-grade gold ore feed to the Vista Plant.

The Las Antas Project has received early stage modern exploration techniques, with non-systematic geophysical coverage completed in historical exploration activity from 1995 through 1998 under a joint venture between Hochschild and Anaconda. The project area has seen only limited shallow reconnaissance RC drilling before exploration abruptly ceased in 1998.

Further details of the geological setting and exploration history can be found in the Company’s ASX release dated 12 September 2018 regarding the non-binding indicative terms which were previously agreed to in respect of the Las Antas Project.

## Results of Operations

### Quarter results

(in Australian dollars, unless otherwise noted)

	Three months ended, June 30,			Six months ended, June 30,		
	2019	2018	2017*	2019	2018	2017*
Revenue from contracts with customers	3,638,329	-	3,630	4,838,776	-	4,061
Cost of sales	(3,327,229)	-	(184,951)	(4,382,128)	-	(1,448,436)
Gross profit	311,100	-	(181,321)	456,648	-	(1,444,375)
Other revenue	166	2,385	-	11,103	4,951	-
Depreciation and amortisation charges	(67,034)	-	-	(102,719)	-	-
Administration expenses	(1,785,887)	(741,006)	(81,277)	(2,861,974)	(1,069,402)	(186,853)
Foreign exchange gain/(loss)	168,957	132,020	168,711	79,849	81,450	190,295
Finance costs	(54,540)	-	(2,733)	(460,193)	-	(4,304)
Bad debts	(17,018)	(410,878)	-	(17,197)	(475,227)	-
Impairment expense	-	(128,646)	-	-	(128,646)	-
Share based payments	146,270	(205,934)	-	(57,401)	(409,605)	-
Other expenses	(13,687)	-	-	(45,367)	-	-
<b>(LOSS) BEFORE INCOME TAX EXPENSE</b>	<b>(1,311,673)</b>	<b>(1,352,059)</b>	<b>(96,620)</b>	<b>(2,997,251)</b>	<b>(1,996,479)</b>	<b>(1,445,237)</b>
<b>Basic earnings per share (cents per share)</b>						
From continuing operations	(0.51)	(0.79)	(0.93)	(1.17)	(1.12)	(13.92)
From discontinued operations	(0.47)	1.78	(1.765)	(0.49)	1.64	13.90
<b>Diluted earnings per share (cents per share)</b>						
From continuing operations	(0.51)	(0.79)	(0.93)	(1.17)	(1.12)	(13.92)
From discontinued operations	(0.47)	1.78	(1.765)	(0.49)	1.64	13.90

\* The Company was under external administration from 25 August 2015 to 4 October 2017, consequently the Company may not have sufficient information to allow the level of disclosure required for the comparative period ended June 30, 2017.

### Revenue and cost of sales

The revenue recognised during the period relate to revenues from toll processing at the Vista Gold Plant, for which commercial production commenced from late May after receiving the final operator's permit. During the quarter ended June 30, 2019, the plant realised gold sales of 2,074 ounces during the period.

The costs of sales improved compared to the previous quarter as the period includes the beginning of commercial production following receiving the final operator's permit in late May. Prior to this, the plant was only undergoing operational testing.

### Expenses

Administration expenses for the three and six months ended June 30, 2019 are significantly higher as a result of costs associated with lodging Core merger bid. The costs incurred are primarily in relation to professional and legal fees.

Share based payments during the quarter included a reversal of previously recognised share based payments to Directors Robert Sckalor and Cameron Henry following their resignation in July 2019, to whom the share based

payments were issued to. As a result of their resignation, the vesting conditions of the performance rights previously issued to them on December 18, 2016 are unable to be met and have therefore been reversed.

Finance costs have decreased from the previous quarter as a result of the structure of the secured debt facility entered into by the Group on March 25, 2019. As part of the terms of the facility, the minimum repayment includes 5 months of interest payable if repaid prior to five months from the draw down date. As a result, the previous quarter includes all the recognition of all interest costs that would of typically accrued in the current period if this early repayment clause did not exist.

#### *Other comprehensive loss*

Other comprehensive loss includes the exchange loss on the translation of foreign operations and is impacted by the Titan subsidiaries that have a functional currency of USD. The exchange loss of \$0.28 million for the period is a result of the fluctuation of the US dollar throughout the period.

Other comprehensive loss also includes the fair value loss on investments in equity designated as at FVTOCI, being the Company's investment in Core Gold Inc that it acquired as part of the Amending Agreement announced March 12, 2019. The loss is due to the decrease in the share price of Core Gold Inc during the period.

#### **Financial Position**

The following review compares the June 30, 2019 position to December 31, 2018.

#### *Assets*

The decrease in cash and cash equivalents during the period was primarily the result of costs relating to the Core merger bid.

Restricted cash of \$1.36 relates to application funds received in advance of a capital raising incomplete as at June 30, 2019, and unavailable for use. Since June 30, 2019, a portion of these funds have been applied to the \$6 million placement completed August 7, 2019, with the remaining refunded.

Trade and other receivables have increased from \$1.3m to \$2.3m primarily due to an increase in IGV receivable incurred from sales generated from the Vista Gold plant during the period.

Financial assets relates to the value of the Groups holdings in Core Gold Inc. described previously above.

#### *Liabilities*

Current trade and other payables has increased from \$1.07m to \$3.44m due to the receipt of application funds in advance of completion of the capital raising of \$1.36m, and an increase in trade payables as a result of the commencement of operations at the Vista Gold Plant.

Borrowings has increased as a result as the Company entered into a US\$3m secured debt facility with a group of sophisticated and professional investors as announced on March 25, 2019. The repayment date of this facility is the earlier of 21 days from completion of Titan Core Gold plan of arrangement or 6 months from the draw down date, extendable to 9 months at Titans election.

The Company is in advanced negotiations with Silverstream SECZ ("Silverstream") with respect to the sale of a royalty on two of the Company's concessions (tenements) to Silverstream for US\$1,000,000 and payments of US\$500,000 currently in arrears and an early payment of US\$500,000 under the existing streaming agreement between the Company's subsidiary Mantle Mining SAC and Silverstream over the Torrecillas concessions (tenements). These proposed arrangements remain subject to the completion of negotiations and the execution of formal documents.

#### *Working capital, liquidity and capital resources*

The working capital position surplus position decreased from \$8.8m on 31 December 2018 to \$0.8 during the period. This is mainly due to the decrease in cash and cash equivalents and increase in borrowings described above.

Non-current assets increased by \$3.02m, including:

- \$0.54m increase in property, plant and equipment; and
- \$2.29m increase in financial assets described above.

For the period ended June 30, 2019, the Company had cash and cash equivalents of \$2.84m, a decrease of \$2.62m from 31 December 2018.

Net cash used in operating activities of \$2.13m includes toll processing operations and corporate costs.

Investing activities of \$5.37m primarily relates to the payment for shares in Core Gold Inc.

Financing activities include the proceeds from entering into the secured debt facility described above, and the disposal of treasury shares previously acquired as part of the merger with Andina Resources Limited completed in the 2018 financial year.

## Equity

On June 26, 2019, the Company completed a 10 to 1 share consolidation approved by shareholders on 14 June 2019.

At the Annual General Meeting held on May 30, 2019, shareholders approved to grant 15,000,000 (1,500,000 post-consolidation) performance rights to Mr Travis Schwertfeger (COO) as part of his remuneration. The performance rights have the following terms:

Tranche	Performance Rights (post-consolidation)	Milestone	Expiry Date
A	500,000	The Shares achieving a daily VWAP of greater than \$0.50 for a period of 10 consecutive Trading Days	2 years from the date of issue
B	500,000	The Shares achieving a daily VWAP of greater than \$0.60 for a period of 10 consecutive Trading Days	
C	500,000	The Shares achieving a daily VWAP of greater than \$0.70 for a period of 10 consecutive Trading Days	

As at June 30, 2019, the Company had 256,370,607 Titan shares on issue; 4,500,000 Titan unlisted Options; and 9,550,000 Titan Performance Rights issued and outstanding.

## Operating Segments

Titan has identified its operating segments based on the internal reports that are reviewed and used by the Titan Board (the chief operating decision-maker) in assessing performance and in determining the allocation of resources. The operating segments are identified by the Titan Board based on reporting lines and the nature of services provided. Discrete financial information about each of these operating segments is reported to the Titan Board on a monthly basis. Titan operates predominately in Peru. The reportable segments are based on aggregated operating segments determined by the similarity of the services provided and other factors.

In 2019 and 2018, Titan had one reportable operating segment which are the same as its geographical segments, this is gold and silver processing in Peru.

Segment result represents the profit or loss earned by each segment without allocation of corporate administration costs, investment revenue and finance costs or income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries, share of profits of associates, gain recognised on disposal of interest in former associate, investment income, gains and losses, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

(in Australian dollars, unless otherwise noted)

	Revenue		Segment Result	
	Three months ended		Three months ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	\$	\$	\$	\$
<b>Continuing operations</b>				
Segment result before income tax – Peru Gold	3,638,329	-	311,000	(320,424)
	3,638,329	-	311,000	(320,424)
Other revenue			166	2,385
Central administration costs and director salaries			(1,883,526)	(960,106)
Foreign exchange costs			168,957	132,020
Finance costs			(54,540)	-
Share based payments			146,270	(205,934)
Loss before income tax expense			(1,311,673)	(1,352,059)
Income tax expense			-	-
Loss for the period from continuing operations			(1,311,673)	(1,352,059)

(in Australian dollars, unless otherwise noted)

	Revenue		Segment Result	
	Six months ended		Six months ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	\$	\$	\$	\$
<b>Continuing operations</b>				
Segment result before income tax – Peru Gold	4,838,776	-	456,648	(619,928)
	4,838,776	-	456,648	(619,928)
Other revenue			11,103	4,951
Central administration costs and director salaries			(3,027,257)	(1,053,347)
Foreign exchange costs			79,849	81,450
Finance costs			(460,193)	-
Share based payments			(57,401)	(409,605)
Loss before income tax expense			(2,997,251)	(1,996,479)
Income tax expense			-	-
Loss for the period from continuing operations			(2,997,251)	(1,996,479)



There are no legal or other restrictions on the flow of funds from one part of Titan's business to another. The effect of discontinued operations on current segment operations is trivial.

Refer to the "Review of Operations" section for industry and economic factors affecting Titan's performance and commentary on changes that have occurred and its impact on Titan's financial condition and performance.

### **Critical Accounting Judgements, Assumptions and Key Sources of Estimation Uncertainty and changes**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements, estimates and assumptions, in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events that management believes to be reasonable under the circumstances. The resulting accounting judgements, estimates and assumptions will seldom be the same as the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

#### *Impairment of Property, Plant and Equipment*

Titan reviews for impairment of property, plant and equipment, in accordance with its accounting policy. The recoverable amount of these assets has been determined based on the higher of the assets' fair value less costs to sell and value in use. These calculations require the use of estimates and judgements. The total property, plant and equipment balance at June 30, 2019 was AU\$3,083,519 (December 31, 2018: AU\$4,256,501).

In estimating the fair value of an asset or a liability, Titan uses market-observable data to the extent it is available. Titan may engage the assistance of third parties to establish the appropriate valuation techniques and inputs to the valuation model.

#### *Impairment of Deferred Exploration Expenditure*

The future recoverability of deferred exploration and evaluation expenditure is dependent on several factors, including whether Titan decides to exploit the related tenement/lease/concession itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale. Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, costs of drilling and production, production rates, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices. The total deferred exploration expenditure balance at June 30, 2019 was AU\$1,272,713 (December 31, 2018: AU\$841,622).

#### *Impairment of Goodwill*

Titan reviews for impairment on goodwill at each reporting date. In determining the recoverable amount of relevant cash generating units, in the absence of quoted market prices, estimations are made regarding the present value of future cash flows. For goodwill, expected future cash flow estimation is based on future production profiles, commodity prices and costs. These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of the goodwill. The total goodwill balance at June 30, 2019 was AU\$11,952,365 (December 31, 2018: AU\$12,193,538).

#### *Adoption of new and revised accounting standards*

The Group has adopted AASB 16: *Leases* from 1 January 2019. The below denotes the impact (if any) on the Group's financial report:

##### *Adoption of AASB 16: Leases*

The Group has adopted AASB 16: *Leases* effective 1 January 2019. The adoption of AASB 16 did not result in a material change to the recognition or measurement of lease as the Group is not party to any material leases.

### *Accounting policy: Leases*

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

### *Remuneration of key management personnel*

*(in Australian dollars, unless otherwise noted)*

	<b>Three months ended, June 30,</b>		<b>Six months ended, June 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Short-term benefits	114,000	84,000	228,000	168,000
Share based payments	117,676	176,516	234,060	351,090
	<b>231,676</b>	<b>260,516</b>	<b>462,060</b>	<b>519,090</b>

### *Off-Balance Sheet Arrangements*

Titan had no off-balance sheet arrangements for the relevant reporting periods.

### *Contingent Liabilities*

Titan had no contingent liabilities as at June 30, 2019 and December 31, 2018.

### *Commitments*

Titan had no contingent liabilities as at June 30, 2019 and December 31, 2018.

### **Business risk**

#### *Credit Risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to Titan. Credit risk arises from cash and cash equivalents and trade and other receivables. Titan's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount net of any provisions for these assets as disclosed in the statement of financial position and notes to the financial statements.

Titan has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. It is Titan's policy that all parties who wish to trade on credit terms are subject to credit evaluations including an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are set for each individual party in accordance with parameters set by the Titan Board. These risk limits are regulatory monitored. Titan does not require collateral in respect of financial assets.

In addition, receivable balances are monitored on an ongoing basis with the result that Titan's exposure to bad debts is not significant. At the reporting date there were no significant concentrations of credit risk.

#### *Liquidity Risk*

Ultimate responsibility for liquidity risk management rests with the Titan Board, which has built an appropriate liquidity risk management framework for the management of Titan's short, medium and long-term funding and liquidity management. Titan manages the liquidity risk by maintaining adequate cash reserves, and by continuously monitoring forecast and actual cash flows while matching the maturity profiles of financial assets and liabilities. There are no material financial assets or financial liabilities that were subjected to liquidity risk as at June 30, 2019 or December 31, 2018.

### *Interest Rate Risk*

Titan's current exposure to the risk of changes in market interest rates relate primarily to cash assets rates. Titan does not account for fixed rate financial assets and liabilities at fair value through profit or loss. Titan's main interest rate risk arises from cash and cash equivalents with variable interest rates.

All the consolidated entity's financial instruments that are exposed to interest rate risk are either non-interest bearing, bear interest at commercial interest rates or at fixed rates.

### *Foreign Exchange Risk*

Titan operates internationally and is exposed to foreign exchange risk arising primarily from its subsidiaries, primarily with respect to the US dollar.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency.

### *Price Risk*

Titan is exposed to commodity price risk through its gold sales from the toll processing operations. Titan does not currently hedge the price at which it sells gold.

### *Capital Risk Management*

Titan's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to maintain a suitable capital structure and fulfil the objectives of Titan. Management maintain budgets and forecasts to ensure that Titan maintains sufficient working capital to remain a going concern.

## MD&A for the Three and Six Month Period Ended June 30, 2018

### Review of operations

#### Torrecillas Gold Project – Peru

During the quarter, the Company's geological team continued its detailed review of the historical exploration data, and completed a detailed field mapping and sampling campaign for the high-grade Torrecillas Gold Project in Peru.

Among the previously identified eleven target areas, four vein zones have been identified for follow-up work based on strike extent and continuity of high grade results, including the Rebeca, Preciosa and Ady-Oly vein corridors, with each target area containing multiple veins across substantial widths ranging from 1.8 to 2.7km in strike extent. The priority target areas for drill follow-up include;

- Ady-Oly Prospect, which comprises numerous sub-parallel vein and vein extensions to the historical resource at the Torrecillas mine area on a complex vein array covering over 2.4km extent proximal to the granitic and Andesitic volcanic host rock contact zone in the area. The area includes numerous >5g/t results from channel samples across veins mapped at surface. Including up to 42.7g/t gold and 22.7g/t gold value returned on new vein extensions identified in recent mapping in a step-out to the southwest.
- Preciosa Prospect is a 2.7km long corridor of veining with multiple high-grade veins mapped on topographic highs. Sampling to date demonstrate strong potential for continuity of gold grades along strike, and additional trench sampling is planned in areas of colluvial cover to assess additional continuity of strike along veins within the target area.
- Rebecca Prospect is an area of relative high vein density and on average returning consistently high grades from representative channel sampling across multiple veins within the 1.8km long vein swarm. Again, vein extent and density are currently focused in areas of best exposure with significant potential to add strike extent and volume through further trenching and follow-up drilling along strike.

Previous exploration and mining on the Torrecillas Concession has highlighted multiple targets with high-grade resource potential within the project area. Recent exploration activity has refined characteristics to prioritise areas delivering significant strike extent and density of veining with continuity of grade to deliver potentially economically viable resources with drill definition.

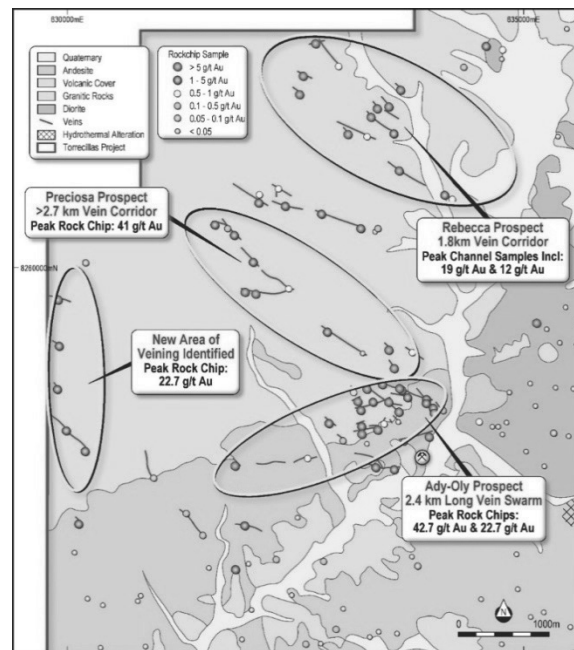


Figure 1 | Location of prioritised high-grade gold target areas at Torrecillas Project in Peru with reported surface sampling locations

### *San Santiago Copper Plant*

With the successful acquisition of Andina's Vista Gold Plant nearing completion and the proposed acquisition of the Mirador Copper-Gold plant advancing, Titan will not restart the gold circuit at San Santiago. Instead, it is proposed that on completion of the takeover, gold will be processed at the Vista Gold Plant. The San Santiago Copper Plant remains in care and maintenance whilst Titan's operational team continues its assessment for the restart and expansion of the plant's operations.

### *Corporate*

The Company's executive management team and Board continue to dedicate considerable time and effort in Peru progressing multiple opportunities for the Company, as evidenced by the acquisition of Andina Resources and the binding Heads of Agreement to acquire the Mirador processing plant in northern of Peru.

This will provide the Company with a distinct competitive advantage in Peru to acquire and develop high-grade gold and gold-copper projects within the well-endowed Andean terrain. Additional high-grade ore, should it be needed, can be supplied from licensed artisanal miners who do not have processing capability.

### *Oversubscribed Capital Raise*

As announced May 22, 2018, the Company received firm commitments to raise approximately \$11 million through an oversubscribed placement of 366,666,666 shares at 3.0 cents per share to institutional and sophisticated investors ("Placement").

The Placement was undertaken in two tranches:

- the first tranche of the Placement, comprising 233,333,333 shares, (\$7,000,000) (Tranche 1) was placed utilising Titan's 15% placement capacity under ASX Listing Rule 7.1; and
- the second tranche of the Placement, comprising approximately 133,333,333 shares, \$4,000,000 (Tranche 2) was issued on July 17, 2018 after receiving shareholder approval at a general meeting held on July 12, 2018.

The proceeds of the Placement will be used to finalise the acquisition of the Mirador Copper and Gold plant and explore Titan's Torrecillas and San Santiago projects in Peru.

### *Share Sale Facility*

On June 12, 2018 the Company announced that it established a share sale facility ("Facility") for shareholders that hold less than \$500 in value of the Company's shares ("Unmarketable Parcel") as at 5.00pm (WST) on June 8, 2018 ("Record Date"). An Unmarketable Parcel of shares is any shareholding of 15,624 shares or less, based on the Company's closing share price of \$0.032 on the Record Date. The Company has offered this Facility to assist holders of Unmarketable Parcels to sell shares without incurring any brokerage or handling costs that could otherwise make a sale of their shares uneconomic.

Following the Closing Date of Share Sale Facility on July 26, 2018 the Company experienced a significant reduction in the number of shareholders in the Company which will resulting a reduction in the administrative costs for the Company going forward.

### *Andina Resources Limited*

Andina is a Peru focused gold toll treatment company whose activities comprise gold refining and production at the Tulin Gold Plant and the Vista Gold Plant in Southern Peru.

The acquisition of the Tulin and Vista Gold Plants has several key benefits, including taking advantage of the Vista Gold Plant's existing permits, allowing Titan to avoid building its own mill facilities, saving circa US\$4M in capital expenditure, avoiding circa four years required to achieve the gold plant licensing approvals, and providing significant administration and corporate overhead savings.

These synergies will cement Titan’s footprint in Peru as a significant gold and base metals exploration and production company.

#### *Tulin Gold Plant*

Andina currently leases and operates the Tulin Gold Plant, located south of Nazca in Southern Peru. High grade gold ore (averaging approximately 15-20 g/t) is acquired from licensed artisanal miners, and then processed at the plant.

For the reporting period, the Tulin Gold Plant averaged 40 tonnes per day of ore feed averaging 16.3g/t gold head grades and processed with 91.7% gold recoveries.

#### *Vista Gold Plant*

Andina is currently constructing the Vista Gold Plant in southern Peru, located near the San Santiago and Torrecillas Gold Projects. When commissioned, the Vista Gold Plant will provide the combined group with significant cash flow opportunity in the near term. The team intends to acquire and process high grade ore from licensed artisanal miners in the region and utilise the Vista Gold Plant to process any ore mined at the Torrecillas mine, providing significant synergies to the group.

When complete and permitted, the Vista Gold Plant will have a nameplate capacity of 150 tonnes per day, more than triple the operating capacity of the existing Tulin Gold Plant. The Vista Gold Plant has been designed to increase its capacity to 350 tons per day with minimal capital outlay, when warranted by supply of ore.

#### *Mirador Copper Gold Plant*

On April 17, 2018, Titan executed a binding heads of agreement to acquire Peruvian companies Kairos Capital Peru S.A.C (“**Kairos**”) and M&S Transportes y Servicios Generales S.R.L (“**Mirador**”), subject to, among other things, completion of due diligence enquiries to the satisfaction of Titan (“**Acquisition**”). The company has completed its due diligence (as announced May 22, 2018) and continues to negotiate final documentation with the vendors.

The major assets held by Kairos and Mirador include the 100% owned Mirador processing plant located in Chimbote, Peru (“**Mirador Plant**”) and six (6) 100% owned mineral concessions. The Mirador Plant is fully operational and has feedstock stockpiled and ready for processing through its flotation circuit. The plant site is also fully permitted for up to 350 tonnes per day capacity of the operation, where subject to the results of Titan’s due diligence and completion of the Acquisition, Titan plans to upgrade the facility with a carbon in pulp (CIP) circuit. The Mirador Plant is strategically located 450km north of Lima, in Chimbote whereas the majority of the toll mill processing facilities are focused in the south of the country in the Chala and Nazca districts.

## **Results of operations**

### *Quarter results*

*(in Australian dollars, unless otherwise noted)*

	<b>Three months ended,</b>		<b>Six months ended,</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2018</b>	<b>2017*</b>	<b>2018</b>	<b>2017*</b>
Revenue from contracts with customers	-	3,630	-	4,061
Cost of sales	-	(184,951)	-	(1,448,436)
Gross profit	-	(181,321)	-	(1,444,375)
Other revenue	2,385	-	4,951	-
Depreciation and amortisation charges	-	(43,328)	-	(143,853)
Administration expenses	(741,006)	(37,949)	(1,069,402)	(43,000)
Foreign exchange gain/(loss)	132,020	168,711	81,450	190,295
Finance costs	-	(2,733)	-	(4,304)

Bad debts	(410,878)	-	(475,227)	-
Impairment expense	(128,646)	-	(128,646)	-
Share based payments	(205,934)	-	(409,605)	-
<b>(LOSS) BEFORE INCOME TAX EXPENSE</b>	<b>(1,352,059)</b>	<b>(96,620)</b>	<b>(1,996,479)</b>	<b>(1,445,237)</b>

*Incomplete records – comparative information*

Consistent with the factors described in the December 31, 2017 annual report, the financial information for the three and six month periods ending June 30, 2017 have been prepared by the Directors who received custodianship of the operations of the Group upon effectuation of the Deed of Company Arrangement and resignation of the Administrator on or after October 4, 2017. As such, the Directors did not have control of the company until control was transferred to them on the effectuation of the deed of company arrangement on October 4, 2017.

Prior to October 4, 2017, the current Directors did not have oversight or control over the Company’s financial reporting systems including but not limited to being able to obtain access to complete accounting records of the Company. The Directors have reconstructed the financial records of the company for the period January 1, 2017 to October 4, 2017 using data extracted from the Company’s accounting system. However, there may have been information that the current Directors were not able to obtain, the impact of which may or may not have been material on the financial performance for the three and six month periods ended June 30, 2017.

The current Directors have not been able to source books and records of the Company’s subsidiaries up to October 4, 2017 when the ownership of the subsidiaries was transferred to the creditors’ trust.

Consequently, although the Directors have prepared this financial report to the best of their knowledge based on the information made available to them, they were of the opinion that it was not possible to state that these financial reports have been prepared in accordance with Australian Accounting Standards including Australian interpretations, other authoritative pronouncements of the Australian Accounting Standard Board and the Corporations Act 2001, nor was it possible to state these financial reports gave a true and fair view of the Group’s financial performance.

As a result of the above, any commentary made in this MD&A in relation to the comparative period for the three and six month periods ending 30 June 2017 are subject to the above limitations.

*Expenses*

Administration expenses for the three and six months ended June 30, 2018 are significantly higher as a result of costs associated with progressing the bid implementation. The costs incurred are primarily in relation to professional and legal fees.

Share based payments during the quarter related to the vesting of performance rights previously issued to Directors on December 18, 2016.

*Other comprehensive loss*

Other comprehensive loss includes the exchange loss on the translation of foreign operations and is impacted by the Titan subsidiaries that have a functional currency of USD. The exchange gain of \$0.24 million for the period is a result of the fluctuation of the US dollar throughout the period.

**Financial Position**

The following review compares the June 30, 2018 position to December 31, 2017.

*Assets*

The increase in cash and cash equivalents during the period was primarily the result of a capital raising of \$6.4m (net of capital raising costs) as part of the oversubscribed placement announced May 22, 2018.

The increase in non-current trade and other receivables relates to funds advanced to Mantle Mining Peru S.A.C, a wholly owned subsidiary of Andina Resources Limited. Upon finalisation of the merger with Andina in August 2018, the loan eliminates upon consolidation of the combined Group.

#### *Liabilities*

Total trade and other payables has decreased from \$3.2m to \$0.7m as a result of the disposal of Derivado Y Concentrados S.A.C on June 15, 2018, with \$2.98m of trade and other payables being derecognised as a result of the disposal.

#### *Working capital, liquidity and capital resources*

The working capital position surplus position increased from \$1.98m on December 31, 2017 to \$6.23m during the period. This is mainly due to the following:

- \$6.4m capital raising described above; and
- Disposal of Derivado Y Concentrados S.A.C described above

Non-current assets increased by \$1.36m, including:

- \$1m increase in trade and other receivables described above;
- \$0.18m increase in property, plant and equipment; and
- \$0.15m increase in deferred exploration and evaluation expenditure.

For the period ended June 30, 2018, the Company had cash and cash equivalents of \$6.8m, an increase of \$3.9m from 31 December 2017.

Net cash used in operating activities of \$1.27m includes corporate costs, mainly incurred in relation to the Andina bid implementation.

Investing activities of \$1.2m primarily relates to the advance of funds to Mantle Mining Peru S.A.C described above.

Financing activities of \$6.4m include the proceeds from the capital raising net of capital raising costs described above.

#### *Equity*

On May 28, 2018 the Company issued 233,333,333 shares on raising a total of \$6,394,547 (after costs).

As at June 30, 2018, the Company had 1,868,715,356 Titan shares on issue; and 80,500,000 Titan Performance Rights issued and outstanding.

#### *Operating Segments*

Titan has identified its operating segments based on the internal reports that are reviewed and used by the Titan Board (the chief operating decision-maker) in assessing performance and in determining the allocation of resources. The operating segments are identified by the Titan Board based on reporting lines and the nature of services provided. Discrete financial information about each of these operating segments is reported to the Titan Board on a monthly basis. Titan operates predominately in Peru. The reportable segments are based on aggregated operating segments determined by the similarity of the services provided and other factors.

In 2018 Titan had one reportable operating segment which is the same as its geographical segments, this is gold and silver exploration in Peru.

Segment result represents the profit or loss earned by each segment without allocation of corporate administration costs, investment revenue and finance costs or income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.



Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries, share of profits of associates, gain recognised on disposal of interest in former associate, investment income, gains and losses, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

<i>(in Australian dollars, unless otherwise noted)</i>	Revenue		Segment Result	
	Six months ended		Six months ended	
	June 30, 2018	June 30, 2017*	June 30, 2018	June 30, 2017*
	\$	\$	\$	\$
<b>Continuing operations</b>				
Segment result before income tax - Peru Gold	-	*	(619,928)	*
Other revenue	-	4,061	(619,928)	1,588,228
Central administration costs and director salaries			4,951	*
Foreign exchange costs			(1,053,347)	(43,000)
Finance costs			81,450	190,295
Share based payments			-	(4,304)
Loss before income tax expense			(409,605)	0
Income tax expense			(1,996,479)	(1,445,237)
Loss for the period from continuing operations			-	-
			(1,996,479)	(1,445,237)

\* Refer to commentary in the above "Incomplete records – comparative information" paragraph

<i>(in Australian dollars, unless otherwise noted)</i>	Revenue		Segment Result	
	Three months ended		Three months ended	
	June 30, 2018	June 30, 2017*	June 30, 2018	June 30, 2017*
	\$	\$	\$	\$
<b>Continuing operations</b>				
Segment result before income tax - Peru Gold	-	*	(320,424)	*
Segment result before income tax - Peru Copper	-	*	-	*
Segment result before income tax - USA	-	*	-	*
Other revenue	-	*	(320,424)	(219,270)
Central administration costs and director salaries			2,385	*
Foreign exchange costs			(960,106)	(43,328)
Finance costs			132,020	168,711
Share based payments			-	(2,733)
Loss before income tax expense			(205,934)	-
Income tax expense			(1,352,059)	(96,620)
Loss for the period from continuing operations			-	-
			(1,352,059)	(96,620)

\* Refer to commentary in the above "Incomplete records – comparative information" paragraph

There are no legal or other restrictions on the flow of funds from one part of Titan's business to another. The effect of discontinued operations on current segment operations is trivial.

Refer to the "Review of Operations" section for industry and economic factors affecting Titan's performance and commentary on changes that have occurred and its impact on Titan's financial condition and performance.

### Critical Accounting Judgements, Assumptions and Key Sources of Estimation Uncertainty and Changes

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements, estimates and assumptions, in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events that management believes to be reasonable under the circumstances. The resulting

accounting judgements, estimates and assumptions will seldom be the same as the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

#### *Impairment of Property, Plant and Equipment*

Titan reviews for impairment of property, plant and equipment, in accordance with its accounting policy. The recoverable amount of these assets has been determined based on the higher of the assets' fair value less costs to sell and value in use. These calculations require the use of estimates and judgements. The total property, plant and equipment balance at June 30, 2018 was AU\$1,184,156 (December 31, 2017: AU\$1,000,000).

In estimating the fair value of an asset or a liability, Titan uses market-observable data to the extent it is available. Titan may engage the assistance of third parties to establish the appropriate valuation techniques and inputs to the valuation model.

#### *Impairment of Deferred Exploration Expenditure*

The future recoverability of deferred exploration and evaluation expenditure is dependent on several factors, including whether Titan decides to exploit the related tenement/lease/concession itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale. Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, costs of drilling and production, production rates, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices. The total deferred exploration expenditure balance at June 30, 2018 was AU\$159,215 (December 31, 2017: AU\$nil).

#### *Adoption of new and revised accounting standards*

The Group has adopted AASB 9: *Financial Instruments* and AASB 15: *Revenue from Contracts with Customers* from January 1, 2018. The below denotes the impact (if any) on the Group's financial report:

##### *Adoption of AASB 9: Financial Instruments*

The Group has adopted AASB 9: *Financial Instruments* effective January 1, 2018, which replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of AASB 9 did not result in a material change to the recognition or measurement of financial instruments for the Group as presented in the financial report.

##### *Adoption of AASB 15: Revenue from Contracts with Customers*

The Group has adopted AASB 15: *Revenue from Contracts with Customers*, which supersedes AASB 18: *Revenue*, from January 1, 2018. In accordance with the transition provision in AASB 15, the Group has adopted the new rules prospectively from 1 January 2018 and was not required to restate comparatives.

As the Group does not have any material revenue streams during the 6 month period ended June 30, 2018, the adoption of this standard has not resulted in a material impact to the Group's financial information.

#### *Remuneration of key management personnel*

<i>(in Australian dollars, unless otherwise noted)</i>	<b>Three months ended, June 30,</b>		<b>Six months ended, June 30,</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Short-term benefits	84,000	-	168,000	-
Share based payments	174,575	-	351,090	-
	<b>258,575</b>	<b>-</b>	<b>519,090</b>	<b>-</b>

\* Refer commentary in the above “Incomplete records – comparative information” paragraph

### *Off-Balance Sheet Arrangements*

Titan had no off-balance sheet arrangements for the relevant reporting periods.

### *Contingent Liabilities*

The Group was in administration from August 25, 2015 and ending October 4, 2017, and as a result potential contingent liabilities may arise from when the Directors did not have custodianship of the operations of the Group. To the best of management’s knowledge, there are no such liabilities that are required to be accrued in these financial statements, or known contingent liabilities to be disclosed, as at June 30, 2018.

### *Commitments*

The Group was in administration from August 25, 2015 and ending October 4, 2017, and as a result potential commitments may arise from when the Directors did not have custodianship of the operations of the Group. To the best of management’s knowledge, there are no such liabilities that are required to be disclosed, as at June 30, 2018.

## **Business Risk**

### *Credit Risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to Titan. Credit risk arises from cash and cash equivalents and trade and other receivables. Titan’s exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount net of any provisions for these assets as disclosed in the statement of financial position and notes to the financial statements.

Titan has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. It is Titan’s policy that all parties who wish to trade on credit terms are subject to credit evaluations including an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are set for each individual party in accordance with parameters set by the Titan Board. These risk limits are regulatory monitored. Titan does not require collateral in respect of financial assets.

In addition, receivable balances are monitored on an ongoing basis with the result that Titan’s exposure to bad debts is not significant. At the reporting date there were no significant concentrations of credit risk.

### *Liquidity Risk*

Ultimate responsibility for liquidity risk management rests with the Titan Board, which has built an appropriate liquidity risk management framework for the management of Titan’s short, medium and long-term funding and liquidity management. Titan manages the liquidity risk by maintaining adequate cash reserves, and by continuously monitoring forecast and actual cash flows while matching the maturity profiles of financial assets and liabilities. There are no material financial assets or financial liabilities that were subjected to liquidity risk as at June 30, 2018 or December 31, 2017.

### *Interest Rate Risk*

Titan’s current exposure to the risk of changes in market interest rates relate primarily to cash assets rates. Titan does not account for fixed rate financial assets and liabilities at fair value through profit or loss. Titan’s main interest rate risk arises from cash and cash equivalents with variable interest rates.

All the consolidated entity’s financial instruments that are exposed to interest rate risk are either non-interest bearing, bear interest at commercial interest rates or at fixed rates.

### *Foreign Exchange Risk*

Titan operates internationally and is exposed to foreign exchange risk arising primarily from its subsidiaries, primarily with respect to the US dollar.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency.

### *Price Risk*

Titan is exposed to commodity price risk through its gold sales from the toll processing operations. Titan does not currently hedge the price at which it sells gold.

### *Capital Risk Management*

Titan's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to maintain a suitable capital structure and fulfil the objectives of Titan. Management maintain budgets and forecasts to ensure that Titan maintains sufficient working capital to remain a going concern.

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FINANCIAL YEARS ENDED DECEMBER 31, 2018 AND DECEMBER 31, 2017

### General

The following MD&A has been prepared as at or for the financial years ended December 31, 2017 and December 31, 2018 (the “**relevant reporting periods**”) and should be read in conjunction with the remainder of this Appendix “A”, including the section entitled “*Risk Factors*” and Titan’s audited financial statements and related notes in Appendix “H” to the Circular. Titan’s financial statements are prepared in accordance with the Australian Accounting Standards and Interpretations as issued by the Australian Accounting Standards Board (the “**AASB Standards**”) and IFRS compliant. Titan consistently applied the same accounting policies throughout all periods presented, except for the adoption of new standards and interpretations effective during the relevant periods, which had no material impact to the financial statements. Titan’s financial year ends on December 31<sup>st</sup> and its reporting currency is the Australian dollar, unless otherwise noted. Management of Titan is responsible for the preparation of the financial statements and the following MD&A.

The MD&A contains forward-looking information, such as statements regarding Titan’s future plans and objectives that are subject to various risks and uncertainties, and those set forth in “*Forward-Looking Information*” in the Circular and “*Risk Factors*” in this Appendix “A” Titan cannot assure investors that such information will prove to be accurate, and actual results and future events could differ materially from those anticipated in such information. The results for the periods presented are not necessarily indicative of the results that may be expected for any future periods. Investors are cautioned not to place undue reliance on this forward-looking information.

### Critical Accounting Judgements, Assumptions and Key Sources of Estimation Uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements, estimates and assumptions, in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events that management believes to be reasonable under the circumstances. The resulting accounting judgements, estimates and assumptions will seldom be the same as the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

#### *Impairment of Property, Plant and Equipment*

Titan reviews for impairment of property, plant and equipment, in accordance with its accounting policy. The recoverable amount of these assets has been determined based on the higher of the assets’ fair value less costs to sell and value in use. These calculations require the use of estimates and judgements. The total property, plant and equipment balance at December 31, 2018 was AU\$4,256,501 (December 31, 2017: AU\$1,000,000).

In estimating the fair value of an asset or a liability, Titan uses market-observable data to the extent it is available. Titan may engage the assistance of third parties to establish the appropriate valuation techniques and inputs to the valuation model.

#### *Impairment of Deferred Exploration Expenditure*

The future recoverability of deferred exploration and evaluation expenditure is dependent on several factors, including whether Titan decides to exploit the related tenement/lease/concession itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale. Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, costs of drilling and production, production rates, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices. The total deferred exploration expenditure balance at December 31, 2018 was AU\$841,622 (December 31, 2017: AU\$ nil).

### *Impairment of Goodwill*

Titan reviews for impairment on goodwill at each reporting date. In determining the recoverable amount of relevant cash generating units, in the absence of quoted market prices, estimations are made regarding the present value of future cash flows. For goodwill, expected future cash flow estimation is based on future production profiles, commodity prices and costs. These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of the goodwill. The total goodwill balance at December 31, 2018 was AU\$12,193,538 (December 31, 2017: AU\$ nil).

Furthermore, as the accounting for the business combination has been provisionally determined as at the date of this report, the recognition of and associated impairment assessment requirements are subject to change.

### *Acquisition of Andina Resources Limited*

On March 26, 2018 Titan announced that it had entered into a bid implementation agreement with Andina, pursuant to which Titan would acquire all of the issued capital in Andina via an off-market takeover bid. Under the bid, Andina shareholders will receive one fully paid ordinary share in the capital of Titan for every 1.18 Andina shares held.

On July 12, 2018, Titan's acquisition of Andina became unconditional upon the completion of the key conditions of the takeover bid.

The accounting of the business combination has been determined provisionally as at the date of this report. Titan is obtaining all necessary information to ensure that the fair value of the recognised assets and liabilities on acquisition are accurate.

In 2017 there were the following critical accounting judgements, assumptions and key sources of estimation uncertainty. They no longer apply for December 31, 2018 as there are no resources estimates established at the existing exploration projects and there is no restoration or rehabilitation provision required as the current exploration projects don't require such work. There were no quantitative effects on Titan's overall results of operations.

### *Determination of Mineral Resources and Ore Reserves*

Titan estimates its mineral resources and ore reserves in accordance with the Australian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "**JORC Code**"). The information on mineral resources and ore reserves is prepared by or under the supervision of Competent Persons as defined in the JORC Code. The amounts presented are based on the mineral resources and ore reserves determined under the JORC Code.

There are numerous uncertainties inherent in estimating mineral resources and ore reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated. Such changes in reserves could impact on depreciation and amortisation rates, asset carrying values and provisions for restoration and rehabilitation.

### *Estimation for the Provision for Restoration and Rehabilitation*

Provision for rehabilitation and dismantling property, plant and equipment is estimated taking into consideration facts and circumstances available at the balance sheet date. This estimate is based on the expenditure required to undertake the rehabilitation and dismantling, taking into consideration the time value of money.

### **Significant Accounting Policies**

The audited financial statements for the relevant reporting periods have been prepared in accordance with the AASB Standards and the *Corporations Act*. The principal accounting policies adopted are consistent with those of the

previous financial year, unless otherwise stated. Titan's significant accounting policies are provided in Note 1 to Titan's audited annual financial statements for the year ended December 31, 2018, which are contained in Appendix "H" to the Circular.

### **New, Revised or Amending Accounting Standards and Interpretations Adopted**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by Titan for the annual reporting period ended December 31, 2018. Titan's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to Titan, are set out below.

#### *AASB 9 Financial Instruments*

This standard is applicable to annual reporting periods beginning on or after January 1, 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 '*Financial Instruments: Recognition and Measurement*'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ("OCI"). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an expected credit loss ("ECL") model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. Titan will adopt this standard from July 1, 2018. The reported results and position of Titan will not change on adoption of this standard as it does not result in any changes to Titan's existing accounting policies. Adoption will, however, result in changes to information currently disclosed in the financial statements.

#### *AASB 15 Revenue from Contracts with Customers*

This standard is applicable to annual reporting periods beginning on or after January 1, 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. Titan will adopt this standard from July 1, 2018. Titan currently does not have any significant revenue contracts with customers that may be impacted by this standard.

#### *AASB 16 Leases*

This standard is applicable to annual reporting periods beginning on or after January 1, 2019. The standard replaces AASB 117 '*Leases*' and for lessees will eliminate the classifications of operating leases and finance leases. Subject

to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. Titan will adopt this standard from July 1, 2019 but the impact of its adoption is yet to be assessed by Titan.

### Financial Instruments

Titan's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of Titan. Titan uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, price and foreign exchange risks and ageing analysis for credit and liquidity risk.

Risk management is carried out by senior management under direction of the Titan Board. The Titan Board provides principles for overall risk management, as well as policies covering specific areas. The consolidated entity is not materially exposed to changes in interest rates in its activities.

The material financial instruments to which Titan has exposure include:

- (i) Cash and short-term deposits;
- (ii) Trade and Other Receivables;
- (iii) Accounts payable; and
- (iv) Borrowings

The carrying values of these financial instruments approximate their fair values. The carrying values of Titan's financial instruments are as follows:

	<b>31-Dec-18</b>	<b>31-Dec-17</b>
<b>Financial Assets</b>		
Cash and Cash Equivalents	5,459,426	2,931,791
Trade and Other Receivables	1,447,302	387,873
<b>Total Financial Assets</b>	<b>6,906,728</b>	<b>3,319,664</b>
<b>Financial Liabilities</b>		
Trade and other payables	1,169,183	3,269,332
Borrowings	4,958,922	174,637
<b>Total Financial Liabilities</b>	<b>6,128,105</b>	<b>3,443,968</b>
<b>Net Exposure</b>	<b>778,623</b>	<b>(124,304)</b>

The table reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity as well as management's expectations of settlement period for all other financial instruments.



	<b>31-Dec-18</b>	<b>31-Dec-17</b>
<i>Trade and other receivables maturing as follows:</i>		
Less than 6 months	1,367,302	289,776
6 months to 1 year	-	-
Later than 1 year but not longer than 5 years	80,000	98,097
Over 5 years	-	-
	<u>1,447,302</u>	<u>387,873</u>
<i>Trade and other payables maturing as follows:</i>		
Less than 6 months	1,049,934	1,017,934
6 months to 1 year	-	-
Later than 1 year but not longer than 5 years	119,249	2,204,403
Over 5 years	-	-
	<u>1,169,183</u>	<u>3,269,332</u>
<i>Borrowings maturing as follows:</i>		
Less than 6 months	708,416	-
6 months to 1 year	708,416	-
Later than 1 year but not longer than 5 years	3,542,090	-
Over 5 years	-	174,637
	<u>4,958,922</u>	<u>174,637</u>

### **Operating Segments**

Titan has identified its operating segments based on the internal reports that are reviewed and used by the Titan Board (the chief operating decision-maker) in assessing performance and in determining the allocation of resources. The operating segments are identified by the Titan Board based on reporting lines and the nature of services provided. Discrete financial information about each of these operating segments is reported to the Titan Board on a monthly basis. Titan operates predominately in Peru. The reportable segments are based on aggregated operating segments determined by the similarity of the services provided and other factors.

In 2018 Titan had one reportable operating segment which are the same as its geographical segments, this is gold and silver processing in Peru. In 2017 there were two segments being Peru operations and USA operations.

Segment result represents the profit or loss earned by each segment without allocation of corporate administration costs, investment revenue and finance costs or income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries, share of profits of associates, gain recognised on disposal of interest in former associate, investment income, gains and losses, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

	Revenue		Segment Result	
	Year ended		Year ended	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
<b>Continuing operations</b>				
Segment result before income tax – Gold Toll Treatment Processing	5,802,384	638,684	591,164	3,054,300
Segment result before income tax – USA	-	-		47,026
	<b>5,802,384</b>	<b>638,684</b>	<b>591,164</b>	<b>3,101,326</b>
Other revenue			15,799	2,896
Central administration costs and director salaries			(3,313,407)	(581,096)
Foreign exchange costs			297,248	(16,261)
Finance costs			(10,903)	-
Loan forgiveness			-	13,138,470
Impairment / Reversal of impairment			(7,066,878)	977,794
DOCA Expenses			-	(2,350,000)
Share Based Payments			(1,230,532)	(4,527)
Loss before income tax expense			<b>(12,107,777)</b>	<b>14,268,602</b>
Income tax expense			-	-
<b>Profit/(Loss) for the year from continuing operations</b>			<b>(12,107,777)</b>	<b>14,268,602</b>

There are no legal or other restrictions on the flow of funds from one part of Titan's business to another. The effect of discontinued operations on current segment operations is trivial.

Refer to the "Review of Operations" section for industry and economic factors affecting Titan's performance and commentary on changes that have occurred and its impact on Titan's financial condition and performance.

## Business Risk

### Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to Titan. Credit risk arises from cash and cash equivalents and trade and other receivables. Titan's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount net of any provisions for these assets as disclosed in the statement of financial position and notes to the financial statements.

Titan has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. It is Titan's policy that all parties who wish to trade on credit terms are subject to credit evaluations including an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are set for each individual party in accordance with parameters set by the Titan Board. These risk limits are regulatory monitored. Titan does not require collateral in respect of financial assets.

In addition, receivable balances are monitored on an ongoing basis with the result that Titan's exposure to bad debts is not significant. At the reporting date there were no significant concentrations of credit risk.

### Liquidity Risk

Ultimate responsibility for liquidity risk management rests with the Titan Board, which has built an appropriate liquidity risk management framework for the management of Titan's short, medium and long-term funding and liquidity management. Titan manages the liquidity risk by maintaining adequate cash reserves, and by continuously monitoring forecast and actual cash flows while matching the maturity profiles of financial assets and liabilities. There are no material financial assets or financial liabilities that were subjected to liquidity risk as at December 31, 2018 or December 31, 2017.

### *Interest Rate Risk*

Titan's current exposure to the risk of changes in market interest rates relate primarily to cash assets rates. Titan does not account for fixed rate financial assets and liabilities at fair value through profit or loss. Titan's main interest rate risk arises from cash and cash equivalents with variable interest rates.

All the consolidated entity's financial instruments that are exposed to interest rate risk are either non-interest bearing, bear interest at commercial interest rates or at fixed rates. The weighted average interest rate on cash and short-term deposits at December 31, 2018 was 1.15% (December 31, 2017: 0.5%). All receivables, other financial assets and payables are non-interest bearing.

### *Foreign Exchange Risk*

Titan operates internationally and is exposed to foreign exchange risk arising primarily from its subsidiaries, primarily with respect to the US dollar.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency.

The carrying amounts of Titan's foreign currency denominated assets and monetary liabilities at the end of the reporting year are as follows:

<b>Assets</b>		<b>Liabilities</b>	
<b>December 31, 2018</b>	<b>December 31, 2017</b>	<b>December 31, 2018</b>	<b>December 31, 2017</b>
<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
6,808,428	284,628	4,265,073	2,610,821

### *Price Risk*

Titan is exposed to commodity price risk through its gold sales from the toll processing operations. Titan does not currently hedge the price at which it sells gold.

### *Capital Risk Management*

Titan's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to maintain a suitable capital structure and fulfil the objectives of Titan. Management maintain budgets and forecasts to ensure that Titan maintains sufficient working capital to remain a going concern.

### *Off-Balance Sheet Arrangements*

Titan had no off-balance sheet arrangements for the relevant reporting periods.

### *Incomplete Records - comparative information*

As disclosed in the December 31, 2017 annual report, the financial report for the year ended December 31, 2017 has been prepared by Titan Directors who received custodianship of the operations of Titan upon effectuation of the DOCA and resignation of the administrator on or after October 4, 2017. As such, the Titan Board did not have control of Titan until control was transferred to them on the effectuation of the DOCA on October 4, 2017.

As a result of this factor among others also disclosed in the annual report, the Titan Board was unable to state that the December 31, 2017 annual report has been prepared in accordance with AASB Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act*, nor was it possible to state the financial report gives a true and fair view of the Titan and its subsidiaries' financial position.

As the conditions outlined above are relevant to the comparative information in this December 31, 2018 financial report, being the opening balances of the current period, the Titan Directors position on the comparative

information is consistent with that of the previous annual report. As opening balances affects the determination of the results of operations and cash flows, the Titan Board are of the opinion that, except for the impact of opening balances on the Condensed Statement of Profit or Loss and Other Comprehensive Income, the Condensed Statement of Changes in Equity and Condensed Statement of Cash Flows, this interim financial report has been prepared in accordance with AASB Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act*.

## **MD&A for the Year Ended December 31, 2018**

### **Review of Operations Vista Plant - Peru- Update**

In the 12-month period ending December 2018 Titan processed 13,900 tonnes of gold bearing material averaging 17.0 g/t gold. Titan produced 6,957 oz of gold and 8600 oz silver totaling US\$8,922,000 in metal sales with an average realised gold price of US\$1,264 per oz.

During the 12-month period ending December 2018, Titan completed the acquisition of the Vista Plant, and accelerated the development of the plant to complete construction in 2018, subsequent to which Titan received approval for its EIA for the Vista Plant (refer to ASX announcement dated January 9, 2019). The Vista Plant's management team continues to progress requisite physical safety and operational inspections of the plant site with the DREM, prior to the DREM issuing the final stage of approval of an operator's permit (the Concession of Benefit).

Currently Titan is working through an operational testing phase of the facility while progressing the final stages of permitting and licensing to facilitate sales and commercial scale production. When commissioned and Concession of Benefit and full commercial licencing are granted, the Vista Plant will have a nameplate capacity of 150 tonnes per day, more than triple the operating capacity of the Tulin Plant. The Vista Plant has been designed to increase its capacity to 350 tons per day with minimal capital outlay, when warranted by supply of ore. The team intends to acquire and process high grade ore from licensed artisanal miners in the region in the near term and utilise the Vista Plant's additional capacity to advance a mine development strategy for Titan and process any ore mined from several projects identified with mine development potential for providing significant synergies to the group.

The strategy to establish expanded production for 2019 at Titan's wholly owned Vista Plant tied in optimally with the expiry of lease at the Tulin Plant. The Tulin Plant, operated by Tulin Gold was operated under a mining assignment agreement with a private owner negotiated by the previous management (refer to ASX release dated May 23, 2018) and as a result of the expiry of the plant lease, Tulin Gold ceased processing ore at its Tulin Plant facility. The extinguishment of lease payments for the Tulin Plant provide a significant cost saving opportunity.

Other factors impacting a change in the relationship between costs and revenues for the plant in the coming year may include: the shift to a newly constructed, and more modernised plant will require less staff in some areas of the process, and the increase in processing capacity with the shift to the 150 tpd capacity over performance in previous years will have a substantial impact on providing substantially lower labour costs for the operation on a per tonnage basis. However, the increasing ore acquisition will also result in a gradually increasing number of sources for mineralised material, which may give rise to additional costs around metallurgical test work, potential for increased consumption of chemical and reagents used in the gold and silver recovery process on a per tonnage basis.

The Vista Plant commenced acquisition of ore for processing from existing supply chain acquired in the Andina acquisition and the Titan team continues a planned process to transfer its ore purchasing and processing capability for Titan's gold toll treatment arm of its business to a single location.

Titan commenced receiving gold-silver bearing material for processing at the Vista Plant in December 2018 to establish stockpiles for commissioning of the plant over the March quarter with over 1,500 tonnes averaging 21.6 g/t gold received at the Vista Plant through December 31, 2018.

Las Antas Project - Peru

On September 12, 2018 Titan agreed non-binding indicative terms with Management Environmental Solutions S.A, a privately held Peruvian company, to acquire up to an 85% ownership interest in the Las Antas Project in southern Peru.

### *Torrecillas Project – Peru*

During the reporting period Titan's geological team completed a review of the historical exploration and previous mine development datasets and completed a detailed field mapping and sampling campaign for the high-grade Torrecillas Project in Peru.

Exploration activity on the project focused on mapping and sampling of previously underexplored areas of the project to assess the project for growth potential through further exploration and to rate and rank numerous targets requiring follow-up work.

The work completed prioritised four vein zones based on strike extent and continuity of high-grade results (refer to Figure 4), including the Rebecca, Preciosa and Ady-Oly vein corridors, with each target area containing multiple narrow vein sets across substantial widths and ranging from 1.8 to 2.7 km in strike extent. The priority target areas defined include:

- Ady-Oly prospect, which comprises numerous sub-parallel vein and vein extensions to the historical resource at the Torrecillas mine area on a complex vein array covering over 2.4 km extent proximal to the granitic and Andesitic volcanic host rock contact zone in the area. The area includes numerous greater than 5 g/t results from channel samples across veins mapped at surface. Including up to 42.7 g/t gold and 22.7 g/t gold value returned on new vein extensions identified in recent mapping in a step-out to the southwest.
- Preciosa prospect is a 2.7 km long corridor of veining with multiple high-grade veins mapped on topographic highs. Sampling to date demonstrate strong potential for continuity of gold grades along strike, and additional trench sampling is planned in areas of colluvial cover to assess additional continuity of strike along veins within the target area.
- Rebecca prospect is an area of relative high vein density and on average returning consistently high grades from representative channel sampling across multiple veins within the 1.8 km long vein swarm. Again, vein extent and density are currently focused in areas of best exposure with significant potential to add strike extent and volume through further trenching and follow-up drilling along strike.
- Titan is currently ranking defined targets for drill assessment against other regional targets within 150 km of the Vista Plant and will progress with drill testing to assess the potential for mineral resource estimation and economically viable extraction of mineralised material on each target in context of funds available and budgeted by Titan to progress exploration activity.

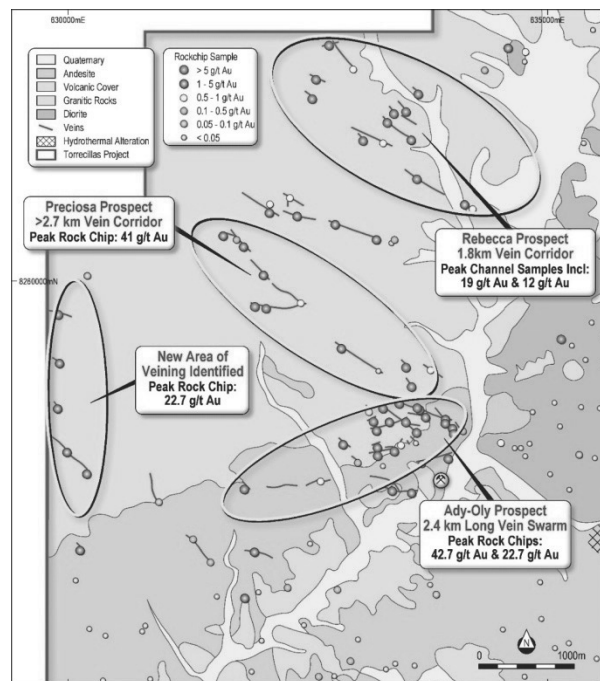


Figure 4 | Location of prioritised high-grade gold target areas at Torrecillas Project in Peru with reported surface sampling locations

### Mirador Copper Gold Plant

On April 17, 2018, Titan executed an agreement subject to conditions precedent to acquire Peruvian companies Kairos and Mirador.

The major assets held by Kairos and Mirador included the 100% owned Mirador processing plant located in Chimbote, Peru (“**Mirador Plant**”) and six 100% owned mineral concessions. The operational Mirador Plant site is fully permitted for up to 350 tonnes per day capacity of the operation, where subject to the results of Titan’s due diligence and completion of the acquisition, Titan proposed to upgrade the facility with a CIP circuit.

On September 11, 2018, Titan elected not to proceed with the acquisition of Kairos and Mirador and accordingly, will not be acquiring the Mirador Plant.

#### *San Santiago Plant*

With the successful acquisition of Andina’s Vista Plant, Titan will not restart the gold circuit at San Santiago. Instead, it is proposed that gold will be more cost effectively processed at the available capacity of the Vista Plant. The San Santiago Plant remains in care and maintenance, while the Titan technical team completes ground rationalisation of adjacent exploration concessions and evaluates options for potential divestment of the asset.

#### *Summary of Annual Results*

	As at or for the year ended December 31, 2018 (AUS)	As at or for the year ended December 31, 2017 (AUS) <sup>1</sup>	As at or for the year ended December 31, 2016 (AUS) <sup>2</sup>
Cash and cash equivalents	5,459,426	2,931,791	57,652
Trade and other receivables - Current	1,367,302	289,776	152
Prepayments	889,963	-	-
Inventories	1,081,315	-	-
Assets classified as held for sale	1,716,454	-	-
Current tax asset	825,194	-	-
Total current assets	11,339,654	3,221,567	57,804
Trade and other receivables - Non-Current	-	98,097	-
Financial assets	80,000	-	-
Property, plant and equipment	2,540,047	1,000,000	-
Mine assets	-	172,777	500,000
Deferred exploration and evaluation expenditure	841,622	-	-
Goodwill	12,193,538	-	-
Total non-current assets	15,655,207	1,270,874	500,000
Total assets	26,994,861	4,492,441	557,804
Trade and other payables	1,074,995	1,064,929	8,504,310
Borrowings	1,416,842	174,637	9,580,774
Provisions	-	-	1,996,659
Other liability	-	-	5,948,000
Total current liabilities	2,491,837	1,239,566	26,029,743
Trade and other payables - Non Current	119,249	2,204,403	-
Borrowings	3,542,080	-	-
Total non-current liabilities	3,661,329	2,204,403	-
Total liabilities	6,153,166	3,443,969	26,029,743
Net assets	20,841,695	1,048,472	(25,471,939)
Total revenue	5,818,183	14,182,956	1,364,911
Total expenses	(17,893,961)	(2,968,654)	(2,312,304)
Profit/ (Loss) from continuing operations attributable to members after	(12,075,778)	11,214,302	(947,393)

income tax			
Discontinued operations	2,932,262	1,218,714	-
Total comprehensive income/ (loss) for the period attributable to owners of the parent for the period	(8,845,431)	14,084,004	393,993
Basic and diluted earnings/ (loss) per Titan share from continuing operations	(0.523) / (0.523)	2.82 / 282	(0.026) / (0.026)
Basic and diluted earnings/ (loss) per Titan share from discontinued operations	0.143 / 0.143	0.306 / 0.306	-
Distributions or dividends declared per share	-	-	-
AU\$/Titan Share	0.025	0.04	-

**Notes:**

- The December 31, 2017 profit and loss balances shown above were adjusted to reflect the comparative discontinued operations in the 2018 fiscal year as disclosed in the December 31, 2018 financial statements and are therefore different to the numbers shown in the December 31, 2017 financial statements.

**Summary of Half Year Results**

	<b>As at or for the half-year ended June 30, 2018 (AU\$)</b>	<b>As at or for the half-year ended June 30, 2017 (AU\$)<sup>2</sup></b>	<b>As at or for the half-year ended June 30, 2016 (AU\$)<sup>3</sup></b>
Cash and cash equivalents	6,798,916	48,380	76,000
Trade and other receivables - Current	155,479	254	-
Prepayments	-	-	-
Inventories	-	-	-
Current tax asset	6,954,395	48,634	76,000
Trade and other receivables - Non-Current	1,113,244	-	-
Property, plant and equipment	1,184,156	-	-
Mine assets	172,777	480,602	500,000
Deferred exploration and evaluation expenditure	159,214	-	-
Goodwill	-	-	-
Total non-current assets	2,629,392	480,602	500,000
Total assets	9,583,787	529,236	576,000
Trade and other payables	728,385	8,416,785	8,264,000
Borrowings	-	10,863,453	9,581,000
Provisions	-	2,204,482	1,984,000
Other liability	-	5,948,000	5,948,000
Total current liabilities	728,385	27,432,720	25,777,000
Trade and other payables - Non Current	-	-	-
Deferred tax liability	-	-	-
Total non-current liabilities	-	-	-
Total liabilities	728,385	27,432,720	25,777,000
Net assets	8,855,402	(26,903,484)	(25,201,000)
Total revenue	4,951	4,061	1,302,000
Total expenses	(2,001,430)	(1,449,298)	(1,226,000)
Profit/ (Loss) from continuing operations attributable to members after income tax	(1,996,479)	(1,445,237)	76,000



Discontinued operations	2,754,006	1,442,914	-
Total comprehensive income/ (loss) for the period attributable to owners of the parent for the period	1,002,778	(1,431,545)	665,000
Basic and diluted earnings/ (loss) per Titan share from continuing operations	(0.119) / (0.119)	(0.139) / (0.139)	0.002 / 0.002
Basic and diluted earnings/ (loss) per Titan share from discontinued operations	0.164 / 0.164	0.139 / 0.139	-
Distributions or dividends declared per share	-	-	-
AU\$/Titan Share	0.035	-	-

**Notes:**

1. The December 31, 2017 profit and loss balances shown above were adjusted to reflect the comparative discontinued operations in the 2018 fiscal year as disclosed in the December 31, 2018 financial statements and are therefore different to the numbers shown in the December 31, 2017 financial statements.
2. The June 30, 2017 profit and loss balances shown above were adjusted to reflect the comparative discontinued operations in the 2018 fiscal year as disclosed in the June 30, 2018 financial statements and are therefore different to the numbers shown in the June 30, 2017 financial statements.
3. Refer to the *Incomplete Records* section where management could not sign off on these financial statements. The balances shown above are taken from the workings used for the Financial Reports lodged on the ASX for the relevant period and are for illustration purposes only.

**Results of Operations**

The loss for Titan for the 2018 Financial Year, after providing for income tax, amounted to AU\$12,075,778 (December 31, 2017: profit of AU\$11,214,302).

Revenue of AU\$5,802,384 in financial year 2018 (AU\$638,684) was generated from gold and silver processing undertaken in Peru at the Tulin Plant which was acquired in the Andina Acquisition that was completed in July 2018 generating gross profit of AU\$591,164 (2017: gross loss of AU\$167,558). The acquisition of the Andina group was the key driver for the increase in majority of the balance sheet items but most particularly trade receivables, inventories, current tax assets, property plant and equipment and borrowings from 2017 to 2018 due to the consolidation. Furthermore the acquisition of the Andina group generated goodwill of \$12,193,538.

For the 2019 year Titan will process gold and silver at the wholly owned Vista Plant in Peru as the lease on the Tulin Plant ended on December 31, 2018. As at December 31, 2018 the Vista gold project has not generated revenue however the Vista Plant has commenced processing on the February 28, 2019 while it is under an operational test period to obtain its operators permit.

The consolidated loss for the year ended December 31, 2018 includes an impairment of exploration and evaluation expenditure of AU\$5,228,298 (2017: AU\$ nil). There was an impairment expense of AU\$1,262,424 (2017:AU\$ nil) mostly relating to an impairment of the Tulin Plant. In 2018 the share-based payments expense totalled AU\$1,230,532 (2017: AU\$4,527) being the value of share-based payment issued to directors and management of Titan. In the 2017 financial year, AU\$17,753,789 in revenue relates to the one-off forgiveness of various loans that existed in Titan when Titan's administrators effectuated the DOCA bringing Titan out of external administration and a one-off cost of \$2,350,000 relating to the various share offers made as part of the process to effectuate of the DOCA.

From a balance sheet perspective current assets increased in 2018 from \$3,221,567 to \$11,339,654.

*Discontinued Operations*

In 2017 Titan divested of Mundo Peru Gold SAC, Mundo Minerales SAC and Golden Empire SAC as part of the effectuation of the DOCA. These companies were not trading in 2017 and a total expense of AU\$1,835,585 was recorded upon the removal of the entities from Titan's consolidation.

In 2018 Titan divested of Derivado Y Concentrados and Compania Minera Cobrepampa whilst also applying for liquidation of Empresa Miner Cobrepampa, Grupo Cobrepampa and Korisumaq SAC. These companies were not

trading in 2018 and a total revenue of AU\$2,932,262 was recorded upon the removal of the entities from Titan's consolidation.

During the year ended December 31, 2018, Titan:

- acquired Andina by issuing 561,656,376 Titan ordinary shares (on a pre-consolidated basis), which provided access to Andina's gold and silver tolling operations in Peru and consolidated the ownership of the Torrecillas Project in Peru; and
- completed a two tranche capital raising in May and July 2018 that raised a total AU\$11,000,000 before costs by issuing 366,666,666 Titan ordinary shares (on a pre-consolidated basis).

#### *Gold and Silver Processing*

During the year, Titan acquired Andina which, via a Peru subsidiary, operated a gold tolling facility in Peru. For the year ended December 31, 2018 this generated revenue of sales of AU\$5,802,384 (2017: AU\$639,684) with associated cost of sales of AU\$5,211,220 (2017: AU\$807,242), generating a gross profit of AU\$591,164 (gross loss 2017 AU\$167,558).

#### *Cash Flow and Liquidity*

During the 2018 Financial Year, net cash outflows from operating activities increased to AU\$4,692,484 (2017: AU\$3,085,711). The increase is largely attributable to Titan operating for a full year in 2018 as opposed to four months in 2017. And further attributed to acquiring Andina in July 2018 which provided six months of gold operations in Peru.

For the year ended December 31, 2018, net cash outflows from investing activities amounted to AU\$2,830,943 (2017: AU\$191,204). The increase in net cash outflows was largely attributable to the payments made to continue building of the Vista Plant and associated plant and equipment for AU\$1,224,575 and exploration and evaluation work undertaken on the various projects in Titan and its subsidiaries for AU\$801,385. During the 2018 financial year Titan provided a loan to Peru subsidiaries in the Andina group of AU\$1,114,273 (2017: AU\$191,204) before Andina was formally acquired by Titan, of which the majority of the loan was to fund the gold operations in Peru.

For the year ended December 31, 2018, net cash inflows from financing activities amounted to AU\$10,181,910 (2017: AU\$6,153,086). The increase in net cash inflows was largely attributable to the receipt of AU\$11,000,000 before costs from the two tranche capital raising undertaken in May and July in 2018 issuing 366,666,666 Titan ordinary shares. In the 2017 financial year, the consolidated entity received cash inflows from the public offer of AU\$6,000,000 before costs in October 2017 and borrowings provided by third parties to Titan whilst under external administration AU\$810,882 which were repaid via shares as part of the DOCA.

The primary use of funds for the 2019 fiscal year will be commissioning and operating the Vista Gold gold tolling facility, progressing exploration and evaluation work on exploration projects and for working capital purposes. To that end Titan can generate sufficient amounts of cash via equity issues to ensure Titan's planned growth is met. According to management's expectations and forecasts there is not expected to be any working capital deficiencies. The key liquidity drivers for Titan centre around maintaining profitable margins on gold and silver processing in Peru coupled with value driving exploration on projects within Titan.

There are no legal or practical restrictions on the ability of subsidiaries to transfer funds to Titan. There have been no defaults or arrears or significant risk of defaults or arrears on distributions or dividends, lease payments, interest or principal payment on debt since Titan came out of external administration. There are no debt covenants noted on borrowings in place.

The following table summarizes Titan's contractual obligations as at December 31, 2018 and the effect such obligations are expected to have on its liquidity and cash flows in future periods:

Contractual obligations	Payments Due by Period				
	Less than 1 year (AU\$)	1-3 years (AU\$)	4-5 years (AU\$)	After 5 years (AU\$)	Total (AU\$)

Trade and other payables	824,646				824,646
Employee benefit payables	61,407				61,407
Tax payables	11,213	119,249			130,462
Other payables	168,570				168,570
TOTAL	1,065,836	119,249			1,185,085

#### *Capital Requirements and Sources of Liquidity*

As of December 31, 2018, Titan had working capital of AU\$7,130,000, consisting of current assets of AU\$11,339,654 and current liabilities of AU\$2,490,000. Titan's current assets consisted primarily of cash and cash equivalents of AU\$5,460,000 and prepaid expenses, receivables and other current assets of US\$4,160,000. Consistent with the business plans, Titan has made capital expenditure towards the construction of its wholly owned Vista plant and continued to consume working capital on increasing stockpiles at the Vista Plant and exploration activities focused on identifying project development opportunities for Titan. Titan incurred a net loss for the year ended December 31, 2018 of AU\$7,810,000.

Titan anticipates the working capital of the Vista Plant to gradually increase over the course of the coming year with increasing acquisition of mineralised material on a monthly basis over time, and as a function of the six to eight-week residence time of mineralised material where working capital is deployed for the purchase of mineralised material for processing gold and silver, and the six to eight-week period required to process, transport, export and sale a refined gold and silver product. Working capital of the Vista Plant is also anticipated to increase with increasing stockpiles of mineralised material to be held to mitigate potential risk due to the cyclical nature of the small scale mining business that the Vista Plant is reliant on, with some commercial variations in regional production on a month to month basis, cycles due to seasonal changes impacting the rate of mining in the region, and regional production impacted by commodity prices, costs of fuel and other mining supplies, and other commercial factors beyond Titan's control.

Capital requirements for development and exploration objectives will depend in part on the success of those exploration programmes and studies to assess potential for economic viability of projects for production and development. With exploration success Titan may require additional financing for future resource definition, mineral estimation, feasibility study and mine development work.

To complete exploration, identify economically recoverable reserves and develop the projects into profitable projects, or the receipt of adequate proceeds from the sale of such projects.

Titan's ability to complete long term business objectives, including exploration and development of the Coriorcco Project, Las Antas Project, Torrecillas Project, Dynasty Goldfield Project, Copper Duke Project, Linderos Project, and Zaruma Project which may require additional financing for future resource definition, mineral estimation, feasibility study and mine development work will be dependent on, among other things, the following:

1. Titan's ability to generate cash flow from operations at the Vista Plant, Peru;
2. Titan's ability to generate cash flow from operations at the Portovelo Plant in Ecuador;
3. Titan's ability to raise funds to complete exploration, study and development work;
4. Titan's ability to generate alternative funding through farm-out agreements, joint ventures, streaming or royalty agreements; and
5. receipt of adequate proceeds from the sale of such projects.

Further, Titan's near-term business plan to continue commercial operations at the Vista Plant, maintain the Portovelo Plant as an ongoing operation, and provide additional growth to the production profile of Titan through exploration, defining mineral resource estimations, and development of economically viable sources of ore to compliment the current excess capacity of the Vista Plant, or establish new processing facilities as dictated by feasibility studies to optimise value of assets for Titan may require additional financing. While Titan has been

successful in the past in obtaining financing, there is no assurance that Titan will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to Titan.

### *Financing*

For a description of the financing activities undertaken by Titan for the year ended December 31, 2018, see the “General Development of Titan’s Business – Three Year History – 2018” section of Appendix “A”.

As at the date of this report, Titan is not aware of any legal or practical restrictions on the ability of subsidiaries to transfer funds to Titan that would affect Titan’s ability of Titan to meet its obligations.

As at the date of this report, Titan notes that there have been no defaults or arrears or significant risk of defaults or arrears on distributions or dividend payments, lease payments, interest or principal payment on debt. Titan notes there are no debt covenants, redemption or retraction or sinking fund payments.

### *Share Capital (Update)*

As at December 31, 2018, on a pre-consolidation basis, Titan had 2,608,331,144 Titan Shares; 45,000,000 Titan unlisted Options; and 80,500,000 Titan Performance Rights issued and outstanding.

## **Transactions Between Related Parties**

### *Related Party Remuneration*

#### Service Agreements

Remuneration and other terms of employment for the Titan executive directors are formalised in a service agreement. For Titan non-executive directors these terms are set out in a letter of appointment. The major provisions of the agreements relating to remuneration per year are set out below.

<b>Name</b>	<b>Base Salary</b>	<b>Consulting fees</b>	<b>Term of Agreement</b>	<b>Notice Period</b>
<b>Nicholas Rowley</b>	-	AU\$72,000 (until August 31, 2018) AU\$96,000 (from September 1, 2018)	No fixed term	N/A
<b>Matthew Carr</b>	-	AU\$120,000 (until July 12, 2018) AU\$240,000 (from July 13, 2018)	No fixed term	12/6 months*
<b>Robert Sckalor (resigned 15/07/2019)</b>	-	AU\$72,000 (until August 31, 2018) AU\$60,000 (from September 1, 2018)	No fixed term	N/A
<b>Cameron Henry (resigned 15/07/2019)</b>	-	AU\$72,000 (until August 31, 2018) AU\$60,000 (from September 1, 2018)	No fixed term	N/A

\* Termination benefits: In the case of termination without cause by Titan, Mr. Carr is entitled to receive 12 months’ salary on top of the entitles mentioned below. In the case of termination without cause by Mr. Carr then he is entitled to receive six months’ salary on top of the entitlements outlined below. Matthew Carr is entitled to an additional one month’s salary on top of the notice period for each year of continuous service to Titan (pro-rata up to the date of leaving the entity).

The following table outlines remuneration paid to related parties during the periods indicated:

**Compensation 12 months to December 31, 2018**

	<b>Short Term Benefits AUS</b>	<b>Super- annuation AUS</b>	<b>Share based payments  AUS</b>	<b>Total AUS</b>	<b>Percentage of remuneration that is equity based</b>
<b>Compensation of Titan Directors based on fees approved by the Titan Board</b>					
Nicholas Rowley	80,000	-	237,293	317,293	75%
Matthew Carr	180,000	-	237,293	417,293	57%
Robert Scakor	67,000	-	118,647	185,647	64%
Cameron Henry	68,000	-	118,647	186,647	64%
Travis Schwertfeger	91,400	-	-	91,400	
<b>TOTAL COMPENSATION – FOR KEY MANAGEMENT PERSONNEL</b>	<b>487,400</b>	<b>-</b>	<b>711,880</b>	<b>1,199,280</b>	<b>-</b>

**Compensation 12 months to December 31, 2017**

	<b>Short Term Benefits AUS</b>	<b>Super- annuation AUS</b>	<b>Share based payments  AUS</b>	<b>Total AUS</b>	<b>Percentage of remuneration that is equity based</b>
<b>Compensation of Titan Directors based on fees approved by the Titan Board</b>					
Nicholas Rowley	18,000	-	1,293	19,293	7%
Matthew Carr	30,000	-	1,293	31,293	4%
Robert Scakor	18,000	-	647	18,647	3%
Cameron Henry	18,000	-	647	18,647	3%
Tim Morrison	-	-	-	-	-
<b>TOTAL COMPENSATION – FOR KEY MANAGEMENT PERSONNEL</b>	<b>84,000</b>	<b>-</b>	<b>3,880</b>	<b>87,880</b>	<b>-</b>

*Equity Instruments Issued to Related Parties*

Performance Rights

At the general meeting held on December 18, 2017, shareholders approved to grant 80,500,000 (on a pre-consolidated basis) Performance Rights as remuneration (Class A, B, C) to the Titan Directors. The Performance Rights entitled the directors and company secretary to Titan Shares on Titan achieving certain milestones.

The number of Performance Rights that will vest depends on the achievement of three market-based conditions. The three conditions are market-based condition related to achieving a 10-day volume weighted average price of shares on the ASX of greater than AU\$0.05, AU\$0.06 and AU\$0.07 respectively (on a pre-consolidated basis).

Performance Rights convert to shares on the date of vesting with no exercise price or share issue price being payable.

Set out below is the summary of rights granted and approved by shareholders. Management have assessed the likelihood of the Performance Rights vesting and have estimated that the milestones for the Performance Rights are expected to be achieved prior to expiry.

#### Fair Value of Performance Rights Granted

Set out below is the assessed fair value at grant date of performance rights granted in the previous year (on a pre-consolidated basis).

	Fair value at grant date
Class A – market	AU\$0.032
Class B – market	AU\$0.032
Class C – market	AU\$0.032

#### *Other Transactions with Related Parties*

The ultimate parent entity of the group is Titan. Balances and transactions between Titan and its subsidiaries, which are related parties of Titan, have been eliminated on consolidation. Details of transactions between Titan and other related parties, if any, are disclosed below.

Transactions and balances between Titan and its subsidiaries were eliminated in the preparation of consolidated financial statements of Titan.

As at December 31, 2018 there were no other noted related party transactions.

As at December 31, 2017 Titan had unsecured loans with Andina, a director related entity with Mr. Carr, of a payable position AU\$174,637 and Vista Gold (a subsidiary of Andina, in a receivable position \$98,340).

#### *Contingent Liabilities*

Titan had no contingent liabilities as at December 31, 2018 and 2017.

#### *Commitments*

Titan had no capital commitments for property, plant and equipment as at December 31, 2018 and 2017.

## MD&A for the Year Ended December 31, 2017

### Review of Operations

Titan was under external administration until October 4, 2018 when the DOCA was effectuated. Titan's principal activities during the course of the financial year were exploration of copper and gold exploration mineral concessions and development and production of a portfolio of medium sized gold projects in South America, with a primary focus on Peru. In addition, Titan was the owner and operator of a gold and copper toll processing plant in Peru (San Santiago).

#### *Company Restructure / Recapitalisation*

On the October 4, 2017, the DOCA was effectuated. This then allowed Titan to seek reinstatement to official quotation on the ASX which occurred on October 17, 2017. The prospectus dated August 18, 2017 outlined the various offers that were made being the following (on a pre-consolidated basis):

- Public offer - Titan issued 600,000,000 Titan Shares at one cent per Titan Share raising AU\$6,000,000 before costs;
- Employee offer - Titan issued 70,000,000 Titan Shares at one cent per Titan Share to certain employees, contractors and consultants of Titan and its subsidiaries as an offset or to satisfy employee entitlements;
- Broker offer - Titan issued 316,032,382 Titan Shares at one cent per Titan Share to the brokers appointed to manage the public offer in consideration for their facilitation of the public offer;
- SilverStream offer - Titan issued 350,000,000 Titan Shares at one cent per Titan Share broken down as follows:
  - 45,000,000 Titan Shares in full and final satisfaction of the debt owed by Titan to SilverStream under the loan facility;
  - 30,000,000 Titan Shares in full and final satisfaction of the debt owed by Titan under the existing silver stream agreement and existing gold stream agreement; and
  - 275,000,000 Titan Shares as promoter equity.
- Unsecured creditor offer - Titan issued 53,967,618 Titan Shares at one cent per Titan Share to the deed administrators (as trustees of the creditors' trust) on behalf of the unsecured creditors in full and final satisfaction and complete discharge of their claims; and

#### *Summary of Annual Results*

	As at or for the year ended December 31, 2017 (AU\$) <sup>1</sup>	As at or for the year ended December 31, 2016 (AU\$) <sup>3</sup>	As at or for the year ended December 31, 2015 (AU\$) <sup>3, 4</sup>
Cash and cash equivalents	2,931,791	57,652	52,000
Trade and other receivables - Current	289,776	152	18,000
Prepayments	-	-	-
Inventories	-	-	-
Assets classified as held for sale	-	-	-
Current tax asset	-	-	-
Total current assets	3,221,567	57,804	70,000
Trade and other receivables - Non-Current	98,097	-	-
Financial assets	-	-	-
Property, plant and equipment	1,000,000	-	-
Mine assets	172,777	500,000	500,000
Deferred exploration and evaluation expenditure	-	-	-
Goodwill	-	-	-
Total non-current assets	1,270,874	500,000	500,000

	As at or for the year ended December 31, 2017 (AU\$) <sup>1</sup>	As at or for the year ended December 31, 2016 (AU\$) <sup>3</sup>	As at or for the year ended December 31, 2015 (AU\$) <sup>3, 4</sup>
Total assets	4,492,441	557,804	570,000
Trade and other payables	1,064,929	8,504,310	8,971,000
Borrowings	174,637	9,580,774	9,581,000
Provisions	-	1,996,659	1,936,000
Other liability	-	5,948,000	5,948,000
Total current liabilities	1,239,566	26,029,743	26,436,000
Trade and other payables - Non Current	2,204,403	-	-
Borrowings	-	-	-
Total non-current liabilities	2,204,403	-	-
Total liabilities	3,443,969	26,029,743	26,436,000
Net assets	1,048,472	(25,471,939)	(25,866,000)
Total revenue	19,395,369	1,364,911	1,438,000
Total expenses	(5,126,767)	(2,312,304)	(32,154,000)
Profit/ (Loss) from continuing operations attributable to members after income tax	14,268,602	(947,393)	(30,716,000)
Discontinued operations	(1,835,585)	-	-
Total comprehensive income/ (loss) for the period attributable to owners of the parent for the period	14,084,005	393,993	(30,716,000)
Basic and diluted earnings/ (loss) per Titan share from continuing operations	3.588 / 3.588	(0.026) / (0.026)	(0.98) / (0.98)
Basic and diluted earnings/ (loss) per Titan share from discontinued operations	(0.462) / (0.462)	-	-
Distributions or dividends declared per share	-	-	-
AU\$/Titan Share	0.04	-	-

*Summary of Half Year Results*

	As at or for the half-year ended June 30, 2017 (AU\$) <sup>2</sup>	As at or for the half-year ended June 30, 2016 (AU\$) <sup>3</sup>	As at or for the half-year ended June 30, 2015 (AU\$) <sup>3, 4</sup>
Cash and cash equivalents	48,380	76,000	79,000
Trade and other receivables - Current	254	-	1,654,000
Prepayments	-	-	134,000
Inventories	-	-	497,000
Total current asset	48,634	76,000	2,364,000
Trade and other receivables - Non-Current	-	-	-
Property, plant and equipment	-	-	2,715,000
Mine assets	480,602	500,000	23,768,000
Deferred exploration and evaluation expenditure	-	-	830,000
Goodwill	-	-	-
Total non-current assets	480,602	500,000	27,313,000
Total assets	529,236	576,000	29,677,000



	As at or for the half-year ended June 30, 2017 (AU\$) <sup>2</sup>	As at or for the half-year ended June 30, 2016 (AU\$) <sup>3</sup>	As at or for the half-year ended June 30, 2015 (AU\$) <sup>3, 4</sup>
Trade and other payables	8,416,785	8,264,000	7,926,000
Borrowings	10,863,453	9,581,000	8,542,000
Provisions	2,204,482	1,984,000	361,000
Other liability	5,948,000	5,948,000	5,948,000
Total current liabilities	27,432,720	25,777,000	22,777,000
Trade and other payables - Non Current	-	-	-
Deferred tax liability	-	-	2,420,000
Total non-current liabilities	-	-	2,420,000
Total liabilities	27,432,720	25,777,000	25,197,000
Net assets	(26,903,484)	(25,201,000)	4,480,000
Total revenue	531,911	1,302,000	877,000
Total expenses	(534,234)	(1,226,000)	(5,098,000)
Profit/ (Loss) from continuing operations attributable to members after income tax	(2,323)	76,000	(4,221,000)
Discontinued operations	-	-	-
Total comprehensive income/ (loss) for the period attributable to owners of the parent for the period	(1,431,545)	665,000	(3,002,000)
Basic and diluted earnings/ (loss) per Titan share from continuing operations	(0.022)	0.002 / 0.002	(0.14) / (0.14)
Basic and diluted earnings/ (loss) per Titan share from discontinued operations	-	-	-
Distributions or dividends declared per share	-	-	-
AU\$/Titan Share	-	-	-

**Notes:**

- 1 The December 31, 2017 profit and loss balances shown above are to the numbers shown in the December 31, 2017 financial statements.
- 2 The June 30, 2017 profit and loss balances shown above are the numbers shown in the June 30, 2017 financial statements.
- 3 Refer to the *Incomplete Records* section where management was not in a position to sign off on these financial statements. The balances shown above are taken from the workings used for the Financial Reports lodged on the ASX for the relevant period and are for illustration purposes only.
- 4 The June 30, 2015 and December 31, 2015 financial information shown above were taken from the respective financial statements lodged on the ASX which were released in '000's.

**Results of Operations**

The profit for Titan for the year ended December 31, 2017, after providing for income tax amounted to AU\$14,268,602 (December 31, 2016: loss of AU\$947,393).

The consolidated profit for the year ended December 31, 2017 includes an AU\$17,753,789 in revenue relates to the one-off forgiveness of various loans that existed in Titan when Titan underwent the DOCA to come out of external administration. There was a one-off DOCA expense of AU\$2,350,000. Upon coming out of external administration all the existing liabilities in the Australian parent were extinguished which reduced total liabilities from \$26,029,743 at December 31, 2016 to \$3,443,969 at December 31, 2017.

During the year ended December 31, 2017, Titan (on a pre-consolidated basis):

- Effectuated the DOCA which included:
  - Public offer - Titan issued 600,000,000 Titan Shares at one cent per Titan Share raising AU\$6,000,000 before costs;

- Employee offer - Titan issued 70,000,000 Titan Shares at one cent per Titan Share to certain employees, contractors and consultants of Titan and its subsidiaries as an offset or to satisfy employee entitlements;
- Broker offer - Titan issued 316,032,382 Titan Shares at one cent per Titan Share to the brokers appointed to manage the public offer in consideration for their facilitation of the public offer;
- SilverStream offer - Titan issued 350,000,000 Titan Shares at one cent per Titan Shares broken down as follows:
  - 45,000,000 Titan Shares in full and final satisfaction of the debt owed by Titan to SilverStream under a loan facility;
  - 30,000,000 Titan Shares in full and final satisfaction of the debt owed by Titan under the existing silver stream agreement and existing gold stream agreement; and
  - 275,000,000 Titan Shares as promoter equity.
- Unsecured creditor offer - Titan issued 53,967,618 shares at one cent per Titan Share to the deed administrators (as trustees of the creditors' trust) on behalf of the unsecured creditors in full and final satisfaction and complete discharge of their claims; and
- Andina offer - Titan issued 235,000,000 shares at one cent per share to Andina (or its nominee/s) in full and final satisfaction of amounts owed by Titan to Andina and in consideration for Mantle's involvement with the Torrecillas Project, including Mantle granting Titan right to earn a 70% interest in the Torrecillas Project.

#### *Gold and Silver Processing*

During the 2016 and 2017 year Titan operated its gold tolling facility in San Santiago in Peru. For the year ended December 31, 2017 this generated revenue of sales of AU\$639,684 (2016: AU\$1,364,911) with associated cost of sales of AU\$807,242 (2016: AU\$1,567,323) generating a gross loss of AU\$167,558 (2016: AU\$202,412).

#### *Cash Flow and Liquidity*

During the 2017 financial year, net cash outflows from operating activities increased to AU\$3,085,711 (2016: AU\$1,115,000). The increase is largely attributable to an increase in administration expenses.

For the year ended December 31, 2017, net cash outflows from investing activities amounted to AU\$191,204 (2017: AU\$ nil). The increase relates to a loan provided by Titan to a Peru subsidiary of Andina to assist in their Peru operations.

For the year ended December 31, 2017, net cash inflows from financing activities amounted to AU\$6,153,086 (2017: AU\$ nil). The increase in net cash inflows was largely attributable the public offer of AU\$6,000,000 before costs in October 2017 and borrowings provided by third parties to Titan whilst under external administration for AU\$810,882 which were repaid via shares issued as part of the effectuation of the DOCA.

The following table summarizes Titan's contractual obligations as at December 31, 2017 and the effect such obligations are expected to have on its liquidity and cash flows in future periods:

Contractual obligations	Payments Due by Period				
	Less than 1 year (AU\$)	1-3 years (AU\$)	4-5 years (AU\$)	After 5 years (AU\$)	Total (AU\$)
Trade and other payables	340,952				340,952
Employee benefit payables	723,977				723,977
Tax payables		402,577			402,577
Other payables		1,801,826			1,801,826
<b>TOTAL</b>	<b>1,064,929</b>	<b>2,204,403</b>			<b>3,269,332</b>

## Financing

For a description of the financing activities undertaken by Titan for the 2018 Financial Year, see the “Three Year History – 2018” section of Appendix “A” to the Circular.

As at the date of this report, Titan is not aware of any legal or practical restrictions on the ability of subsidiaries to transfer funds to Titan that would affect Titan’s ability of Titan to meet its obligations.

As at the date of this report, Titan notes that there have been no defaults or arrears or significant risk of defaults or arrears on distributions or dividend payments, lease payments, interest or principal payment on debt. Titan notes there are no debt covenants, redemption or retraction or sinking fund payments.

## Share Capital

As at December 31, 2017, Titan had 1,635,381,023 Titan Shares; and 209,357 Titan unlisted Titan Options issued and outstanding (on a pre-consolidated basis).

## Transactions with Related Parties

The following transactions occurred with related parties during the periods indicated:

### Compensation 12 months to December 31, 2017

	Short Term Benefits AUS	Super- annuation AUS	Share based payments AUS	Total AUS	Percentage of remuneration that is equity based
<b>Compensation of Titan Directors based on fees approved by the Titan Board</b>					
Nicholas Rowley	18,000	-	1,293	19,293	7%
Matthew Carr	30,000	-	1,293	31,293	4%
Robert Skalor	18,000	-	647	18,647	3%
Cameron Henry	18,000	-	647	18,647	3%
Tim Morrison	-	-	-	-	-
<b>TOTAL COMPENSATION – FOR KEY MANAGEMENT PERSONNEL</b>	<b>84,000</b>	<b>-</b>	<b>3,880</b>	<b>87,880</b>	<b>-</b>

### Compensation 12 months to December 31, 2016

	Short Term Benefits <sup>1</sup> AUS	Super- annuation AUS	Share based payments AUS	Total AUS	Percentage of remuneration that is equity based
<b>Compensation of Titan Directors based on fees approved by the Titan Board</b>					

**Compensation 12 months to December 31, 2016**

	<b>Short Term Benefits<sup>1</sup> AUS</b>	<b>Super- annuation AUS</b>	<b>Share based payments AUS</b>	<b>Total AUS</b>	<b>Percentage of remuneration that is equity based</b>
Nicholas Rowley	-	-	-	-	-
Matthew Carr	-	-	-	-	-
Robert Skalar	-	-	-	-	-
Cameron Henry	-	-	-	-	-
Tim Morrison	-	-	-	-	-
<hr/>					
<b>TOTAL COMPENSATION – FOR KEY MANAGEMENT PERSONNEL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Notes:**

4. Titan was under external administration from August 25, 2015, consequently Titan did not have sufficient information to allow the level of disclosure required for the year ended December 31, 2016.

The ultimate parent entity of the group is Titan. Balances and transactions between Titan and its subsidiaries, which are related parties of Titan, have been eliminated on consolidation. Details of transactions between Titan and its subsidiaries and other related parties, if any, are disclosed below.

Transactions and balances between Titan and its subsidiaries were eliminated in the preparation of consolidated financial statements of Titan and its subsidiaries.

As at December 31, 2017, Titan had unsecured loans with Andina, a director related entity with Mr. Carr, of a payable position \$174,637 and Vista Gold (a subsidiary of Andina, in a receivable position \$98,340). No transactions were noted in 2016.

*Contingent Liabilities*

Titan had no contingent liabilities as at December 31, 2017. Titan could not make this statement in 2016's financial statements.

*Commitments*

Titan had no capital commitments for property, plant and equipment as at December 31, 2017. Titan could not make this statement in 2016 financial statements.

## ANDINA MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE HALF-YEAR ENDED JUNE 30, 2018

### Review of operations

Operationally, the Company faced several operational challenges in the first half of 2018, with key reasons being capacity constraints at the poorly designed and significantly aging Tulin Plant. Following resignation of previous management in 2017, the new Executive Director Mr Matthew Carr and Peru management team led by new General Manager Mr Gonzalo Freyre conducted a thorough review of in-country operations in the previous operating year. A strategy, including a new manager of ore purchasing was implemented, and the first half of the year has seen a marked increase in acquisition of mineralized material and average throughput of the plant.

The technology system implemented by the Company as part of key changes made by the new management team appointed in 2017 continues to evolve into 2018, to provide the Company with improved reporting procedures operating with best practices in the industry and more importantly creates complete accountability from the General Manager in Peru right down the chain to the person buying the mineralized material, and also provides added visibility and transparency over operations and ore purchasing to senior management in Australia.

A summary of the results for the 6 month period end 30 June 2018 are as follows:

- processed 7,214 tonnes in a 6-month period (8,592 tonnes in the previous 12-month period)
- produced 3,313 oz Au in 6-month period (4,898 oz Au in the previous 12-month period)
- Revenue of \$5,725,572,
- Net Loss of \$6,463,539

### Corporate

26 March 2018, Titan Minerals Ltd (“Titan”) an ASX listed explorer holding an earn-in right over the Company’s Torrecillas Project, announced entering a bid implementation agreement (“BIA”) with Andina following entering into pre-bid acceptance agreements with 19.8% of the Andina shares on issue. Under the BIA, Titan agreed to issue 1 fully paid ordinary share of Titan for every 1.18 Andina shares on issue.

23 May 2018, a formal bidder statement was received from Titan, for the bid as outlined in the initial BIA.

29 May 2018, notice received from Titan in accordance with sections 654C(1)(a) and 654C(1)(b) of the Corporation Act 2001 (Cth) that Titan’s voting power in Andina rose to both of, and above i) 25%; and ii) 50% and such notice was lodged with ASIC.

8 June 2018, notice received from Titan in accordance with section 654C(1)(c) Corporation Act 2001 (Cth) that Titan’s voting power in Andina rose to above 75% (to 85.41% as at the date of notice) and such notice was lodged with ASIC.

19 June 2018, notice received from Titan in accordance with section 654C(1)(d) Corporation Act 2001 (Cth) that Titan’s voting power in Andina rose to above 90% (to 90.80% as at the date of notice) and such notice was lodged with ASIC.

25 June 2018, Titan announced the takeover Andina had gone unconditional.

### Tulin Plant Operations

Maintenance schedules and routine service and inspection for the Tulin Plant was revised in late 2017, and through the first 6 months of 2018 the plant achieved a significant increase in operational availability, with a systematic increase from approximately 75% operational time in January 2018 to approximately 90% availability in June 2018.

Head grades averaged 16g/t gold for the total 7,214 tonnes processed during the 6-month period, with no substantial variations in the performance of the plant through the reporting period.

The improved maintenance policies in combination with new management of the ore purchasing arm of the business allowed the Tulin Plant to significantly increase throughput over the previous year, and increased reliability of operations and throughput allowed for gradationally increasing the value of ore held in stockpiles at the plant, including the purchase of higher grade materials, including the opening of purchasing from several new districts in the region.

#### *The Vista Construction Program Review*

Following the 2017 review by the new management team of the construction of the Vista plant, the stage of completion of the plant was identified to be further behind than expected and the cost to complete was greater than originally advised by previous management.

Several issues were identified resulting in additional costs and delays, and several logistical issues requiring additional resources to be resolved.

At the beginning of the reporting period a cumulative total of US\$804,480 in Capital Expenditure and US\$ A revised budget for plant construction was US\$304,920 in overheads and operational costs had been spent, inclusive of approximately US\$205,140 in IGV paid.

In the reporting period, an additional US\$147,620 was spent on Capital Expenditure towards the Vista Plant. Overheads on operational costs for the reporting period totaled US\$531,350, with major expenditure items including US\$60,000 in IGV, administrative costs for project management and ongoing environmental studies and reporting requirements totaling approximately US\$99,520, and US\$50,000 in wages for staff and security during construction.

#### *Summary of Half-Yearly Results*

	As at or for the half-year ended June 30, 2018 (AU\$)	As at or for the half year ended June 30, 2017 (AU\$)
Cash and cash equivalents	399,232	87,384
Trade and other receivables - Current	1,878,660	2,305,555
Inventories	923,962	152,626
Current tax asset	403,912	390,363
Total current assets	3,605,766	2,935,928
Available for sale financial asset	2,275,000	-
Property, plant and equipment	3,452,020	2,077,413
Deferred exploration and evaluation expenditure	336,543	443,574
Intangible asset	20,087	138,719
Total non-current assets	6,083,650	2,659,706
Total assets	9,689,416	5,595,634
Trade and other payables	770,321	891,917
Financial liabilities	947,098	250,009
Total current liabilities	1,717,419	1,141,926
Financial liabilities	5,223,188	-
Total non-current liabilities	5,223,188	-
Total liabilities	6,940,607	1,141,926
Net assets	2,748,809	4,463,708
Total revenue	5,725,752	4,171,153
Total expenses	(9,043,880)	(4,500,288)
Profit/ (Loss) from continuing operations attributable to members after income tax	(6,463,539)	(329,135)

Total comprehensive income/ (loss) for the period attributable to owners of the parent for the period	(6,692,737)	(398,920)
Basic and diluted earnings/ (loss) per Andina share	(0.012) / (0.012)	(0.001) / (0.001)
Distributions or dividends declared per share	-	-

### *Results of Operations*

The operating loss after income tax of the Group for the six months ended 30 June 2018 was \$6,463,539 (30 June 2017: \$328,485).

Revenue of \$5,725,752 in financial half-year 2018 (2017: \$4,171,153) was generated from gold and silver processing undertaken in Peru at the Tulin Plant.

The consolidated loss for the half-year ended June 30, 2018 includes an assumption of liability expense of \$4,799,522 (2017: \$Nil). This expense relates to an Andina subsidiary in Peru assuming the secured loan with Silverstream SECZ on the Torrecillas project. There was interest expense of \$184,613 (2017: \$2,522) predominantly relating to convertible note interest issued in the 2018 half-year. In addition there was a share based payment of \$1,041,471 (2017: \$Nil) relating to the issue of 71,009,414 shares issued upon the conversion of performance rights to shares and 34,263,636 ordinary shares issued to consultants in lieu of cash settlement of outstanding creditor balances.

From a balance sheet perspective current assets decreased in half-year 2018 from \$7,690,541 to \$2,748,809.

### *Gold and Silver Processing*

During the half-year, Andina operated a gold tolling facility in Peru. For the half-year ended June 30, 2018 this generated revenue of sales of AU\$5,725,752 (2017: AU\$4,171,153) with associated cost of sales of AU\$5,211,735 (2017: AU\$3,778,645), generating a gross profit of AU\$514,017 (2017 AU\$392,508).

### *Cash Flow and Liquidity*

During the 2018 Half-Year, net cash outflows from operating activities decreased to AU\$181,283 (2017: AU\$243,597). In 2018 Andina was constrained by focusing its available cash flow to the construction of the Vista Gold plant reducing cash balances available to pursue its gold and silver processing in Peru.

For the half-year ended June 30, 2018, net cash inflows from investing activities amounted to AU\$105,382 (2017: cash outflow AU\$141,835) due to Andina's constrained cash balances. The net cash outflows were largely attributable to the building payments made to continue building of the Vista Plant and associated plant and equipment.

For the half-year ended June 30, 2018, net cash inflows from financing activities amounted to AU\$128,600 (2017: AU\$221,737). The increase in net cash inflows was largely attributable to the receipt of AU\$128,600 in convertible loans that were entered into in the 2018 financial year.

There are no legal or practical restrictions on the ability of subsidiaries to transfer funds to Andina.

The following table summarizes Andina's contractual obligations as at June 30, 2018 and the effect such obligations are expected to have on its liquidity and cash flows in future periods:

Contractual obligations 2018	Payments Due by Period				
	Less than 1 year (AU\$)	1-3 years (AU\$)	4-5 years (AU\$)	After 5 years (AU\$)	Total (AU\$)
Trade and other payables	770,321	-	-	-	770,321
Financial	947,098	5,223,188	-	-	6,170,286

liabilities					
TOTAL	1,717,419	5,223,188	-	-	6,940,607

Contractual obligations 2017	Payments Due by Period				
	Less than 1 year (AU\$)	1-3 years (AU\$)	4-5 years (AU\$)	After 5 years (AU\$)	Total (AU\$)
Trade and other payables	891,917	-	-	-	891,917
Financial liabilities	250,009	-	-	-	250,009
TOTAL	1,141,926	-	-	-	1,141,926

### *Capital Requirements and Sources of Liquidity*

As of June 30, 2018, Andina had working capital of AU\$1,888,347, consisting of current assets of AU\$3,605,766 and current liabilities of AU\$1,717,419. Andina's current assets consisted primarily of trade and other receivables of AU\$1,878,660 and inventory of US\$923,962. Consistent with the business plans, Andina has made capital expenditure towards the construction of its wholly owned Vista plant. Andina incurred a net loss for the half-year ended June 30, 2018 of AU\$6,463,539.

### *Financing*

For a description of the financing activities undertaken by Andina for the half-year ended June 30, 2018, see below:

Under the terms of the Deed of Company Arrangement of Andina Minerals Limited the Andina subsidiary Mantle Mining S.A.C was to granted the Torecillas concessions and mining operation and further to that also to assume the Gold and Silver Streaming agreements that were securitized against the Torecillas concessions and mining operations that the Andina group had with Silverstream SECZ. The last of the conditions precedent of the Replacement Silver Stream Agreement and Replacement Gold Stream Agreement entered into between Silverstream SECZ and Mantle Mining S.A.C is yet to be resolved, which when resolved will crystallise the two loans and the liability under both agreements will be assumed by Mantle Mining S.A.C. On 25 March 2018 Silverstream SECZ, the Company and Mantle Mining S.A.C entered into a Variation Deed which varied the terms of the existing gold and silver agreements from a settlement in gold and silver to a settlement of the loan via issuing 23,669,805 shares in the Company which occurred on that day and a total payment of US\$3,700,000 over 15 instalments commencing on 1 July 2018 and ending on 30 June 2022.

During February 2018, the Company received a total of \$155,000 in convertible Notes with key terms as follows.

- Conversion: any time up to the maturity date the convertible notes, at the election of the Company, the Notes may be converted to Ordinary shares at a price of \$0.011 per share.
- Maturity date: 12 months
- Annual interest rate of 20%.

During February 2018 a total of 207,818,182 Company shares were issued to convert all the standing convertible loans plus interest accrued there on into equity.

In March 2018 the Company issued a total of 34,263,636 shares to contractors in lieu of paying cash for payables. 23,354,545 were issued to a company related to Matthew Carr to settle outstanding director and consulting fees for FY2017 owed to ML Carr Pty Ltd. At the same time the Company issued 71,009,414 Performance Rights to Jason Bontempo (or nominees) as remuneration for corporate advisory services to the Company. One Performance Right converts to one Ordinary Share in the Company and the performance condition is that the Company receiving a takeover bid acceptance of 50.1% or more and the expiry date occurring 12 months from 12 March 2018.

As at the date of this report, Andina is not aware of any legal or practical restrictions on the ability of subsidiaries to transfer funds to Andina that would affect Andina's ability of Andina to meet its obligations.



As at the date of this report, Andina notes that there have been no defaults or arrears or significant risk of defaults or arrears on distributions or dividend payments, lease payments, interest or principal payment on debt. Andina notes there are no debt covenants, redemption or retraction or sinking fund payments.

*Share Capital*

As at June 30, 2018, Andina had: 662,754,534 Andina Shares; issued and outstanding.

**Transactions Between Related Parties**

*Related Party Remuneration*

Service Agreements

Remuneration and other terms of employment for the Andina executive directors are formalised in a service agreement. For Andina non-executive directors these terms are set out in a letter of appointment. The major provisions of the agreements relating to remuneration per year are set out below.

<b>Name</b>	<b>Base Salary</b>	<b>Consulting fees</b>	<b>Term of Agreement</b>	<b>Notice Period</b>
<b>Matthew Carr</b>	-	AU\$120,000	No fixed term	N/A
<b>Tim Neesham</b>	-	AU\$36,000	No fixed term	N/A
<b>Arturo Caverio</b>	-	AU\$4,199 <sup>1</sup>	No fixed term	N/A

1. Mr Arturo Caverio is paid his consulting fee in Tulin Gold SAC a subsidiary of Andina Resources Limited.

The following table outlines remuneration paid to related parties during the periods indicated:

**Compensation 6 months to June 30, 2018**

	<b>Short Term Benefits AUS</b>	<b>Super- annuation AUS</b>	<b>Share based payments  AUS</b>	<b>Total AUS</b>	<b>Percentage of remuneration that is equity based</b>
<b>Compensation of Andina Directors based on fees approved by the Andina Board</b>					
Matthew Carr	81,500	-	-	81,500	0%
Tim Neesham	18,000	-	-	18,000	0%
Arturo Cavero	4,199	-	-	4,199	0%
<b>TOTAL COMPENSATION – FOR KEY MANAGEMENT PERSONNEL</b>	<b>103,699</b>	<b>-</b>	<b>-</b>	<b>103,699</b>	<b>-</b>

**Compensation 6 months to June 30, 2017**

	<b>Short Term Benefits AUS</b>	<b>Super- annuation AUS</b>	<b>Share based payments  AUS</b>	<b>Total AUS</b>	<b>Percentage of remuneration that is equity based</b>
<b>Compensation of Andina Directors based on fees approved by the Andina Board</b>					
Matthew Carr	24,000	-	-	24,000	0%
Tim Neesham	3,000	-	-	3,000	
Arturo Cavero	122,418	-	-	122,418	0%
Andrew Knowles	45,000	-	-	45,000	0%
<b>TOTAL COMPENSATION – FOR KEY MANAGEMENT PERSONNEL</b>	<b>194,418</b>	<b>-</b>	<b>-</b>	<b>194,418</b>	<b>-</b>

*Equity Instruments Issued to Related Parties*

The following were share based payments with Key Management Personnel noted in the 2018 half- year: 23,354,545 shares were issued to ML Carr Pty Ltd (director related entity with Matthew Carr) as settlement of outstanding creditor balances with ML Carr Pty Ltd during 2018 at 1.1 cents per share.

There were no share based payments issued during the 2017 half year.

*Other Transactions with Related Parties*

The ultimate parent entity of the group is Andina. Balances and transactions between Andina and its subsidiaries, which are related parties of Andina, have been eliminated on consolidation. Details of transactions between Andina and other related parties, if any, are disclosed below.

Transactions and balances between Andina and its subsidiaries were eliminated in the preparation of consolidated financial statements of Andina.

There were no other transactions with Key Management Personnel noted in the 2018 and 2017 half- year:

*Contingent Liabilities*

Andina had no contingent liabilities as at June 30, 2018.

*Commitments*

Andina had the following capital commitments as at June 30, 2018.

a) Operating Lease commitments

Non-cancellable operating lease contracted for but not recognized in the financial statements

Payable – minimum lease payments:

	<b>30 Jun 2018</b>	<b>30 Jun 2017</b>
	<b>\$</b>	<b>\$</b>
Not later than 12 months	287,376	331,513
Between 12 months and 5 years	-	-
Later than 5 years	-	-
	<u>287,376</u>	<u>331,513</u>

The operating assets of Tulin Gold S.A.C operate under a non-cancellable lease with a 1 year term, with rent of US\$35,400 (30 June 2017: US\$30,000) payable monthly in advance. The current lease expires on 31 December 2018.

b) Exploration commitments

There are no minimum exploration commitments for the tenements held by the Group.

c) Capital commitments

There are no minimum capital commitments in the Group

## ANDINA MANAGEMENT'S DISCUSSION AND ANALYSIS FOR FINANCIAL YEARS ENDED DECEMBER 31, 2017 AND DECEMBER 31, 2016

The following MD&A has been prepared as at or for the financial years ended December 31, 2016 and December 31, 2017 (the “**relevant reporting periods**”) and should be read in conjunction with the remainder of this Appendix “A”, including the section entitled “*Risk Factors*” and Andina’s audited financial statements and related notes in Appendix “C” to the Circular. Andina’s financial statements are prepared in accordance with the Australian Accounting Standards and Interpretations as issued by the Australian Accounting Standards Board (the “**AASB Standards**”) and IFRS compliant. Andina consistently applied the same accounting policies throughout all periods presented, except for the adoption of new standards and interpretations effective during the relevant periods, which had no material impact to the financial statements. Andina’s financial year ends on December 31<sup>st</sup> and its reporting currency is the Australian dollar, unless otherwise noted. Management of Andina is responsible for the preparation of the financial statements and the following MD&A.

The MD&A contains forward-looking information, such as statements regarding Andina’s future plans and objectives that are subject to various risks and uncertainties, and those set forth in “*Forward-Looking Information*” in the Circular and “*Risk Factors*” in this Appendix “A”. Andina cannot assure investors that such information will prove to be accurate, and actual results and future events could differ materially from those anticipated in such information. The results for the periods presented are not necessarily indicative of the results that may be expected for any future periods. Investors are cautioned not to place undue reliance on this forward-looking information.

### Critical Accounting Judgements, Assumptions and Key Sources of Estimation Uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements, estimates and assumptions, in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events that management believes to be reasonable under the circumstances. The resulting accounting judgements, estimates, and assumptions will seldom be the same as the related actual results. The judgements, estimate and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

#### *Key Estimates - Impairment*

The Company assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

#### *Key Judgement – Exploration and evaluation costs*

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are carried forward in respect of an area that has not at balance sheet date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or relating to, the area of interest are continuing.

#### *Key Judgment – Environmental Issues*

Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the directors understanding thereof. At the current stage of the Company’s development and its current environmental impact the directors believe such treatment is reasonable and appropriate.

### Significant Accounting Policies

The audited financial statements for the relevant reporting periods have been prepared in accordance with the AASB Standards and the *Corporations Act*. The principal accounting policies adopted are consistent with those of the

previous financial year, unless otherwise stated. Andina’s significant accounting policies are provided in Note 1 to Andina’s audited annual financial statements for the year ended December 31, 2017, which are contained in Appendix “C” to the Circular.

### New, Revised or Amending Accounting Standards And Interpretations Adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by Andina for the annual reporting period ended December 31, 2017. Andina’s assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to Andina, are set out below.

Reference	Title	Summary	Application date of standard
AASB 9	<i>Financial Instruments</i>	<p>AASB 9 replaces AASB 139 <i>Financial Instruments: Recognition and Measurement</i>.</p> <p>Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs.</p> <p>Debt instruments are subsequently measured at FVTPL, amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held.</p> <p>There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch.</p> <p>Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss.</p> <p>For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability’s credit risk would create or enlarge an accounting mismatch in profit or loss.</p> <p>All other AASB 139 classification and measurement requirements for financial liabilities have been carried forward into AASB 9, including the embedded derivative separation rules and the criteria for using the FVO.</p> <p>The incurred credit loss model in AASB 139 has been replaced with an expected credit loss model in AASB 9.</p> <p>The requirements for hedge accounting have been amended to more closely align hedge accounting with risk management, establish a more principle-based approach to hedge accounting and address inconsistencies in the hedge accounting model in</p>	1 January 2018

Reference	Title	Summary	Application date of standard
		AASB 139.	
AASB 15	Revenue from Contracts with Customers	<p>AASB 15 replaces all existing revenue requirements in Australian Accounting Standards (AASB 111 <i>Construction Contracts</i>, AASB 118 <i>Revenue</i>, AASB Interpretation 13 <i>Customer Loyalty Programmes</i>, AASB Interpretation 15 <i>Agreements for the Construction of Real Estate</i>, AASB Interpretation 18 <i>Transfers of Assets from Customers</i> and AASB Interpretation 131 <i>Revenue – Barter Transactions Involving Advertising Services</i>) and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as AASB 117 <i>Leases</i> (or AASB 16 <i>Leases</i>, once applied).</p> <p>The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:</p> <ul style="list-style-type: none"> <li>▶ Step 1: Identify the contract(s) with a customer</li> <li>▶ Step 2: Identify the performance obligations in the contract</li> <li>▶ Step 3: Determine the transaction price</li> <li>▶ Step 4: Allocate the transaction price to the performance obligations in the contract</li> <li>▶ Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.</li> </ul>	1 January 2018
AASB 2016-5	<i>Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions</i>	<p>This Standard amends AASB 2 <i>Share-based Payment</i>, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for:</p> <ul style="list-style-type: none"> <li>▶ The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments</li> <li>▶ Share-based payment transactions with a net settlement feature for withholding tax obligations</li> <li>▶ A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.</li> </ul>	1 January 2018
AASB 2017-1	<i>Amendments to Australian Accounting Standards – Transfers of Investments Property, Annual Improvements 2014-2016 Cycle and Other Amendments</i>	<p>The amendments clarify certain requirements in:</p> <p>AASB 1 <i>First-time Adoption of Australian Accounting Standards</i> – deletion of exemptions for first-time adopters and addition of an exemption arising from AASB Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i></p> <ul style="list-style-type: none"> <li>▶ AASB 12 <i>Disclosure of Interests in Other Entities</i> – clarification of scope</li> <li>▶ AASB 128 <i>Investments in Associates and Joint Ventures</i> – measuring an associate or joint venture at fair value</li> <li>▶ AASB 140 <i>Investment Property</i> – change in use.</li> </ul>	1 January 2018

Reference	Title	Summary	Application date of standard
AASB Interpretation 22	<i>Foreign Currency Transactions and Advance Consideration</i>	The Interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transaction for each payment or receipt of advance consideration.	1 January 2018
AASB 16	<i>Leases</i>	AASB 16 requires lessees to account for all leases under a single balance sheet model in a similar way to finance leases under AASB 117 <i>Leases</i> . The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting is substantially unchanged from today's accounting under AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.	1 January 2019
AASB 2017-7	<i>Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures</i>	This Standard amends AASB 128 <i>Investments in Associates and Joint Ventures</i> to clarify that an entity is required to account for long-term interests in an Associate or joint venture, which in substance form part of the net investment in the associate or joint venture but to which the equity method is not applied, using AASB 9 <i>Financial Instruments</i> before applying the loss allocation and impairment requirements in AASB 128.	1 January 2019
Not yet issued by the AASB	Annual Improvements to IFRS Standards 2015–2017 Cycle	The amendments clarify certain requirements in: ▶ IFRS 3 <i>Business Combinations</i> and IFRS 11 <i>Joint Arrangements</i> - previously held interest in a joint operation ▶ IAS 12 <i>Income Taxes</i> - income tax consequences of payments on financial instruments classified as equity ▶ IAS 23 <i>Borrowing Costs</i> - borrowing costs eligible for capitalisation.	1 January 2019

The Company has not elected to early adopt any new standards or amendments that are issued but not yet effective. New standards and amendments will be adopted when they become effective.

When adopted, the above standards are not expected to have a material impact to the financial statements. For AASB 9, it will have no impact on the Group's results accounting for financial assets as the current accounting for the available for sale assets is consistent with the treatment of the financial asset under AASB 9 as a Fair Value through Other Comprehensive Income financial asset. There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. For the AASB 15, the Group has made an initial assessment and does not expect to significantly impact the revenue recognition based on the existing revenue sources

### Financial Instruments

Andina's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of Andina. Andina uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, price and foreign exchange risks and ageing analysis for credit and liquidity risk.

Risk management is carried out by senior management under direction of the Andina Board. The Andina Board provides principles for overall risk management, as well as policies covering specific areas. The consolidated entity is not materially exposed to changes in interest rates in its activities.

The material financial instruments to which Andina has exposure include:

- (v) Cash and short-term deposits;
- (vi) Trade and Other Receivables;
- (vii) Accounts payable; and
- (viii) Financial liabilities.

The carrying values of these financial instruments approximate their fair values. The carrying values of Andina's financial instruments are as follows:

	<b>31-Dec-17</b>	<b>31-Dec-16</b>
<b>Financial Assets</b>		
Cash and Cash Equivalents	375,986	228,899
Trade and Other Receivables	2,016,711	1,899,683
<b>Total Financial Assets</b>	<b>2,392,697</b>	<b>2,128,582</b>
<b>Financial Liabilities</b>		
Trade and other payables	933,536	878,574
Financial liabilities	160,062	142,740
<b>Total Financial Liabilities</b>	<b>1,093,598</b>	<b>1,021,314</b>
<b>Net Exposure</b>	<b>1,299,099</b>	<b>1,107,268</b>

The table reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity as well as management's expectations of settlement period for all other financial instruments.

#### Credit risk exposures

Credit risk represents the loss that would be recognised if the counterparties default on their contractual obligations resulting in financial loss to the Group. The Group has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group measures credit risk on a fair value basis.

The Group does not have any significant credit risk to any single counterparty or any group of counterparties having similar characteristics. The credit risk on financial assets, of the Group which have been recognised in the Statement of Financial Position, is the carrying amount, net of any provision for doubtful debts.



The credit quality of financial assets that are neither past due nor impaired:

	31 Dec 2017	31 Dec 2016
	\$	\$
Trade receivables		
Group 1	348,844	31,298
Group 2	-	-
Group 3	-	-
Total trade receivables	<u>348,844</u>	<u>31,298</u>
Cash at bank and short-term deposits	<u>375,986</u>	<u>228,899</u>
	375,986	228,899

Group 1 – existing customers (less than 6 months)

Group 2 – existing customers (more than 6 months) with no defaults in the past

Group 3 – existing customers (more than 6 months) with some defaults in the past. All defaults were fully recovered.

Cash at bank and short term deposits are held in financial institutions.

The Group also has other receivables of \$869,019 at 31 December 2017 (31 December 2016: \$1,429,587) from various Government departments in Peru relating to VAT and other taxes. The remainder of the other receivables balance of \$990,235 (2016: \$470,096) relates to loans with employees, deposits made and payments made in advance to suppliers.

### Operating Segments

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the consolidated entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team in assessing performance and in determining the allocation of resources.

The group operates in two operating segments and two geographical segments being mineral exploration in Peru and mineral production in Peru with head office costs in Australia and this is the basis on which internal reports are provided to the directors for assessing performance and determining the allocation of resources in the Group.

<b>Twelve months to December 2017</b>	Exploration - Peru \$	Mineral Production - Peru \$	Treasury - Australia \$	Total \$
SEGMENT PERFORMANCE				
Revenue/ Other income	-	7,440,779	77	7,440,856
Total group revenue	<u>-</u>	<u>7,440,779</u>	<u>77</u>	<u>7,440,856</u>
Segment net profit/ (loss) from continuing operations before tax	<u>(200,761)</u>	<u>(838,918)</u>	<u>77</u>	<u>(1,039,602)</u>
Reconciliation of segment result to group net profit before tax				
Unallocated items:				
Receipt of shares				650,000

Administration expense	(436,353)
Impairment expense	150,000
Interest expense	<u>(203,368)</u>
Net profit before tax from continuing operations	<u>(879,323)</u>

<b>Twelve months to December 2016</b>	Exploration - Peru \$	Mineral Production - Peru \$	Treasury - Australia \$	Total \$
SEGMENT PERFORMANCE				
Revenue	-	13,143,771	11,598	13,155,369
Total group revenue	-	13,143,771	11,598	13,155,369
Segment net profit/ (loss) from continuing operations before tax	(58,220)	968,728	11,598	922,106
Reconciliation of segment result to group net profit before tax				
Unallocated items:				
Administration expense				(552,246)
Impairment expense				(11,247)
Foreign exchange gain/ (loss)				<u>-</u>
Net profit before tax from continuing operations				<u>358,613</u>

There are no legal or other restrictions on the flow of funds from one part of Andina's business to another. The effect of discontinued operations on current segment operations is trivial.

Refer to the "Review of Operations" section for industry and economic factors affecting Andina's performance and commentary on changes that have occurred and its impact on Andina's financial condition and performance.

## Business Risk

### *Credit Risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to Andina. Credit risk arises from cash and cash equivalents and trade and other receivables. Andina's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount net of any provisions for these assets as disclosed in the statement of financial position and notes to the financial statements.

Andina has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. It is Andina's policy that all parties who wish to trade on credit terms are subject to credit evaluations including an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are set for each individual party in accordance with parameters set by the Andina Board. These risk limits are regulatory monitored. Andina does not require collateral in respect of financial assets.

In addition, receivable balances are monitored on an ongoing basis with the result that Andina's exposure to bad debts is not significant. At the reporting date there were no significant concentrations of credit risk.

### *Liquidity Risk*

Ultimate responsibility for liquidity risk management rests with the Andina Board, which has built an appropriate liquidity risk management framework for the management of Andina's short, medium and long-term funding and liquidity management. Andina manages the liquidity risk by maintaining adequate cash reserves, and by continuously monitoring forecast and actual cash flows while matching the maturity profiles of financial assets and liabilities. There are no material financial assets or financial liabilities that were subjected to liquidity risk as at December 31, 2017 or December 31, 2016.

### *Interest Rate Risk*

Andina's current exposure to the risk of changes in market interest rates relate primarily to cash assets rates. Andina does not account for fixed rate financial assets and liabilities at fair value through profit or loss. Andina's main interest rate risk arises from cash and cash equivalents with variable interest rates.

All the consolidated entity's financial instruments that are exposed to interest rate risk are either non-interest bearing, bear interest at commercial interest rates or at fixed rates. The weighted average interest rate on cash and short-term deposits at December 31, 2017 was 1.38% (December 31, 2016: 2.76%). All receivables, other financial assets and payables are non-interest bearing.

### *Foreign Exchange Risk*

Andina operates internationally and is exposed to foreign exchange risk arising primarily from its subsidiaries, primarily with respect to the US dollar.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency.

The carrying amounts of Andina's foreign currency denominated assets and monetary liabilities at the end of the reporting year are as follows:

<b>Assets</b>		<b>Liabilities</b>	
<b>December 31, 2017</b>	<b>December 31, 2016</b>	<b>December 31, 2017</b>	<b>December 31, 2016</b>
<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
582,734	237,793	361,670	189,411

### *Price Risk*

The Group has an agreement with regards to the commodity price of gold and silver sales to its one customer being Metalor Technologies S.A. Terms of the agreement with Metalor is that a sale contract for each sale is set at the price based on the London Metals Exchange from the previous night. The Group does not enter into any hedging arrangements for commodity price risk.

### *Capital Risk Management*

Andina's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to maintain a suitable capital structure and fulfil the objectives of Andina. Management maintain budgets and forecasts to ensure that Andina maintains sufficient working capital to remain a going concern.

### *Off-Balance Sheet Arrangements*

Andina had no off-balance sheet arrangements for the relevant reporting periods.

## **MD&A for the Year Ended December 31, 2017**

### **Review of Operations**

Gold production numbers were down as compared to 2016 due to several factors. Primarily because the company was under capitalised and operating a plant that is aging significantly. The company has been constrained at the Tulin Plant and is waiting for the Vista Plant build and commission to complete.

A summary of the results for the 2017 year are as follows:

- processed 8,592 tonnes of gold ore
- produced 4,898 oz of gold,
- Revenue of \$7,440,779,
- Net Loss of \$953,024.

During the 2017 year, after the resignation of Andy Knowles and Mr Arturo Cavero stepping down as general manager, the new executive director Mr Matthew Carr and Peru management team led by new General Manager Mr Gonzalo Freyre conducted a thorough review of in-country operations to assess how the Group could operate more efficiently and return to profitability. This led to key changes in the gold processing operations in Peru as outlined below.

On the operational side of the business there were internal control deficiencies identified with deficiencies noted especially in regard to monitoring purchases of the Ore from the miners. This hampered key issues in the supply of Ore and also management of raw product to final product, which had negative impacts in many areas of the processing business in Peru.

As a result of the internal review, the Company implemented a robust technology system that brings the company up to date with the best procedures and practices in the industry and most importantly creates complete accountability from the General Manager in Peru right down the chain to the person buying the Ore.

Furthermore on the supply side of the business it was identified that a ongoing risk was all gold ore was purchased from just one area of Peru, being Chalhuanca. This area in Peru is not considered a large producer of gold ore. In addition, when the rain season started, the Company historically found the supply of Ore would significantly reduce because the miners in the Chalhuanca area were unable to work.

There are 27 known areas in Peru that supply a significant amounts of gold, many close to the Tulin (and Vista) plant. As a result of the operations review, Andina now has trucks and staff in 7 areas of these gold producing areas and as a result our mineral supply in early 2018 has significantly diversified and increased.

The Company has spent many months developing an IT system to monitor daily plant activities and operations, which it is now fully operational. As noted above the management team in Australia now have 24-hour access to the IT systems in Peru and can see the exact information at any moment. Right down to the profit per ton acquired.

Another important milestone during the year was replacing La Onza with a new carbon stripping provider in Lima, The new management team in Peru identified discrepancies in the gold stripping process at La Onza, which was impacting cost and margins. The change of service provider resulted in significant cost reductions on the Gold processing operation and zero discrepancies between gold in carbon and gold recovered. (For security purposes the Company is not identifying the new carbon stripping operator)

### *Vista Construction*

The new management team also completed a review of the construction of the Vista plant. The review identified that the stage of completion of the Vista plant was further behind than expected and the cost to complete was greater than originally advised by previous management.

Issues were identified in relation to sourcing grid power to the plant, requiring the re-routing of planned transmission lines, resulting in cost blow outs and delays, which are only now coming to the point of being resolved.

The additional costs required further significant capital injections, which was achieved by way of convertible note during the year.

*Summary of Annual Results*

	<b>As at or for the year ended December 31, 2017 (AU\$)</b>	<b>As at or for the year ended December 31, 2016 (AU\$)</b>	<b>As at or for the year ended December 31, 2015 (AU\$)</b>
Cash and cash equivalents	375,986	228,899	917,260
Trade and other receivables - Current	2,016,711	1,899,683	900,422
Inventories	596,767	336,430	393,716
Total current assets	2,989,464	2,465,012	2,211,398
Available for sale financial asset	2,600,000	-	-
Property, plant and equipment	3,130,337	2,131,982	1,328,673
Deferred exploration and evaluation expenditure	106,785	316,324	150,642
Deferred tax asset	-	74,211	75,963
Other assets	-	940,488	761,806
Total non-current assets	5,837,122	3,463,005	2,317,084
Total assets	8,826,586	5,928,017	4,528,482
Trade and other payables	933,536	878,574	698,698
Income tax payable	-	-	-
Provisions	42,447	54,081	54,491
Financial liabilities	160,062	87,552	77,631
Total current liabilities	1,136,045	1,020,207	830,820
Financial liabilities	-	55,188	122,284
Total non-current liabilities	-	55,188	122,284
Total liabilities	1,136,045	1,075,395	953,104
Net assets	7,690,541	4,852,622	3,575,378
Total revenue	8,090,856	13,155,369	11,848,921
Total expenses	(9,043,880)	(13,140,962)	(11,767,162)
Profit/ (Loss) from continuing operations attributable to members after income tax	(953,024)	14,407	81,759
Total comprehensive income/ (loss) for the period attributable to owners of the parent for the period	774,548	(72,036)	183,280
Basic and diluted earnings/ (loss) per Andina share	(0.30) / (0.30)	0.01 / 0.01	0.08 / 0.08
Distributions or dividends declared per share	-	-	-

**Results of Operations**

*Gold and Silver Processing*

During the year, Andina operated a gold tolling facility in Peru. For the year ended December 31, 2017 this generated revenue of sales of AU\$7,440,779 (2016: AU\$13,143,771) with associated cost of sales of AU\$7,018,024 (2016: AU\$11,239,556), generating a gross profit of AU\$422,755 (2016 AU\$1,904,215).

### *Cash Flow and Liquidity*

During the 2017 Financial Year, net cash outflows from operating activities increased to AU\$1,707,414 (2016: AU\$664,468). In 2017 Andina was constrained by low cash balances to aggressively pursue its gold and silver processing in Peru. This led to less cash inflows and lower operating margins that lead to a greater cash outflow in 2017 as compared with 2016.

For the year ended December 31, 2017, net cash outflows from investing activities amounted to AU\$113,439 (2016: AU\$1,373,173). The reduction in cash outflows was due to Andina's constrained cash balances to dedicate to the building of the Vista Gold plant in 2017. The net cash outflows were largely attributable to the building payments made to continue building of the Vista Plant and associated plant and equipment.

For the year ended December 31, 2017, net cash inflows from financing activities amounted to AU\$1,967,940 (2016: AU\$1,349,280). The increase in net cash inflows was largely attributable to the receipt of AU\$1,750,000 in convertible loans that were entered into in the 2017 financial year.

The following table summarizes Andina's contractual obligations as at December 31, 2017 and the effect such obligations are expected to have on its liquidity and cash flows in future periods:

Contractual obligations 2017	Payments Due by Period				
	Less than 1 year (AU\$)	1-3 years (AU\$)	4-5 years (AU\$)	After 5 years (AU\$)	Total (AU\$)
Trade and other payables	933,536	-	-	-	933,536
Employee benefit payables	42,447	-	-	-	42,447
Financial liabilities	160,062	-	-	-	160,062
<b>TOTAL</b>	<b>1,136,045</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,136,045</b>

Contractual obligations 2016	Payments Due by Period				
	Less than 1 year (AU\$)	1-3 years (AU\$)	4-5 years (AU\$)	After 5 years (AU\$)	Total (AU\$)
Trade and other payables	878,574	-	-	-	878,574
Employee benefit payables	54,081	-	-	-	54,081
Financial liabilities	87,552	55,188	-	-	142,740
<b>TOTAL</b>	<b>1,020,207</b>	<b>55,188</b>	<b>-</b>	<b>-</b>	<b>1,075,395</b>

### *Capital Requirements and Sources of Liquidity*

As of December 31, 2017, Andina had working capital of AU\$1,853,419, consisting of current assets of AU\$2,989,464 and current liabilities of AU\$1,136,045. Andina's current assets consisted primarily of trade and other receivables of AU\$2,016,711 and inventory of US\$596,767. Consistent with the business plans, Andina has made capital expenditure towards the construction of its wholly owned Vista plant. Andina incurred a net loss for the year ended December 31, 2017 of AU\$953,024.

Andina anticipates the working capital of the Vista Plant to gradually increase over the course of the coming year. Working capital of the Vista Plant is also anticipated to increase with increasing stockpiles of mineralised material to be held to mitigate potential risk due to the cyclical nature of the small scale mining suppliers.

Capital requirements for development and exploration objectives will depend in part on the success of those exploration programmes and studies to assess potential for economic viability of projects for production and

development. With exploration success Andina may require additional financing for future resource definition, mineral estimation, feasibility study and mine development work.

To complete exploration, identify economically recoverable reserves and develop the projects into profitable projects, or the receipt of adequate proceeds from the sale of such projects.

#### *Financing*

For a description of the financing activities undertaken by Andina for the year ended December 31, 2017, see below:

During July 2017 Andina received AU\$1,750,000 in funds from a convertible loan that had been entered into.

On 5 December 2017 Andina issued 10,000,000 shares at \$0.011 to raise \$110,000 before costs.

As at the date of this report, Andina is not aware of any legal or practical restrictions on the ability of subsidiaries to transfer funds to Andina that would affect Andina's ability of Andina to meet its obligations.

As at the date of this report, Andina notes that there have been no defaults or arrears or significant risk of defaults or arrears on distributions or dividend payments, lease payments, interest or principal payment on debt. Andina notes there are no debt covenants, redemption or retraction or sinking fund payments.

#### *Share Capital*

As at December 31, 2017, Andina had: 325,993,496 Andina Shares; issued and outstanding.

#### **Transactions Between Related Parties**

##### *Related Party Remuneration*

##### Service Agreements

Remuneration and other terms of employment for the Andina executive directors are formalised in a service agreement. For Andina non-executive directors these terms are set out in a letter of appointment. The major provisions of the agreements relating to remuneration per year are set out below.

<b>Name</b>	<b>Base Salary</b>	<b>Consulting fees</b>	<b>Term of Agreement</b>	<b>Notice Period</b>
<b>Matthew Carr</b>	-	AU\$120,000 <sup>1</sup>	No fixed term	N/A
<b>Tim Neesham</b>	-	AU\$36,000	No fixed term	N/A
<b>Arturo Caverio</b>	-	AU\$133,007 <sup>2</sup>	No fixed term	N/A
<b>Andrew Knowles</b>		AU\$108,000 <sup>3</sup>	No fixed term	N/A

1. Matthew Carr became Executive Director on 22 May 2017.
2. Andrew Knowles resigned on 20 June 2017.
3. Mr Arturo Cavero is paid his consulting fee in Tulin Gold SAC a subsidiary of Andina Resources Limited.

The following table outlines remuneration paid to related parties during the periods indicated:

**Compensation 12 months to December 31, 2017**

	Short Term Benefits <sup>2</sup> AUS	Super- annuation AUS	Share based payments  AUS	Total AUS	Percentage of remuneration that is equity based
<b>Compensation of Andina Directors based on fees approved by the Andina Board</b>					
Matthew Carr	209,100 <sup>1</sup>	-	-	209,100	0%
Tim Neesham	21,000	-	-	21,000	0%
Arturo Cavero	133,007	-	-	133,007	0%
Andrew Knowles	45,000	-	-	45,000	0%
<b>TOTAL COMPENSATION – FOR KEY MANAGEMENT PERSONNEL</b>	<b>408,107</b>	<b>-</b>	<b>-</b>	<b>408,107</b>	<b>-</b>

**Compensation 12 months to December 31, 2016**

	Short Term Benefits <sup>2</sup> AUS	Super- annuation AUS	Share based payments  AUS	Total AUS	Percentage of remuneration that is equity based
<b>Compensation of Andina Directors based on fees approved by the Andina Board</b>					
Matthew Carr	36,000	-	-	36,000	0%
Arturo Cavero	252,969	-	-	252,969	0%
Andrew Knowles	123,409	-	-	123,409	0%
<b>TOTAL COMPENSATION – FOR KEY MANAGEMENT PERSONNEL</b>	<b>412,378</b>	<b>-</b>	<b>-</b>	<b>412,378</b>	<b>-</b>

Notes:

- 1- \$101,100 of the total of \$206,100 relates to capital raising fees owed to ML Carr for securing funds under convertible notes during the period on market terms.



### *Equity Instruments Issued to Related Parties*

There were no share based payments issued during the 2017 and 2016 financial year.

### *Other Transactions with Related Parties*

The ultimate parent entity of the group is Andina. Balances and transactions between Andina and its subsidiaries, which are related parties of Andina, have been eliminated on consolidation. Details of transactions between Andina and other related parties, if any, are disclosed below.

Transactions and balances between Andina and its subsidiaries were eliminated in the preparation of consolidated financial statements of Andina.

During the 2017 financial year no other transactions with Key Management Personnel were noted.

### *Contingent Liabilities*

Andina had no contingent liabilities as at December 31, 2017.

### *Commitments*

Andina had the following capital commitments as at December 31, 2017.

- Operating Lease commitments:
    - Non-cancellable operating lease contracted for but not recognized in the financial statements
- Payable – minimum lease payments:

	<b>31 Dec 2017</b>	<b>31 Dec 2016</b>
	<b>\$</b>	<b>\$</b>
Not later than 12 months	544,615	480,467
Between 12 months and 5 years	-	120,117
Later than 5 years	-	-
	<u>544,615</u>	<u>600,584</u>

The operating assets of Tulin Gold S.A.C operate under a non-cancellable lease with a 1 year term, with rent of US\$35,400 (31 December 2016: US\$30,000) payable monthly in advance. The current lease expires on 31 December 2018.

- Exploration commitments:
  - There are no minimum exploration commitments for the tenements held by the Group.
- Capital commitments:
  - There are no minimum capital commitments in the Group

## MD&A for the Year Ended December 31, 2016

### Review of Operations

Our profitability of the Company has been impacted by the significant amount of work that has been done by Lawyers, Accountants and Consulting professionals, in the ongoing assessment and acquisition of the Torrecillas Gold Mine, and other supporting assets.

During the 12 months to December 2016, the Company processed 13,500 tonnes of ore (against a budgeted 13,000 tonnes) to produce 7,629 ounces of gold. Gold production cycles have been reasonably static, which achieved net recoveries at an average of approximately 90%. The average recovery grade for gold has dropped slightly to 17.53 grams per tonne (gpt) YTD, against a budgeted figure of 18.28 gpt. This reflects the fact that there were many increased pressures on mineral supply for most of the year.

Additional factors that impacted margins include increased competition for ore (as some producers are still chasing cross border processing in Bolivia and Chile) which added to local supply problems. The early onset of rains, mudslides and flooding also had significant impact on total mineral supply. On a positive side, the gold price has remained reasonably stable and our grades have been maintained at just under 18 grams per tonne of ore. The staff and plant lease costs have been well contained, but variable costs of production were up by nearly 20% across the board. As has been mentioned on several occasions the fact that the old plant is getting more and more expensive to run, and this has indeed proven to be the case.

After an exhaustive selection process, the Company has appointed Mr. Gonzalo Freyre as General Manager in Peru. We have also appointed Mr. Bruno Muncher as Commercial Operations Manager.

### Summary of Annual Results

	As at or for the year ended December 31, 2016 (AU\$)	As at or for the year ended December 31, 2015 (AU\$)	As at or for the year ended December 31, 2014 (AU\$)
Cash and cash equivalents	228,899	917,260	979,657
Trade and other receivables – Current	1,899,683	900,422	514,596
Inventories	336,430	393,716	264,191
Total current assets	2,465,012	2,211,398	1,758,444
Property, plant and equipment	2,131,982	1,328,673	632,457
Deferred exploration and evaluation expenditure	316,324	150,642	104,296
Deferred tax asset	74,211	75,963	33,211
Other assets	940,488	761,806	282,715
Total non-current assets	3,463,005	2,317,084	1,052,679
Total assets	5,928,017	4,528,482	2,811,123
Trade and other payables	878,574	698,698	381,532
Income tax payable	-	-	182,008
Provisions	54,081	54,491	50,184
Financial liabilities	87,552	77,631	-
Total current liabilities	1,020,207	830,820	613,724
Financial liabilities	55,188	122,284	-
Total non-current liabilities	55,188	122,284	-
Total liabilities	1,075,395	953,104	613,724
Net assets	4,852,622	3,575,378	2,197,399
Total revenue	13,155,369	11,848,921	4,400,378
Total expenses	(13,140,962)	(11,767,162)	(4,322,045)

Profit/ (Loss) from continuing operations attributable to members after income tax	14,407	81,759	78,333
Total comprehensive income/ (loss) for the period attributable to owners of the parent for the period	(72,036)	183,280	255,458
Basic and diluted earnings/ (loss) per Andina share	0.01 / 0.01	0.08 / 0.08	0.11 / 0.11
Distributions or dividends declared per share	-	-	-

### Results of Operations

The operating profit after income tax of the Group for the twelve months ended 31 December 2017 was \$14,407 (31 December 2016: \$81,759).

Revenue of \$13,143,771 in financial year 2016 (2015: \$11,844,007) was generated from gold and silver processing undertaken in Peru at the Tulin Plant.

The consolidated profit for the year ended December 31, 2016 includes an impairment of expense of \$11,247 (2015: \$228,967).

From a balance sheet perspective current assets increased in 2017 from \$2,211,398 to \$2,465,012.

#### *Gold and Silver Processing*

During the year, Andina operated a gold tolling facility in Peru. For the year ended December 31, 2016 this generated revenue of sales of AU\$13,143,771 (2015: AU\$11,844,007) with associated cost of sales of AU\$11,239,556 (2015: AU\$9,487,622), generating a gross profit of AU\$1,904,215 (2016 AU\$2,356,385).

#### *Cash Flow and Liquidity*

During the 2016 Financial Year, net cash outflows from operating activities increased to AU\$664,468 (2015: net cash inflow AU\$55,783). The main drivers of this were escalating costs on the aging Tulin Gold plant which required additional maintenance work on and the work done on assessing the Torecillas assets and business of Minera Gold Limited.

For the year ended December 31, 2016, net cash outflows from investing activities amounted to AU\$1,373,173 (2015: AU\$1,369,952). The net cash outflows were largely attributable to the payments made to continue building of the Vista Plant and associated plant and equipment.

For the year ended December 31, 2016, net cash inflows from financing activities amounted to AU\$1,349,280 (2015: AU\$1,25,772). The cash inflows related to capital raises undertaken in the 2016 and 2015 financial years.

There are no legal or practical restrictions on the ability of subsidiaries to transfer funds to Andina.

The following table summarizes Andina's contractual obligations as at December 31, 2016 and the effect such obligations are expected to have on its liquidity and cash flows in future periods:

Contractual obligations 2016	Payments Due by Period				Total (AU\$)
	Less than 1 year (AU\$)	1-3 years (AU\$)	4-5 years (AU\$)	After 5 years (AU\$)	
Trade and other payables	878,574	-	-	-	878,574
Employee benefit payables	54,081	-	-	-	54,081

Financial liabilities	87,552	55,188	-	-	142,740
TOTAL	1,020,207	55,188	-	-	1,075,395

Contractual obligations 2015	Payments Due by Period				
	Less than 1 year (AU\$)	1-3 years (AU\$)	4-5 years (AU\$)	After 5 years (AU\$)	Total (AU\$)
Trade and other payables	698,698	-	-	-	698,698
Employee benefit payables	54,491	-	-	-	54,491
Financial liabilities	77,631	122,284	-	-	199,915
TOTAL	830,820	122,284	-	-	953,104

#### *Capital Requirements and Sources of Liquidity*

As of December 31, 2016, Andina had working capital of AU\$1,444,805, consisting of current assets of AU\$2,465,012 and current liabilities of AU\$1,020,207. Andina's current assets consisted primarily of trade and other receivables of AU\$1,899,683 and inventory of US\$336,430. Consistent with the business plans, Andina has made capital expenditure towards the construction of its wholly owned Vista plant. Andina incurred a net profit for the year ended December 31, 2016 of AU\$14,407.

#### *Financing*

For a description of the financing activities undertaken by Andina for the year ended December 31, 2016, see below:

During October- December 2016 Andina issued a total of 124,041,364 shares at \$0.011 to raise AU\$1,364,455 before costs.

Andina is not aware of any legal or practical restrictions on the ability of subsidiaries to transfer funds to Andina that would affect Andina's ability of Andina to meet its obligations.

Andina notes that there have been no defaults or arrears or significant risk of defaults or arrears on distributions or dividend payments, lease payments, interest or principal payment on debt. Andina notes there are no debt covenants, redemption or retraction or sinking fund payments.

#### *Share Capital*

As at December 31, 2016, Andina had: 315,993,496 Andina Shares; issued and outstanding.

#### **Transactions Between Related Parties**

##### *Related Party Remuneration*

##### Service Agreements

Remuneration and other terms of employment for the Andina executive directors are formalised in a service agreement. For Andina non-executive directors these terms are set out in a letter of appointment. The major provisions of the agreements relating to remuneration per year are set out below.

<b>Name</b>	<b>Base Salary</b>	<b>Consulting fees</b>	<b>Term of Agreement</b>	<b>Notice Period</b>
<b>Matthew Carr</b>	-	AU\$36,000	No fixed term	N/A
<b>Andrew Knowles</b>	-	AU\$108,000	No fixed term	N/A
<b>Arturo Cavero</b>	-	AU\$252,969 <sup>1</sup>	No fixed term	N/A

1. Mr Arturo Cavero is paid his consulting fee in Tulin Gold SAC a subsidiary of Andina Resources Limited.

The following table outlines remuneration paid to related parties during the periods indicated:

**Compensation 12 months to December 31, 2016**

	<b>Short Term Benefits<sup>2</sup> AUS</b>	<b>Super- annuation AUS</b>	<b>Share based payments AUS</b>	<b>Total AUS</b>	<b>Percentage of remuneration that is equity based</b>
<b>Compensation of Andina Directors based on fees approved by the Andina Board</b>					
Matthew Carr	36,000	-	-	36,000	0%
Arturo Cavero	252,969	-	-	252,969	0%
Andrew Knowles	123,409	-	-	123,409	0%
<b>TOTAL COMPENSATION – FOR KEY MANAGEMENT PERSONNEL</b>	<b>412,378</b>	<b>-</b>	<b>-</b>	<b>412,378</b>	<b>-</b>

**Compensation 12 months to December 31, 2015**

	<b>Short Term Benefits<sup>2</sup> AUS</b>	<b>Super- annuation AUS</b>	<b>Share based payments  AUS</b>	<b>Total AUS</b>	<b>Percentage of remuneration that is equity based</b>
<b>Compensation of Andina Directors based on fees approved by the Andina Board</b>					
Matthew Carr	36,000	-	-	36,000	0%
Arturo Caverio	246,244	-	-	246,244	0%
Andrew Knowles	198,098	-	-	198,098	0%
<b>TOTAL COMPENSATION – FOR KEY MANAGEMENT PERSONNEL</b>	<b>480,342</b>	<b>-</b>	<b>-</b>	<b>480,342</b>	<b>-</b>

*Equity Instruments Issued to Related Parties*

There were no share based payments issued during the 2016 and 2015 financial year.

*Other Transactions with Related Parties*

The ultimate parent entity of the group is Andina. Balances and transactions between Andina and its subsidiaries, which are related parties of Andina, have been eliminated on consolidation. Details of transactions between Andina and other related parties, if any, are disclosed below.

Transactions and balances between Andina and its subsidiaries were eliminated in the preparation of consolidated financial statements of Andina.

The following were other transactions with Key Management Personnel noted in the 2016 financial year: 36,363,636 shares were issued to director Matthew Carr and related entities upon conversion of \$400,000 of convertible notes that were issued and converted during 2016 at 1.1 cents per share.

The following were other transactions with Key Management Personnel noted in the 2016 financial year: On 9 October 2015, \$10,000 was paid to Quentine Investments Pty Ltd (a Company related to Mr A Knowles) for consideration to purchase 100% of the share capital in Porphyry Assets Pty Ltd. Porphyry Assets Pty Ltd owns 100% of the issued capital of Porphyry Assets S.A.C. The Consolidated group has a net liability position of \$202 at the time Andina Resources acquired the group. As such this lead to \$10,202 being recognized as an expense of purchase consideration over net liabilities assumed.

*Contingent Liabilities*

Andina had no contingent liabilities as at December 31, 2016.

*Commitments*

Andina had the following capital commitments as at December 31, 2016.

- a) Operating Lease commitments  
Non-cancellable operating lease contracted for but not recognized in the financial statements

Payable – minimum lease payments:

	<b>31 Dec 2016</b>	<b>31 Dec 2015</b>
	<b>\$</b>	<b>\$</b>
Not later than 12 months	480,467	493,150
Between 12 months and 5 years	120,117	164,383
Later than 5 years	-	-
	<u>600,584</u>	<u>657,533</u>

The operating assets of Tulin Gold S.A.C operate under a non-cancellable lease with a 1 year term, with rent of US\$30,000 (31 December 2015: US\$23,000) payable monthly in advance. The current lease expires on 14 March 2018.

b) Exploration commitments

There are no minimum exploration commitments for the tenements held by the Group.

c) Capital commitments

There are no minimum capital commitments in the Group.

**EXHIBIT 1 TO APPENDIX “A”  
CORPORATE GOVERNANCE CHARTER**



# TITAN MINERALS LIMITED

ACN 117 790 897

## AUDIT COMMITTEE CHARTER

This charter governs the operation of the Audit Committee (**Committee**).

### Role

The role of the Committee is to provide assistance to the Board in fulfilling their oversight responsibility relating to:

- The integrity of the financial statements.
- The effectiveness of internal control over financial reporting.
- The independent auditor.
- Any other functions as assigned by the Board.

### Composition

The Audit Committee shall comprise the full Board of Directors until such time as the activities and/or size of the Company warrant the creation of a separate Audit Committee comprising only some of the Directors.

The Committee's members between them will have the accounting and financial expertise sufficient to discharge the Committee's mandate effectively.

### Operation

The Committee meets at least twice annually, to discuss the financial statements with management and the independent auditor prior to the finalisation of the annual and half yearly reports, with further meetings on an as required basis.

At the discretion of the Chair, having regard to the nature of the agenda, relevant members of management may be invited to attend meetings or parts of meetings.

The Committee shall keep minutes of its meetings and shall report to the Board with respect to its activities.

### Duties and Responsibilities

The following shall be the principal duties and responsibilities of the Committee:

- In relation to the independent auditor the Committee is directly responsible for the appointment, compensation, rotation of the lead audit partner, retention of the audit firm and oversight of the work of the independent auditor. This shall include all audit and non audit services provided by the independent auditor. The independent auditor shall report directly to the Committee.
- Regular review with the independent auditor any audit problems or difficulties encountered during the audit including any restrictions on the scope of the independent auditors' activities or access to information.
- Meet to discuss the financial statements with management and the independent auditor prior to the finalisation of the annual and half yearly reports.

### **Duties and Responsibilities (Continued)**

- Review of the financial statements shall include:
  - Reviewing and considering issues regarding accounting policies and the substance and presentation of the financial statements.
  - Discussing with management and the independent auditor significant financial reporting issues and judgments made in the preparation of the financial statements and the reasonableness of those judgments.
  - Scrutinising the judgment of both management and the independent auditor about the quality of the accounting policies including any significant changes in their selection or application.
  - Assessing whether external reporting is consistent with the Committee's information and knowledge.
  - Ensuring the clarity of the disclosures in the annual and half yearly reports.
- Review management's report on its assessment of the effectiveness of internal control over financial reporting at the end of each reporting year.
- Make recommendations for improvements (if any) in relation to the internal management and the financial controls of the Company.
- Review all related party transactions and discuss with management the business rationale for the transactions.

### **Authority of the Committee**

The Committee has the authority to:

- Obtain independent professional or other advice in the fulfilment of its duties at the Company's cost; and
- Obtain such resources and information from the Company in the fulfilment of its duties as it may reasonably require.

### **Review of Committee Performance**

The Committee will annually revisit its objectives and duties and evaluate the effectiveness of its performance

The approval of the Board is required for any amendment to the Committee charter.

# TITAN MINERALS LIMITED

ACN 117 790 897

## BOARD CHARTER

### Role of the Board

The Board guides and monitors the business and management of the Company on behalf of shareholders by whom the Board members are elected and to whom they are accountable.

In order to fulfil this role, the Board is responsible for the overall corporate governance of the Company including formulating its strategic direction, setting remuneration and monitoring the performance of Directors and executives. The Board relies on senior executives to assist it in approving and monitoring expenditure, ensuring the integrity of internal controls and management information systems and monitoring financial and other reporting.

### Responsibility of the Board

The Board is collectively responsible for the success of the Company and its responsibility includes (but is not limited to) the following:

- supervising the Company's framework of control and accountability systems to enable risk to be assessed and managed;
- ensuring the Company is properly managed by:
  - (i) appointing and, where appropriate, removing Executive Directors;
  - (ii) appointing and, where appropriate, removing key executives, including the Chief Financial Officer and Company Secretary;
  - (iii) providing input on and giving final approval of the corporate strategy and performance objectives developed by management;
  - (iv) reviewing and ratifying systems of risk management, internal compliance and controls, codes of conduct and legal compliance;
  - (v) monitoring the performance of senior executives and their implementation of strategy; and
  - (vi) ensuring appropriate resources are available for management;
- approving and monitoring the progress of major expenditure programmes, capital management, and acquisitions and divestitures;
- approving of the annual budget;
- monitoring the financial performance of the Company;
- approving and monitoring statutory reporting, including the annual and half-year financial reports;
- reviewing policies and procedures employed in relation to health, safety and the environment and assessing their adequacy;
- monitoring continuous disclosure policy and procedures;
- approving any market release (to the extent practicable in the circumstances) and any public statement or release which contains or relates to financial or forecast information, or which is significant as regards the Company's policies or strategy;
- convening and attending general meetings of the Company's shareholders;

- assessing and approving the Company's response to proposed transactions which would affect shareholders' positions and rights as shareholders, and where relevant to make recommendations thereon to shareholders;
- Controlling the overall corporate governance of the Company, including:
  - (i) developing and implementing appropriate policies and procedures;
  - (ii) conducting regular reviews of the balance of responsibilities within the Company to ensure division of functions remain appropriate to the needs of the Company; and
- liaising with the Company's auditors.

The Board must convene regular meetings with such frequency as is sufficient to appropriately discharge its responsibilities.

At the discretion of the Chair, having regard to the nature of the agenda, relevant members of management may be invited to attend meetings or parts of meetings.

The Board may, from time to time, delegate certain of the responsibilities listed above to its senior executive team.

### **Composition of the Board and Board Skills Matrix**

The Board of Directors is comprised of at least three Directors.

Skills sets represented at Board level typically include managerial, technical, financial, corporate and commercial. The Board should comprise members that have a broad range of qualifications, experience and expertise in the exploration and mining, or compatible, industry.

#### *Skills Matrix – Board and Senior Management*

The Company's Board periodically reviews the composition of the Board and the management team to satisfy itself that the pool of skills provided by its current composition is appropriate.

With the Company's activities currently in the form of mineral exploration and feasibility studies, the Board considers that the key desired skillsets are geological and scientific technical expertise and sound corporate management.

The Board is of the opinion that the current skills, qualifications and experience of its members and of its senior management team members, are appropriate and sufficient for those individuals to discharge their responsibilities.

### **Pre-Appointment Procedures**

Prior to the appointment of a new member to the Board (or senior executive), the Company will undertake appropriate checks, which may include, but not be limited to:

- Character;
- Experience;
- Education;
- Criminal record; and
- Bankruptcy history.

Meeting documentation, for meetings at which Shareholder approval of the initial appointment or re-election of a director is to be sought, will contain sufficient information as to the above factors, to enable Shareholders to make an informed decision as to the suitability of the candidate.

### **Director Appointment – Written Agreements**

All appointments to the Board or to a senior executive position are subject to written agreements setting out the terms of the respective appointment.

Executive Directors are appointed pursuant to formal executive services agreements which contain the information recommended as per the *3<sup>rd</sup> Edition of the Corporate Governance Council Principles and Recommendations*. A summary of the material terms of executive service agreements are disclosed in the Company's annual Remuneration Report.

Non-executive Directors are appointed pursuant to letter agreements which contain the information recommended as per the *3<sup>rd</sup> Edition of the Corporate Governance Council Principles and Recommendations*.

### **Director Appointment – Induction Procedures and Professional Development**

Upon appointment to the Board new directors will be subject to relevant induction procedures to provide the incoming individual with sufficient knowledge of the entity and its operating environment to enable them to fulfil their role effectively.

Skill gaps identified in new, or existing, director's knowledge bases are addressed by implementing appropriate training and development procedures.

### **Director Independence**

Directors are expected to bring independent view and judgement to the Board's deliberations. The Board considers the criteria set out in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations when assessing the independence of Directors.

The Board assesses the independence of new Directors prior to appointment and reviews the independence of all Directors as appropriate.

### **Chairman**

The Chairman is responsible for leadership of the Board, for the efficient organisation and conduct of the Board's function and for briefing of all Directors in relation to issues arising at Board meetings.

The Chairman is also responsible for shareholder communication, for formulating a strategy for effective investor communication together with the Chief Executive Officer and for arranging an evaluation of the performance of the Board on an annual basis.

### **Non-Executive Directors**

The Non-Executive Directors (independent or not) are responsible for the reviewing and challenging of Executive performance. They are also required to contribute to the development of the Company's strategy. In addition, from time to time, the Chairman may ask a particular Non-Executive Director to provide expert assistance to the Company or to the Board.

### **Executive Directors**

The Executive Directors and Chief Executive Officer are responsible for managing the affairs of the Company under delegated authority from the Board and to implement the policies and strategy agreed and set by the Board. In carrying out their responsibilities the Executive Directors and Chief Executive Officer must report to the Board in a timely manner and ensure all reports to the Board present a true and fair view of the Company's financial condition and results of operations.

**Company Secretary**

The Company Secretary is directly accountable to the Board on all matters to do with the proper functioning of the Board, including:

- Advising on governance matters;
- Monitoring that policies and procedures are followed; Co-ordinating the despatch of board and committee papers and ensuring that meeting business is accurately documented; and
- Assisting in the induction and professional development of directors.

**Chief Executive Officer and Chief Financial Officer Declarations**

Before the Board approves the Company's financial statements for a reporting period (including annual financial statements, interim half-yearly statements and quarterly cash flow reports), the CEO and CFO are required to provide a declaration that, in their opinion:

- That the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company; and
- That the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

**Role and Responsibility of Management**

The role of management is to support the Executive Directors and implement the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

# TITAN MINERALS LIMITED

ACN 117 790 897

## Code of conduct for Directors, Senior Executives and Employees

### Purpose

The Board has adopted a Code of Conduct for Directors, senior executives and employees to promote ethical and responsible decision making and execution of their roles and responsibilities. The code is based on a code of conduct prepared by the Australian Institute of Company Directors (AICD) and the ASX Corporate Governance Council's *Principles of Good Corporate Governance*.

### Code of Conduct

In accordance with legal requirements and agreed ethical standards, Directors, senior executives and employees of the Company:

- will act honestly, in good faith and in the best interests of the whole Company;\*
- to varying degrees, owe fiduciary duties to the Company;
- have a duty to use due care and diligence in fulfilling the functions of office and exercising the powers attached to that office;\*
- will undertake diligent analysis of all proposals placed before them;
- will act with a level of skill expected from Directors, senior executives and employees of a publicly listed company;
- will use the powers of office for proper purposes, and in the best interests of the Company as a whole;\*
- will demonstrate commercial reasonableness in decision making;
- will not make improper use of information acquired through their roles;\*
- will not disclose non-public information except where disclosure is authorised or legally mandated;†
- will keep confidential information received in the course of the exercise of their duties and such information remains the property of the Company and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised by the person from whom the information is provided, or if disclosure is required by law;\*
- will not take improper advantage of their position or use their position for personal gain or to compete with the Company;†
- will not take advantage of Company property or use such property for personal gain or to compete with the Company; †
- will protect and ensure the efficient use of the Company's assets for legitimate business purposes; †
- will not allow personal interests, or the interests of any associated person, to conflict with the interests of the Company;\*
- have an obligation to be independent in judgment and actions, and Directors will take all reasonable steps to be satisfied as to the soundness of all decisions of the Board;\*
- will make reasonable enquiries to ensure that the Company is operating efficiently, effectively and legally towards achieving its goals;
- will not engage in conduct likely to bring discredit upon the Company;\*

- will encourage fair dealing by all employees with the Company's suppliers, competitors and other employees;<sup>†</sup>
- will encourage the reporting of unlawful/unethical behaviour and actively promote ethical behaviour and protection for those who report violations in good faith;<sup>†</sup>
- will give their specific expertise generously to the Company; and
- have an obligation, at all times, to comply with the spirit, as well as the letter of the law and with the principles of this Code;<sup>\*</sup>

(\* From the *AICD Code of Conduct*)

(† From the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*)



# TITAN MINERALS LIMITED

ACN 117 790 897

## Continuous Disclosure Policy

### Company Disclosures

In accordance with the *ASX Listing Rules*, the Company will immediately notify the ASX of information:

- concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
- that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

The only exception to this is where the *ASX Listing Rules* do not require such information to be disclosed.

Upon confirmation of receipt from the ASX, the Company will post all information disclosed in accordance with this policy on the Company's website in an area accessible to the public.

### Internal notification and decision-making concerning the disclosure obligation

The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. The Chief Executive Officer and Company Secretary will be responsible for ensuring that Company announcements are made in a timely manner, and will establish a vetting procedure to ensure that the announcements are factual and do not omit any material information. The Chief Executive Officer and Company Secretary will also ensure that Company announcements are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

### Measures for seeking to avoid the emergence of a false market in the Company's securities

The Company recognises that a false market in the Company's securities may result if the Company provides incomplete information to the ASX or if the Company fails to respond to market and media speculation that may, or may be likely to, have an impact on the price of the Company's securities.

While the Company does not, in general, respond to market speculation or rumours unless required to do so by law or the ASX, the Company is committed to disclosing as much information as possible, without harming the Company, to a wide audience of investors through media releases detailing important information and milestones, including information that may not strictly be required under continuous disclosure requirements. Information given to the ASX for market release may also be provided to investors through media releases. Such media releases will be posted on the Company's website.

Where appropriate, the Company will request a trading halt from the ASX to prevent trading in the Company's securities by an inefficient and uninformed market until the Company can make an announcement to the market.

### Media contact and comment

The Board has designated the Chairman and/or the Chief Executive Officer to speak to the press on matters associated with the Company. In speaking to the press, the Chairman or the Chief Executive Officer will not comment on price sensitive information that has not already been disclosed to ASX. However, they may clarify previously released information.

There will be times when Directors and employees will be approached by the media for public comment. On such occasions, the Director(s) or employee(s) should comply with the following:

- refer the person to the Chairman or the Chief Executive Officer as appropriate for comment;
- refrain from disclosing any information, documents or other forms of data to the person without the prior consent of the Chairman or the Chief Executive Officer; and
- report the person who contacted the Director/employee, the reason (explicit or inferred) for the contact and a summary of any other relevant information as soon as possible to the Chairman or the Chief Executive Officer.

#### **External communications including analyst briefings and responses to shareholder questions**

The Company discloses its financial and operational results to the market each half year/quarter as well as informing the market of other events throughout the year as they occur. Quarterly financial reports, media releases and AGM speeches will be lodged with the ASX and subsequently posted to the Company's website. As all financial information is disclosed through the ASX, the Company will only comment on factual errors in information and underlying assumptions when commenting on market analysts' financial projections, rather than commenting on the projections themselves.

In addition to the above disclosures, the Company does conduct briefings and discussions with the investing community. However, price sensitive information must not be discussed unless that particular information has been previously disclosed to the market via an ASX announcement.

Similarly, when answering shareholder questions, price sensitive information will not be discussed unless that particular information has been previously disclosed to the market via an ASX announcement.

Where a question can only be answered by disclosing price sensitive information, the Company will decline to answer it or take it on notice and announce the information to ASX prior to responding.

If any new price sensitive information is to be used in briefing media, institutional investors and analysts or in answering shareholder queries, written materials containing such information will be lodged with the ASX prior to the briefing commencing. These briefing materials may also include information that may not strictly be required under continuous disclosure requirements. The briefing material will be posted to the Company's website as soon as the ASX confirms that this information has been received.

# TITAN MINERALS LIMITED

ACN 117 790 897

## DIRECTORS' DISCLOSURE OBLIGATIONS

### Introduction

These Director Disclosure Obligations enable the Company to comply with *ASX Listing Rules* and best practices. This policy is separate from and additional to the legal requirements imposed by the common law, the *Corporations Act* and the *ASX Listing Rules*.

Relevantly, this policy does not address the disclosure of, and restrictions on deliberations and voting on matters that relate to, material personal interests held by Directors pursuant to the *Corporations Act*. The Company's Directors are required to comply with their director's duties however they arise, whether under the *Corporations Act*, at common law or in equity.

### Initial Disclosure

The Director will provide the following information as at the date they become a Director:

- details of all Minera Gold Limited ("Company") securities registered in the Director's name. These details include the number and class of the securities;
- details of all Company securities not registered in the Director's name but in which the Director has a "relevant interest" within the meaning of section 9 of the *Corporations Act*. In summary "relevant interest" is a term of broad import which widely draws in all direct and indirect holdings of the Director and his / her associates. These details include the number and class of the Company securities, the name of the registered holder and the circumstances giving rise to the relevant interest;
- details of all contracts (other than contracts to which the Company is a party) to which the Director is a party or under which the Director is entitled to a benefit, and that confer a right to call for or deliver Company shares in, debentures of, or interests in a managed investment scheme made available by the Company or a related body corporate. These details include the number and class of the Company shares, debentures or interests, the name of the registered holder if the Company shares, debentures or interests have been issued and the nature of the Director's interest under the contract;
- details of any "dealing" in Company securities, or the right to Company securities in which the Director has a relevant interest within the meaning of section 9 of the *Corporations Act*. In this context 'dealing' is to be interpreted broadly and without limitation includes charging, pledging, lending, transferring or granting of a right to do any such thing.

### Ongoing Disclosure

The Director will provide the following information:

- details of changes in Company securities registered in the Director's name other than changes occurring as a result of corporate actions by the Company. These details include the date of the change, the number and class of the Company securities held before and after the change, and the nature of the change, for example on-market transfer. The Director will also provide details of the consideration payable in connection with the change, or if a market consideration is not payable, the value of the Company securities the subject of the change;
- details of changes in Company securities not registered in the Director's name but in which the Director has a relevant interest within the meaning of section 9 of the *Corporations Act*. These details shall include the date of the change, the number and class of the Company securities held before and after the change, the name of the registered holder before and after the change, and the circumstances giving rise to the relevant interest. The Director will also provide details of the

consideration payable in connection with the change, or if a market consideration is not payable, the value of the Company securities the subject of the change; and

- details of all changes to contracts (other than contracts to which the Company is a party) to which the Director is a party or under which the Director is entitled to a benefit, and that confer a right to call for or deliver Company shares in, debentures of, or interests in a managed investment scheme made available by, the Company or a Related Body Corporate. These details include the date of the change, the number and class of the Company shares, debentures or interests to which the interest relates before and after the change, the name of the registered holder if the Company shares, debentures or interests have been issued, and the nature of the Director's interest under the contract.
- details of any dealing in Company securities, or the right to Company securities in which the Director has a relevant interest within the meaning of section 9 of the Corporations Act.

#### **Date by Which Ongoing Disclosure is to be Provided**

The Director will provide the required information as soon as reasonably possible after the date of the change and in any event no later than three business days after the change.

#### **Final Disclosure**

The Director will provide the following information as at the date of ceasing to be a Director:

- details of all Company securities registered in the Director's name. These details include the number and class of the Company securities;
- details of all Company securities not registered in the Director's name but in which the Director has a relevant interest within the meaning of section 9 of the Corporations Act. These details include the number and class of the Company securities, the name of the registered holder and the circumstances giving rise to the relevant interest; and
- details of all contracts (other than contracts to which the Company is a party) to which the Director is a party or under which the Director is entitled to a benefit, and that confer a right to call for or deliver Company shares in, debentures of, or interests in a managed investment scheme made available by, the Company or a related body corporate. These details include the number and class of the Company shares, debentures or interest, the name of the registered holder if the Company shares, debentures or interests have been issued and the nature of the interest under the contract.

#### **Date by Which Final Disclosure to be Provided**

The Director will provide the required information as soon as reasonably possible after the date of ceasing to be Director and in any event no later than three business days after the date of ceasing to be a Director.

#### **Agency**

The Directors authorise the Company to give the information provided by the disclosing Director to the ASX on the disclosing Director's behalf and as the disclosing Director's agent.

# TITAN MINERALS LIMITED

ACN 117 790 897

## DIVERSITY POLICY

### Introduction

The Company considers that the promotion of diversity on boards, in senior management and within the organisation:

- broadens the pool for recruitment of high quality directors and employees;
- is likely to support employee retention;
- through the inclusion of different perspectives, is likely to encourage greater innovation; and
- is a socially and economically responsible governance practice.

The Company will comply with the ASX Corporate Governance Council's Principles & Recommendations on Diversity.

The Board of Directors (**Board**) is responsible for adopting and monitoring the Company's diversity policy (**Policy**).

### Purpose

This Policy sets out the beliefs and goals and strategies of the Company with respect to diversity within the Company.

Diversity within the Company means all the things that make individuals different to one another, including gender, ethnicity, religion, culture, language, sexual orientation, disability and age. It involves a commitment to equality and to the treating of one another with respect.

### Selection and appointment of directors and employees

The Company is dedicated to promoting a corporate culture that embraces diversity. The Company believes that diversity begins with the recruitment and selection practices of its Board and its staff.

The Company employs new employees and promotes current employees on the basis of performance, ability and attitude.

### Measurable objectives

The Board will establish measurable objectives for achieving overall and gender diversity.

The Board will have the responsibility of assessing the measurable objectives for achieving overall and gender diversity and will report in the Company's annual report, on the Company's progress in achieving them.

### Reporting compliance with measurable objectives

In its annual report, the Company will disclose:

- the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy; and
- the progress towards achieving them.

As a part of this disclosure, the Company will disclose in its annual report, the proportion of:

- female to male employees in the whole organisation;
- females to males in senior executive positions; and
- females to males on the Board.

## **TITAN MINERALS LIMITED**

ACN 117 790 897

### **NOMINATION COMMITTEE CHARTER**

This charter governs the operation of the Nomination Committee (**Committee**).

#### **Role**

The role of the Committee is to make recommendations to the Board in relation to the recruitment, retention, termination arrangements, and the policies and procedures for the Executive Directors and the Non-Executive Directors.

The Committee makes recommendations to the Board in relation to the necessary and desirable competencies of directors, reviews Board succession plans, and recommends appointment and re-election of Directors and the Company Secretary.

#### **Composition**

The Nomination Committee shall comprise the full Board of Directors until such time as the activities and/or size of the Company warrant the creation of a separate Nomination Committee comprising only some of the Directors.

#### **Operation**

The Committee will meet at least annually, with other meetings to be held as required.

Committee meetings will be governed by the same rules in the Company's constitution, as apply to meetings of the Board.

At the discretion of the Chair, having regard to the nature of the agenda, relevant members of management may be invited to attend meetings or parts of meetings.

The Committee shall keep minutes of its meetings and shall report to the Board with respect to its activities.

#### **Responsibilities**

The following shall be the principal duties and responsibilities of the Committee:

- to implement processes to assess the necessary and desirable competencies of Board members including, experience, expertise, skills and performance of the Board and its committees;
- to provide new Directors with an induction to the Company;
- without detracting from the obligation of all Directors to remain abreast of matters that enable them to properly discharge their duties as directors, to provide all Directors with access to ongoing education relevant to their position in the Company;
- advise on new appointments and assist with selection of new Board members;
- provide a succession plan for Directors;
- evaluate the performance of the Executive Directors;
- annually evaluate the effectiveness of the Board and to facilitate the assessment of Directors fulfilling their responsibilities in a manner that serves the interests of shareholders;

**Responsibilities (continued)**

- annually prepare a list of individuals recommended for nomination for election or re-election to the Board at the annual meeting of shareholders;
- before recommending an incumbent, replacement or additional Director, review his or her qualifications, including capability, availability to serve, conflicts of interest, character and other relevant factors;
- assist in identifying, interviewing and recruiting candidates for the Board;
- annually review the composition and performance of each committee and present recommendations for committee memberships to the Board as needed.

**Authority of the Committee**

The Committee has the authority to: -

- obtain independent professional or other advice in the fulfilment of its duties at the Company's cost; and
- obtain such resources and information from the Company in the fulfilment of its duties as it may reasonably require.

**Review of Committee Performance**

The Committee will annually revisit its objectives and duties and evaluate the effectiveness of its performance.

The approval of the Board is required for any amendment to the Committee charter.



# TITAN MINERALS LIMITED

ACN 117 790 897

## REMUNERATION COMMITTEE CHARTER

This charter governs the operation of the Remuneration Committee (**Committee**).

### Role

The role of the Committee is to assist the Board in fulfilling its objective to ensure the Company has:

- effective policies, processes, and practices for appropriately attracting, remunerating and retaining staff, executives and Directors who will add value to the Company;
- reward programs which are fair and responsible and in compliance with principles of good corporate governance, the ASX Listing Rules and the Corporations Act.

### Composition

The Remuneration Committee shall comprise the full Board of Directors until such time as the activities and/or size of the Company warrant the creation of a separate Remuneration Committee comprising only some of the Directors.

### Operation

The Committee will meet at least annually, with other meetings to be held as required.

Committee meetings will be governed by the same rules in the Company's constitution, as apply to meetings of the Board.

At the discretion of the Chair, having regard to the nature of the agenda, relevant members of management may be invited to attend meetings or parts of meetings.

The Committee shall keep minutes of its meetings and shall report to the Board with respect to its activities.

### Responsibilities

The following shall be the principal duties and responsibilities of the Committee:

#### Salaries

- review overall remuneration philosophy, strategy, plans, policies and practices (including performance management methodology) for the recruitment, retention and termination of Company executives. The Committee shall ensure there is a clear link between executive performance and remuneration, balancing salaries with variable rewards to reflect short and long term performance of the executives and the Company.
- review and recommend the proposed remuneration package of the Chief Executive Officer and Executive Directors.
- review and approve the Chief Executive Officer's recommendations in regard to proposed remuneration packages of executives reporting directly to the Chief Executive Officer or to an Executive Director.

## **Responsibilities (Continued)**

### **Short Term Variable Rewards – Bonus/Incentive**

- review incentive/bonus plans on a regular basis to ensure they comply with legislation, regulatory requirements and reflect industry standards.
- review and recommend the proposed performance measures and targets for the Executive Directors and the Chief Executive Officer.
- review the performance measures, targets and incentive/bonus opportunity for those executives who report directly to the an Executive Director or the Chief Executive Officer, and the actual level of incentive/bonus payments at the end of the measurement period.
- review the functioning of incentive/bonus plans to ensure their overall effectiveness in meeting Company objectives.

### **Employee Equity Plans**

- review plan designs on a regular basis to ensure they comply with legislation and regulatory requirements and reflect industry standards.
- approve participants in employee equity plans.
- approve the total level of award under the plans and the level of participation in the plans.
- review functioning of equity plans to ensure overall effectiveness (including cost and tax impacts) in achieving Company objectives.

### **Remuneration for Non-Executive Directors**

- review and recommend the remuneration structure for the Non-Executive Directors of the Company whether by way of annual fees, committee fees and/or retirement benefits.
- in determining the fees to be paid, Non-Executive Directors shall not be eligible for inclusion in any Short Term Incentive Plans.

### **Termination Agreements**

Review and approval of the proposed termination payments and arrangements, in respect of the Chief Executive Officer and/or any Executive Director prior to such an appointment. Termination payments in respect of other company executives reporting to the Chief Executive Officer or Executive Director shall be reported to the Committee at its next meeting.

### **Reporting of Remuneration**

Review and approval of reporting of executive and Director remuneration details and practices to ensure disclosure meets the requirements of the Corporations Act and the ASX Listing Rules, and is in accordance with good corporate governance practices.

## **Authority of the Committee**

The Committee has the authority to: -

- obtain independent professional or other advice in the fulfilment of its duties at the Company's cost; and
- obtain such resources and information from the Company in the fulfilment of its duties as it may reasonably require.

**Review of Committee Performance**

The Committee will annually revisit its objectives and duties and evaluate the effectiveness of its performance.

The approval of the Board is required for any amendment to the Committee charter.

# TITAN MINERALS LIMITED

ACN 117 790 897

## RISK MANAGEMENT POLICY

### Introduction

The Company, through the Board, delegates day-to-day management of risk to the Chief Executive Officer. The Chief Executive Officer, with the assistance of other Executive Director(s) and senior management as the case may be, has responsibility for identifying, assessing, mitigating and monitoring risks and regularly reporting to the Board on risk management.

### Risk Management Policy

The Company has appointed the Chief Executive Officer as being responsible for risk management policy, which covers organisational, financial and operational aspects of the Company's affairs.

### Business Risk Management

The Chief Executive Officer, in conjunction with the Board, identifies the key business risks for the Company.

The Company manages its activities within budgets and operational and strategic plans. The Chief Executive Officer together with other management must work to safeguard assets and to ensure that business risks are identified and appropriately managed.

### Internal Controls

The Board is responsible for the overall internal controls within the organisation, but recognises that no effective internal control system will necessarily preclude all errors or irregularities. The Board examines the adequacy of the nature, extent and effectiveness of the internal control processes of the Company and relies on regular reviews undertaken by external auditors and the declarations made by senior executives.

### Financial Reporting

The Board must approve Company budgets and monthly actual results are reported against budget. Forecasts are reviewed regularly and revisions prepared as and when deemed necessary.

### Operations Review

Board representatives will visit the Company's exploration project areas to inspect the operational practices including the environmental and safety aspects of the operations.

### Investment Appraisal

The Board will define guidelines for capital expenditure. These include levels of authority, appraisal procedures and due diligence requirements on potential acquisitions or divestments.

### Environment and Safety

The Company is committed to ensuring that sound environmental management and occupational health and safety practices are carried out in its operations and exploration activities, in compliance with relevant statutory requirements relating to environmental matters, workplace health and safety and community relationships. All activities of the Company must be carried out in accordance with the relevant Company Policies and / or Procedures.

Safety and environmental, and all other material risks identified, are reported on at each meeting of the Board, and where necessary procedures are put in place to manage those specific risks.

### Continuous Improvement

The Company's risk management system is evolving. This is an on-going process and it is recognised that the level and extent of the risk management system will change commensurate with the evolution and growth of the Company's activities.

Due to the continuous improvement nature of the Company's risk management, the Company does not currently implement a periodic risk strategy review.

# TITAN MINERALS LIMITED

ACN 117 790 897

## SHARE TRADING POLICY

This share trading policy sets out the Company's policy regarding trading in the Company's securities. This policy is separate from and additional to the legal constraints imposed by the common law, the *Corporations Act* and the *ASX Listing Rules*.

This policy applies to Relevant Persons, which include all Directors and other Company officers, Executives and Employees of the Company and their related parties, and may include consultants and advisers from time to time.

It is illegal to trade in the Company's securities while in possession of unpublished price sensitive or "inside" information concerning the Company. Under the *Corporations Act* a person with inside information:

- must not;
- must not procure another person to; and
- must not directly or indirectly communicate inside information (or cause such information to be communicated) to another person if the insider knows, or reasonably to know) that the other person would be likely to,

deal in the securities of a body corporate or enter into an agreement to deal in the securities of a body corporate.

"Inside information" is defined in the *Corporations Act* as information that:

- is not generally available; and
- if it were generally available, a reasonable person would expect it to have a "material effect" on the price or value of the securities of the body corporate.

Practically, Relevant Persons should assume that information is "generally available" only if it has been disclosed to ASX.

A reasonable person is taken to expect information to have a "material effect" on the price or value of the securities if the information would, or would be likely to, influence persons who commonly acquire securities in deciding whether or not to deal in the securities in question. As such, the materiality threshold is low.

### General Prohibition on Insider Trading

All Relevant Persons are prohibited from trading in the Company's securities while in possession of inside information concerning the Company. In addition, while in possession of inside information, Relevant Persons must not procure or advise others to trade in the Company's securities or communicate the information to another person knowing that the person may use the information to trade in, or procure someone else to trade in, the Company's securities. For the purposes of this policy, these prohibitions are known as the **General Prohibitions**.

Inside information includes (without limitation):

- a proposed major acquisition or disposition;
- a significant business development or a proposed change in the nature of the Company's business;
- reserve and resource compilation;
- exploration drilling results;
- details of material contracts that are being negotiated by the Company;
- potential litigation that would have a substantial effect on the Company;
- a proposed change to the share capital structure of the Company; and
- a major change to the Board or senior management.

### **Restrictions on Short-Term Trading**

The Company encourages each Relevant Person to adopt a long-term attitude to their investment in the Company's securities. Consequently, Relevant Persons should not engage in short-term or speculative trading of the Company's securities.

### **Trading in the Company's Securities, Derivative Products and Margin Lending Arrangements**

Relevant Persons are prohibited from trading outside Trading Windows, as defined by this policy, or otherwise in accordance with this policy, in the Company's securities or in financial products issued or created over or in respect of the Company's securities.

Relevant Persons are prohibited, without prior written Board approval which shall not be unreasonably withheld, from entering into Margin Lending arrangements whereby lenders are provided with rights over their interests in the Company's securities.

Relevant Persons must not engage in hedging arrangements (including, for example, the use of put and call options or other derivative instruments) over unvested Securities issued pursuant to any employee or Director option or share plan. In addition, any hedging over vested Securities must comply with this Policy.

### **Guidelines for Dealing in Securities**

#### Clearance Procedures Prior to Trading

All Relevant Persons must receive clearance for the proposed trading of the Company's securities or in financial products issued or created over or in respect of the Company's securities by informing and receiving written approval from the Managing Director (or if unavailable, the Chairman) prior to undertaking a transaction.

Unless specified otherwise, clearance to trade will apply for a period of ten (10) business days from the communication to the Relevant Person of the clearance to trade, and management will endeavour to provide written decision within two (2) business days of the request being submitted by the Relevant Person.

#### Directors

At all times prior to trading in the Company's securities or in financial products issued or created over or in respect of the Company's securities (whether or not a Trading Window applies), Directors must notify the whole Board of Directors of their intention to trade and confirm that they are not in possession of any inside information.

#### Trading Windows

##### *Applicable to all Relevant Persons (including Directors)*

Unless the Chairman directs otherwise, and except as set out below, Relevant Persons (including Directors for which additional notification requirements are applicable – see above) may trade in the Company's securities on the ASX or financial products issued or created over or in respect of the Company's securities in the period of ten (10) business days commencing twenty four (24) hours following:

- the holding of the Annual General Meeting or any other General Meeting;
- the announcement of Annual or Half-Year results;
- the announcement of Quarterly Reports; and any other public announcement on the ASX.

**However**, a Relevant Person may not deal in the Company's securities or financial products issued or created over or in respect of the Company's securities during a Trading Window if the Relevant Person is in possession of inside information or the Company is in possession of inside information and notifies the Relevant Person they may not trade during all or part of the Trading Window.

#### Outside Trading Window

Clearance to trade in the Company's securities outside of the defined Trading Windows may be granted in exceptional circumstances at the discretion of the Chairman (or if unavailable, the Chief Executive Officer). Exceptional circumstances would include, but not be limited to cases of severe financial hardship, where court orders exist or other overriding legal or statutory circumstance requiring the sale or transfer of the securities.

Unless specified otherwise, clearance to trade outside a trading window will apply for a period of ten (10) business days from the communication to the Relevant Person of the clearance to trade.

#### **Trades excluded from the Share Trading Policy**

The requirement to provide notice of an intention to trade in the Company's securities does not apply to the acquisition of securities through the Company's option plan, share purchase plans or entitlement offers. However the requirement does apply to the trading of those securities once they have been acquired.

The Share Trading policy does not apply where there is no change in beneficial interest in the securities. The Share Trading Policy does not apply to the disposal of securities by acceptance of takeover offers.

#### **Breach of Policy**

Breaches of this policy will be subject to disciplinary action, which may include termination of employment or dismissal from the Board. If relevant persons are unsure of whether they are able to trade in the Company's securities at a particular time, they are advised to consult with the Chief Executive Officer or Company Secretary.

#### **Notification of trade in Company Securities**

Directors must also notify the Company Secretary of any trade in the Company's securities within three (3) business days of such trade occurring so that the Company Secretary can comply with the ASX Listing Rule 3.19A requirement to notify the ASX of any change in a notifiable interest held by a Director.

The Appendix 3Y – Change of Directors Interest Notice lodged with the ASX must provide the following information:

- whether the trading occurred outside a Trading Window, when prior written clearance was required;
- whether clearance was provided to allow the Trade to proceed; and
- on what date clearance was provided if granted.



# TITAN MINERALS LIMITED

ACN 117 790 897

## SHAREHOLDER COMMUNICATIONS POLICY

### Introduction

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

- communicating effectively with shareholders;
- giving shareholders ready access to balanced and understandable information about the Company and its corporate strategies; and
- making it easy for shareholders to participate in general meetings of the Company.

### Provision of Information

The Company will communicate with shareholders in five main ways:

- Through releases to the market via the ASX;
- Through the Company's website;
- Through information provided directly to shareholders;
- At general meetings of the Company;
- Providing a facility whereby third parties (including shareholders) can request email subscription to publicly available information via the Company's website.

### Market Releases

It is the Company's policy to comply with its continuous and periodic disclosure obligations. In accordance with the Company's continuous disclosure policy, the Company will immediately notify the ASX of information:

- concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
- that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities,

unless exempted by the *ASX Listing Rules*.

### Company Website

The Company is committed to maintaining a Company website with general information about the Company and its operations, details of the Company's corporate governance policies and procedures and information specifically targeted at keeping the Company's shareholders informed about the Company.

In particular, where appropriate, after confirmation of receipt by the ASX, the following will be posted to the Company website:

- relevant announcements made to the market via the ASX;
- media releases;
- information provided to analysts or the media during briefings;
- the full text of notices of meeting and explanatory material;
- information related to general meetings, including the Chairman's address and voting results; and
- copies of annual, half-yearly and quarterly reports including financial statements.

### **Direct Communications with Shareholders**

Throughout the year the Company may directly communicate with shareholders by mail - for example, to give shareholders notice of general meetings or to update shareholders by way of a Chairman's letter.

#### *Electronic Communication*

In addition, the website provides shareholders and others interested in the Company the opportunity to receive additional information by registering to receive by email press releases and other materials posted to the website.

Shareholders are encouraged to provide the Company, and its share registry, with email addresses for ongoing electronic communication between the Company, its share registry and its Shareholders.

Where practical the Company will provide for the provision of electronic voting on matters at Shareholder Meetings.

### **Meetings of the Company**

In preparing for general meetings of the Company, the Company will draft the notice of meeting and related explanatory information so that they provide all of the information that is relevant to shareholders in making decisions on matters to be voted on by them at the meeting. This information will be presented clearly and concisely so that it is easy to understand and not ambiguous.

The Company aims to hold its Shareholder meetings at convenient locations and encourages Shareholders to attend. The Company views Shareholder meetings as a means of promoting two-way communication between the Board and Shareholders, and allows a reasonable opportunity for Shareholders and their representatives to ask questions of the Board of Directors and to otherwise participate in the meeting.

The external auditor of the Company is asked to attend each annual general meeting and to be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

### **Other Information**

While the Company aims to provide sufficient information to shareholders about the Company and its activities, it understands that shareholders may have specific questions and require additional information. Shareholders can obtain all relevant information to assist them in exercising their rights as shareholders, by contacting the Company at its registered office by either telephone; facsimile, email, or by going to the Company's website.

## APPENDIX “B”

### COMPARISON OF RELEVANT LAWS

In this Appendix “B” - “*Comparison of Relevant Laws*”, unless there is something in the subject matter or context inconsistent therewith, capitalized terms have the meanings ascribed to those terms in the “*Glossary of Terms*” as set out in the accompanying Circular.

#### Introduction

The Offeror (in this Appendix “B”, “**Titan**”) is a public company registered under Australian law. It is admitted to the official list of ASX.

Core exists and is regulated under British Columbia law. Core Shares are listed on the TSXV. As Core is a “reporting issuer” in certain provinces of Canada, it is subject to Canadian securities laws, and due to its listing on the TSXV, is also subject to the rules of the TSXV.

If Titan takes up the Core Shares tendered under the Offer and issues Titan Shares to such Core Shareholders as consideration, the rights of Core Shareholders who receive Titan Shares will, in respect of those shares, be governed by the constitution of Titan (“**Titan’s Constitution**”), Australian law and in certain respects, the ASX Listing Rules.

A comparison of some of the material provisions of Australian company law and Canadian corporate law as they relate to Titan and Core, respectively, is set out below, along with a description of certain securities laws and stock exchange rules where applicable.

References to “Australian law” where they appear in this Appendix “B” - “Comparison of Relevant Laws” are references to the *Corporations Act 2001* (Cth) (the “**Corporations Act**”), ASX Listing Rules, the operating rules of the ASX Settlement Pty Limited (the “**ASX Settlement Operating Rules**”) and Australian common law, as applicable. References to “Canadian law” are references to the BCBCA, Canadian corporate and securities laws and Canadian common law, as applicable. References to “**TSXV Rules**” are references to the market rules of the TSXV, primarily embodied in the TSX Venture Exchange Corporate Finance Manual. The comparison below is not an exhaustive statement of all relevant laws, rules and regulations and is intended as a general guide only. Core Shareholders should consult with their own legal adviser if they require further information.

#### Meetings of shareholders

##### *Calling meetings*

##### *Titan*

Under the Corporations Act, the annual general meeting of Titan is required to be held within five months after the end of its financial year.

A general meeting of Titan Shareholders may be called from time to time by the board of directors of Titan (the “**Titan Board**”), individual directors or by the shareholders of Titan

(“**Titan Shareholders**”) in the circumstances set out below. When requested to do so by Titan Shareholders holding at least 5% of the votes that may be cast at the meeting or at least 100 Titan Shareholders who are entitled to vote at the meeting, directors must call a general meeting within 21 days after the request is given to Titan, and the meeting must be held not later than two months after the date upon which that request is first given.

Alternatively, Titan Shareholders holding at least 5% of the votes that may be cast at the meeting may themselves call, and arrange to hold, a general meeting.

#### *Core*

Under the BCBCA, a company must typically hold an annual meeting of shareholders at least once in each calendar year and not more than 15 months after the last preceding annual meeting. Core’s articles provide that the Core Board of Directors may call a meeting of shareholders at any time. The BCBCA further provides that the holders of not less than 5% of the issued Core Shares that carry the right to vote at general meetings, at the date on which the requisition is received by Core, may requisition the directors to call a general meeting of Core Shareholders for the purposes stated in the requisition.

#### *Notice of meetings*

##### *Titan*

As Titan Shares are quoted on ASX, notice of a general meeting of Titan must be given at least 28 days before the date of the proposed meeting. Titan is required to give notice only to Titan Shareholders entitled to vote at the meeting, as well as its directors and auditors. The quorum for a general meeting under Titan’s Constitution is two shareholders present in person, by proxy, attorney or representative and entitled to vote at that meeting.

##### *Core*

The BCBCA and Core’s articles requires that, so long as the company is a “public company”, notice of a meeting of Core Shareholders must be provided not less than 21 days, and not more than two months before the meeting to each shareholder entitled to vote at the meeting. Management proxy circulars, in the required form, are required to be provided under applicable Canadian securities law, for any solicitation of proxies by management of a reporting issuer such as Core.

Core’s articles provide that, subject to the special rights and restrictions attached to the shares of any class or series of shares, the quorum for the transaction of business at a meeting of shareholders is two persons who are, or who represent by proxy, shareholders who, in the aggregate, hold at least 5% of the issued shares entitled to be voted at the meeting.

#### *Voting requirements*

##### *Titan*

Unless the Corporations Act or Titan’s Constitution requires a special resolution, resolutions are passed by a simple majority of votes cast on the resolution. Under the Corporations Act, a special

resolution may only be passed by Titan Shareholders if Titan gives to all Titan Shareholders not less than 28 days' notice of its proposal to convene a general meeting to consider and vote upon that special resolution, specifying the intention to propose the special resolution and stating the terms of that special resolution. A special resolution must be passed by at least 75% of the votes cast by shareholders entitled to vote, who attend at the meeting, in person or by proxy.

The Corporations Act requires certain matters to be resolved by a company by special resolution, including:

- the change of name of the company;
- any proposed amendment to the constitution of the company;
- a selective reduction of capital or selective share buy-back;
- where required, shareholder approval to the giving by the company of financial assistance in connection with an acquisition of shares in the company or a holding company of the company;
- the conversion of the company from one type or form to another; and
- a decision to wind up the company voluntarily.

Titan's Constitution also stipulates certain matters to be resolved by special resolution, including the variation of class rights attaching to Titan Shares.

Each Titan Share (subject to any specific terms of issue) confers a right to vote at all general meetings. On a show of hands, each Titan Shareholder present in person, or by proxy, attorney or body corporate representative, has one vote. If a poll is held, Titan Shareholders present in person or by their proxy, attorney or body corporate representative will have:

- one vote for each Titan Share (whether the issue price of the Titan Share was paid up or credited or both) that the Titan Shareholder holds; and
- a fraction of one vote for each partly paid up Titan Share that the Titan Shareholder holds. The fraction is equal to the proportion which the amount paid up on that Titan Share (excluding amounts credited) is to the total amounts paid up and payable (excluding amounts credited) on that Titan Share.

A proxy's appointment must be signed and sent to Titan or its share registry so as to be received at least 48 hours before the time and date for the convening of the meeting.

### *Core*

Under the BCBCA, certain extraordinary corporate actions, such as amalgamations, continuances, reorganizations and other extraordinary corporate actions such as liquidations (winding-ups) and arrangements, require approval of the shareholders by special resolution. The BCBCA permits amalgamations with companies not incorporated under the BCBCA. As

specified by Core’s articles, if considered at a shareholders’ meeting, a majority of votes required to pass a special resolution is two-thirds of the votes cast on the resolution. The BCBCA and Core’s articles provide that a special majority of votes is required for Core to pass a special resolution at a meeting of shareholders. Ordinary resolutions of Core’s shareholders are passed by a simple majority of votes cast on the resolution.

The BCBCA provides that, unless Core’s articles provide otherwise, each Core Share entitles the holder to one vote at a meeting of shareholders.

### ***Shareholders’ rights to bring a resolution before a meeting***

#### *Titan*

See “Calling meetings” above.

#### *Core*

A shareholder proposal (a “**Proposal**”) is a document setting out a matter that the submitter wishes to have considered at the next annual general meeting of Core. Under the BCBCA, if Core is a “public company” Proposals may be submitted by both registered and beneficial Core Shareholders who have been Core Shareholders for an uninterrupted period of at least two years and who are entitled to vote at an annual shareholders’ meeting. To be valid, among other things, the Proposal must be signed by qualified Core Shareholders who are registered or beneficial holders of Core Shares that either (a) constitute at least one percent of the issued and outstanding shares, or (b) have a fair market value of not less than \$2,000.

### **Directors**

#### ***Directors’ management of the business of the company***

#### *Titan*

Under Titan’s Constitution, the business of Titan is to be managed by or under the direction of Titan’s directors. Those directors may exercise all the powers of Titan, except any powers that the Corporations Act, the ASX Listing Rules or Titan’s Constitution preserve for the exercise of Titan Shareholders in a general meeting.

#### *Core*

According to the BCBCA, the directors of Core shall, subject to the BCBCA, the BCBCA regulations and Core’s articles, manage or supervise the management of the business and affairs of Core.

#### ***Number and election of directors***

#### *Titan*

Under Titan’s Constitution, Titan must have no less than 3 directors. Under the Corporations Act, at least one director must ordinarily reside in Australia. Under ASX listing rules, a director

must not (without re-election) hold office past the third annual general meeting following the director's appointment, or 3 years (whichever is longer). The managing director is exempt from retirement by rotation. Casual vacancies between annual general meetings may be filled by appointments made by the Titan Board. In addition, the Titan Board has the power to appoint additional directors, provided that the total number of directors is not less than three.

#### *Core*

According to the BCBCA and Core's articles, because Core is a public company, it must have a minimum of three directors.

### **Amendments to constituent documents**

#### *Titan*

Any amendment to Titan's Constitution must be approved by a special resolution passed by Titan Shareholders present and voting on the resolution.

#### *Core*

The required authorization to amend the Notice of Articles or articles of Core under the BCBCA will be specified in the BCBCA or the articles of Core based on the type of resolution. In many instances, including a change of name, the BCBCA or the articles may provide for approval solely by a resolution of the directors or by ordinary resolution of the shareholders. Certain amendments to the Notice of Articles or the articles, will require a special resolution of the shareholders to be approved by not less than two-thirds of the votes cast by the shareholders voting on the resolution. In addition, a right or special right attached to a share must not be prejudiced with under the BCBCA or the notice of articles or articles unless the shareholders holding shares of the class or series of shares to which the right or special right is attached consent by a special separate resolution of those shareholders.

### **Issue of new shares**

#### *Titan*

Subject to specified exceptions (for example, pro rata issues), ASX Listing Rule 7.1 applies to restrict Titan from issuing, or agreeing to issue, more ordinary shares (or securities convertible or exercisable into ordinary shares) than the number calculated as follows in any 12-month period unless Titan has shareholder approval: - namely not in excess of

15% of the total of:

- the number of fully paid ordinary shares on issue 12 months before the date of the issue or agreement; plus
- the number of fully paid ordinary shares issued in the 12 months under a specified exception; plus

- the number of partly paid ordinary shares that became fully paid in the 12 months; plus
- the number of fully paid ordinary shares issued in the 12 months with shareholder approval; less
- the number of fully paid ordinary shares cancelled in the 12 months;

Less:

- the number of fully paid ordinary shares issued or agreed to be issued in the 12 months before the date of issue or agreement to issue, but not under a specified exception or with shareholder approval.

In addition, under ASX Listing Rule 7.1A, at each Annual General Meeting of Titan, it is possible for the company to obtain shareholder approval - that will remain valid until the next annual general meeting - to issue an additional 10% of the company's shares (such number of shares being as determined in accordance with ASX Listing Rule 7.1), without seeking further shareholder approval at the time of issue.

Subject to certain exceptions, ASX Listing Rules 10.11 and 10.14 require the approval of Titan Shareholders by ordinary resolution in order for Titan to issue shares or options to directors. Under Titan's Constitution, Titan directors may issue shares or other securities on terms determined by the directors at such times as they resolve, subject to the Corporations Act, the ASX Listing Rules, and any special rights previously conferred on the holders of any existing Titan Shares or other class of shares.

### *Core*

The BCBCA permits shares with or without par value. According to Core's Notice of Articles, Core is authorized to issue an unlimited number of Core Shares without par value. Core Shares may be issued for such consideration as the directors of Core may determine. Shares, such as Core Shares issued by a company governed by the BCBCA, and may only be issued if consideration for such shares is fully paid. As a TSXV listed company, issuances of securities by Core are subject to the policies of the TSXV. The TSXV may impose conditions on a transaction or grant exemptions from its own requirements. The TSXV will consider various factors, including the involvement of insiders in the transaction, whether the transaction materially affects control of the issuer, and whether a court or administrative body has considered the interests of Core securityholders.

### **Protection of minority shareholders/oppression remedy**

#### *Titan*

Under the Corporations Act, the Court may make an order in cases of conduct which is contrary to the interests of shareholders as a whole, or oppressive to, unfairly prejudicial to, or unfairly discriminatory against, any shareholder(s), whether in their capacity as a shareholder or in any



other capacity. Former shareholders can also bring an action if it relates to the circumstances in which they ceased to be a shareholder.

A statutory derivative action may also be instituted by a Titan Shareholder, former Titan Shareholder or person entitled to be registered as a Titan Shareholder. In all cases, leave of the court to commence that action is required.

### *Core*

Under the BCBCA, a shareholder of a company and any other person whom the court considers an appropriate person to make an application has the right to apply to court on the grounds that: (i) the affairs of the company are being or have been conducted, or that the powers of the directors are being or have been exercised, in a manner oppressive to one or more of the shareholders, including the applicant, or (ii) some act of the company has been done or is threatened, or that some resolution of the shareholders or of the shareholders holding shares of a class or series of shares has been passed or is proposed, that is unfairly prejudicial to one or more of the shareholders, including the applicant. On such an application, the court may make such order as it sees fit, including an order to prohibit any act proposed by the company.

The BCBCA provides that shareholders entitled to vote on certain matters may exercise dissent rights and demand payment for the fair value of their shares (as of the last business day before the day the resolution on which the shareholder dissent was adopted), provided, among other things, that they comply strictly with the requirements in the BCBCA. Dissent rights exist when there is a vote upon matters such as:

- an alteration to Core's articles to alter restrictions on the powers of Core or on the business it is permitted to carry on;
- any adoption of an amalgamation agreement or an amalgamation in certain instances;
- an arrangement, the terms of which arrangement permit dissent;
- a sale, lease or other disposition of all or substantially all the undertaking of Core other than in the ordinary course of business;
- a continuance into a jurisdiction other than British Columbia; and
- any other resolution, if dissent is authorized by the resolution.

There is no right of dissent in respect of an amalgamation between Core and a wholly-owned subsidiary.

## Takeovers requirements

### *Titan*

Australian law places restrictions on a person acquiring interests in the voting shares of a public company such as Titan where, as a result of the acquisition, that person's or someone else's voting power in the company increases from 20% or below to more than 20%, or from a starting point that is above 20% and below 90% (the “**20% Rule**”). Generally, such acquisitions cannot be made unless:

- the person does not acquire more than 3% of the voting shares in the company in the six-month period before the acquisition;
- the acquisition is made with shareholder approval; or
- the acquisition is made under a takeover bid made in accordance with Australian law.

There are numerous other exemptions from the application of the 20% Rule. Takeover bids must treat all shareholders, as far as is possible, equally and must not involve any Collateral Benefits being given to some target shareholders only. Various restrictions about conditional offers exist and there are also substantial restrictions concerning the withdrawal and suspension of takeover offers.

### *Core*

Under applicable Canadian securities legislation, a “take-over bid” occurs when there is an offer to acquire outstanding voting or equity securities made to any person in any province or territory where the securities subject to the offer, together with the securities owned or controlled by the offeror and its affiliates and associates, constitute 20% or more of the outstanding securities.

Unless an exemption is available, a take-over bid must be made to all holders of each class of voting or equity securities being purchased, and the same price per security - that is, identical consideration - must be offered to each holder of securities. These provisions require, among other things, the production, filing and mailing of a takeover bid circular to shareholders of the target company. Takeover bids must treat all securityholders alike and must not involve any collateral agreements, with certain exceptions for employment compensation arrangements. Except under certain circumstances, takeover bids must remain open for a minimum of 105 days from the date of the mailing of the circular, after which time all securities deposited under the offer may be taken up.

For the protection of target securityholders, the takeover bid rules contain various additional requirements, such as restrictions applicable to conditional offers and the withdrawal, amendment or suspension of offers. Securities regulators also retain a general public interest jurisdiction to regulate takeovers and may intervene to halt or prevent activity that is abusive. Issuer bids are regulated similarly to takeover bids.

There are extensive disclosure requirements associated with takeover bids, beginning with “early warning” disclosure required when an acquirer crosses the 10% ownership threshold. Generally, further disclosure is required for additional purchases or dispositions of 2% or more of the outstanding security for which such early warning disclosure is required. Purchases outside the bid, before, during, and after the bid, are also restricted.

Following a bid, the acquiror may complete a second step transaction under certain circumstances pursuant to the BCBCA, whereby the acquirer would bring its percentage ownership to 100%. In certain circumstances, no shareholder approval of the second step transaction would be required if the acquirer obtained 90% of the outstanding shares subject to the bid, other than those shares already held by the acquiror or its affiliate or a nominee for the acquiror or its affiliate, owned by shareholders during the bid. Otherwise, completing a second step transaction would typically require calling a shareholder meeting and complying with associated regulations for such a second step transaction, including often obtaining a two-thirds majority approval. The acquirer is generally permitted to vote the shares acquired pursuant to the bid at such meeting. Appraisal (or dissent) rights are available for objecting shareholders who fulfil certain procedural requirements.

Canadian securities laws allow certain exemptions to the formal bid requirements, on specified conditions. For example, private agreements to purchase securities from up to five persons are permitted if, among other things the purchase price does not exceed 115% of the market price. Under the normal course purchase exception, the offeror (together with any joint offerors) may acquire up to 5% of a class of securities within a 12-month period if, among other things, there is a published market for the relevant class and the consideration paid does not exceed the market price at the date of acquisition.

### **Takeover defence mechanisms**

#### *Titan*

Under Australian takeovers legislation and policy, boards of target companies are limited in the defensive mechanisms that they can adopt to discourage or defeat a takeover bid, as such mechanisms may not always be in the best interests of the shareholders of the target company. Such tactics may also give rise to a declaration of unacceptable circumstances by the Australian Takeovers Panel, which if so declared, could result in the prohibition, termination of progress or unwinding of the takeover bid.

#### *Core*

The CSA have recognised that takeover bids play an important role in the economy by acting as a discipline on corporate management and as a means of reallocating economic resources to their best uses. In considering the merits of a takeover bid, there is a possibility that the interests of management of the target company will differ from those of its shareholders. The CSA considers the primary objective of the takeover bid provisions of Canadian securities legislation to be the protection of the bona fide interests of the shareholders of the target company. Because certain defensive measures taken by management of a target company may have the effect of denying shareholders the ability to make a fully informed decision and frustrating an open takeover bid

process, the CSA will therefore examine target company defensive tactics in specific cases to determine whether they are abusive of shareholder rights.

Without limiting the foregoing, defensive tactics that may come under scrutiny if undertaken during the course of a bid, or immediately before a bid (if the board of directors has reason to believe that a bid might be imminent) include:

- the issuance of or granting of an option on or the purchase of, securities representing a significant percentage of the outstanding securities of the target company;
- the sale or acquisition or granting of an option on, or agreeing to sell or acquire assets of a material amount; and
- the entering into a contract or taking corporate action other than in the normal course of business. Shareholder approval of corporate action may be a factor in the decision as to whether the tactics are appropriate.

Notwithstanding the above, defensive tactics may be taken by a board of directors of a target company in a genuine attempt to obtain a better bid; however, tactics that are likely to deny or limit severely the ability of the shareholders to respond to a takeover bid or a competing bid may result in action by the CSA.

## **Financial Disclosure**

As a company incorporated in Australia, Titan is only obligated to supply financial accounts to shareholders semi-annually rather than quarterly as is the case for British Columbia companies regulated primarily by Canadian securities laws. Additionally, as a mineral exploration and development company listed on the ASX, Titan is required to file a quarterly cash flow statement and a quarterly activity report in accordance with the ASX Listing Rules.

If, on a fully-diluted basis, 10% or fewer of the Titan Shares upon completion of the Arrangement, are owned, directly or indirectly, by residents in Canada, Titan will, pursuant to the provisions of NI 71-102, be permitted to report in Canada as a “designated foreign issuer”.

As a “designated foreign issuer”, Titan will be exempt from most of the continuous disclosure requirements of Canadian securities legislation provided Titan complies with the continuous disclosure requirements of Australia. Core Shareholders should be aware that, generally, reporting issuers in Australia are not required to prepare and file quarterly financials or quarterly and annual MD&As. Rather, such issuers only prepare an annual and semi-annual report. However, certain mining production and mining exploration entities are required by the ASX Listing Rules to prepare and file a quarterly activities report and quarterly cashflow report. These requirements currently apply to Titan but may not apply in the future depending on Titan’s activities and circumstances. As such, if Titan, following the completion of the Arrangement, is permitted to report in Canada as a “designated foreign issuer”, Titan Shareholders including those Core Shareholders who have received Titan Shares pursuant to the Arrangement will not receive financial reports prepared by Titan on a quarterly basis or MD&As on a quarterly and

annual basis, and may not, should Titan's circumstances change, receive a quarterly activities report or quarterly cashflow report.

### **Taxation**

A discussion of Australian taxation applicable to Titan is beyond the scope of this Appendix "B" - "*Comparison of Relevant Laws*".

**APPENDIX "C"**

**HISTORICAL FINANCIAL STATEMENTS OF TITAN AND ANDINA**



**TITAN MINERALS LIMITED  
(ACN 117 790 897)**

**Condensed Consolidated Interim Financial Statement  
June 30, 2019**

# Notice to the users of these Condensed Consolidated Interim Financial Statements

For the Three and Six Months ended June 30, 2019

Titan Minerals Limited

The accompanying unaudited condensed consolidated interim financial statements of Titan Minerals Limited were prepared by management in accordance with International Financial Reporting Standards ("IFRS"). Only changes in accounting policies have been disclosed in these unaudited condensed consolidated interim financial statements. Management acknowledges responsibility for the preparation and presentation of the unaudited condensed consolidated interim financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Group's circumstances.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that:

- (i) the unaudited condensed consolidated interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited condensed consolidated interim financial statements and
- (ii) the unaudited condensed consolidated interim financial statements fairly present in all material respects the financial position, results of operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited condensed consolidated interim financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited condensed consolidated interim financial statements together with other financial information of the Group's and for ensuring that management fulfils its financial reporting responsibilities.

Management recognises its responsibility for conducting the Group's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.



## Condensed Consolidated Statement of Profit and Loss and Other Comprehensive Income

**For the period ended June 30, 2019**  
(all amounts stated are Australian dollars)

	Note	Three months ended, June 30,		Six months ended, June 30,	
		2019	2018	2019	2018
<b>CONTINUING OPERATIONS</b>					
Revenue from contracts with customers	4	3,638,329	-	4,838,776	-
Cost of sales		(3,327,229)	-	(4,382,128)	-
Gross profit		311,100	-	456,648	-
Other revenue		166	2,385	11,103	4,951
Depreciation and amortisation charges	4	(67,034)	-	(102,719)	-
Administration expenses	4	(1,785,887)	(741,006)	(2,861,974)	(1,069,402)
Foreign exchange gain/(loss)		168,957	132,020	79,849	81,450
Finance costs		(54,540)	-	(460,193)	-
Bad debts		(17,018)	(410,878)	(17,197)	(475,227)
Impairment expense		-	(128,646)	-	(128,646)
Share based payments		146,270	(205,934)	(57,401)	(409,605)
Other expenses		(13,687)	-	(45,367)	-
<b>(LOSS) BEFORE INCOME TAX EXPENSE</b>		(1,311,673)	(1,352,059)	(2,997,251)	(1,996,479)
Income tax expense		-	-	-	-
<b>(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS</b>		(1,311,673)	(1,352,059)	(2,997,251)	(1,996,479)
<b>DISCONTINUED OPERATIONS</b>					
(Loss) / Profit for the period on discontinued operations	5	(1,199,746)	3,053,512	(1,265,197)	2,754,006
<b>(LOSS) / PROFIT FOR THE PERIOD</b>		(2,511,419)	1,701,453	(4,262,448)	757,527
<b>OTHER COMPREHENSIVE INCOME</b>					
Items that may be reclassified subsequently to profit or loss					
- Exchange differences on translating foreign operations		(251,680)	299,957	(248,551)	245,251
Items that will not be reclassified subsequently to profit or loss					
- Fair value loss on investments in equity instruments designated as at FVTOCI		(370,521)	-	(2,087,764)	-
<b>OTHER COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD, NET OF INCOME TAX</b>		(622,201)	299,957	(2,336,315)	245,251
<b>TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD</b>		(3,133,620)	2,001,410	(6,598,763)	1,002,778
<b>EARNINGS PER SHARE (cents per share)</b>					
<b>Basic earnings per share</b>					
From continuing operations		(0.51)	(0.79)	(1.17)	(1.12)
From discontinued operations		(0.47)	1.78	(0.49)	1.64
<b>Diluted earnings per share</b>					
From continuing operations		(0.51)	(0.79)	(1.17)	(1.12)
From discontinued operations		(0.47)	1.78	(0.49)	1.64

Notes to the condensed consolidated financial statements form part of these financial statements.

## Condensed Consolidated Statement of Financial Position

**As at June 30, 2019**  
(all amounts stated are Australian dollars)

	Note	June 30, 2019 \$	December 31, 2018 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6	2,839,488	5,459,426
Restricted cash	7	1,358,570	-
Trade and other receivables	8	1,836,489	1,367,302
Prepayments		417,538	889,963
Inventories	9	1,336,167	1,081,315
Current tax asset		187,731	825,194
Assets classified as held for sale	10	1,817,341	1,716,454
<b>TOTAL CURRENT ASSETS</b>		<b>9,793,324</b>	<b>11,339,654</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	8	80,000	80,000
Property, plant and equipment	11	3,083,519	2,540,047
Deferred exploration and evaluation expenditure	12	1,272,713	841,622
Intangible assets	13	11,952,365	12,193,538
Financial assets	14	2,286,598	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>18,675,195</b>	<b>15,655,207</b>
<b>TOTAL ASSETS</b>		<b>28,468,519</b>	<b>26,994,861</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	3,435,512	1,074,995
Borrowings	16	6,684,016	1,416,842
<b>TOTAL CURRENT LIABILITIES</b>		<b>10,119,528</b>	<b>2,491,837</b>
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables	15	119,249	119,249
Borrowings	16	3,021,074	3,542,080
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>3,140,323</b>	<b>3,661,329</b>
<b>TOTAL LIABILITIES</b>		<b>13,259,851</b>	<b>6,153,166</b>
<b>NET ASSETS</b>		<b>15,208,668</b>	<b>20,841,695</b>
<b>EQUITY</b>			
Issued capital	17	118,034,129	117,125,794
Reserves		1,823,672	4,102,586
Accumulated losses		(104,649,133)	(100,386,685)
<b>TOTAL EQUITY</b>		<b>15,208,668</b>	<b>20,841,695</b>

Notes to the condensed consolidated financial statements form part of these financial statements.

## Condensed Consolidated Statement of Changes in Equity

For the period ended June 30, 2019  
(all amounts stated are Australian dollars)

	Issued Capital	Share Based Payment Reserve	Foreign Currency Translation Reserve	Asset revaluation reserve	Accumulated Losses	Total Equity
<b>Balance as at January 1, 2018</b>	91,050,880	2,825,527	(251,558)	-	(92,576,377)	1,048,472
Loss for the period	-	-	-	-	757,527	757,527
Other comprehensive income for the period, net of income tax	-	-	245,251	-	-	245,251
Total comprehensive income for the period	-	-	245,251	-	757,527	1,002,778
Issue of shares	7,000,030	-	-	-	-	7,000,030
Capital raising costs	(605,483)	-	-	-	-	(605,483)
Recognise vesting of share based payments	-	409,605	-	-	-	409,605
<b>Balance at June 30, 2018</b>	97,445,427	3,235,132	(6,307)	-	(91,818,850)	8,855,402
<b>Balance as at January 1, 2019</b>	117,125,794	4,056,059	46,527	-	(100,386,685)	20,841,695
Loss for the period	-	-	-	-	(4,262,448)	(4,262,448)
Other comprehensive income for the period, net of income tax	-	-	(248,551)	(2,087,764)	-	(2,336,315)
Total comprehensive income for the period	-	-	(248,551)	(2,087,764)	(4,262,448)	(6,598,763)
Disposal of treasury shares	908,335	-	-	-	-	908,335
Recognise vesting of share based payments	-	411,726	-	-	-	411,726
Reversal of share based payments	-	(354,325)	-	-	-	(354,325)
<b>Balance at June 30, 2019</b>	118,034,129	4,113,460	(202,024)	(2,087,764)	(104,649,133)	15,208,668

Notes to the condensed consolidated financial statements form part of these financial statements.

## Condensed Consolidated Statement of Cash Flows

**For the period ended June 30, 2019**  
(all amounts stated are Australian dollars)

	Three months ended, June 30,		Six months ended, June 30,	
	2019	2018	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from gold sales and toll processing	3,649,628	-	4,980,991	-
Payments to suppliers and employees	(4,173,866)	(868,807)	(6,914,124)	(1,279,684)
Interest and other costs of finance paid	-	(476)	(192,832)	4,951
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(524,238)</b>	<b>(869,283)</b>	<b>(2,125,965)</b>	<b>(1,274,733)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for property, plant & equipment	(291,770)	(28,866)	(736,064)	(191,921)
Payments of exploration and evaluation costs	(321,106)	(103,327)	(431,091)	(151,451)
Payment for financial assets	-	-	(4,210,617)	-
Loans provided to third parties	-	(1,035,073)	-	(1,113,244)
Proceeds from repayments of loans provided to third parties	-	-	-	201,785
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(612,876)</b>	<b>(1,167,266)</b>	<b>(5,377,772)</b>	<b>(1,254,831)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from issue of shares (net of capital raising costs)	-	6,394,547	-	6,394,547
Proceeds from the disposal of treasury shares	100,334	-	683,335	-
Proceeds from borrowings	-	-	4,218,857	-
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>100,334</b>	<b>6,394,547</b>	<b>4,902,192</b>	<b>6,394,547</b>
Net increase / decrease in cash and cash equivalents	(1,036,780)	4,357,998	(2,601,545)	3,864,983
Cash and cash equivalents at the beginning of the period	3,885,809	2,439,375	5,459,426	2,931,791
Effects of exchange rate changes on the balance of cash held in foreign currencies	(9,541)	1,543	(18,393)	2,142
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>2,839,488</b>	<b>6,798,916</b>	<b>2,839,488</b>	<b>6,798,916</b>

Notes to the condensed consolidated financial statements form part of these financial statements.

# Notes to the Condensed Consolidated Financial Statements

## 1. GENERAL INFORMATION

Titan Minerals Limited is a for-profit listed public company, incorporated in Australia and operates in Australia (corporate office) and in South America. The Group's registered office is in Suite 6, 295 Rokeby Road, Subiaco, WA 6008 Australia.

## 2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of preparation

These unaudited condensed consolidated interim financial statements have been prepared in accordance with AASB 134 "Interim Financial Reporting". Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 134 "Interim Financial Reporting". The report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

The unaudited condensed consolidated interim financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars unless otherwise noted.

The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

### Going concern

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity, realisation of assets and the settlement of liabilities in the normal course of business. For the three month period ending June 30, 2019, the Consolidated Entity incurred a net loss of \$2,511,419 (2018: net profit \$1,701,453), had a net operating cash outflow of \$524,238 (2018: \$869,283) and a net investing cash outflow of \$612,876 (2018: \$1,167,266). For the six month period ending June 30, 2019, the Consolidated Entity incurred a net loss of \$4,262,448 (2018: net profit \$757,527), had a net operating cash outflow of \$2,125,965 (2018: \$1,274,733) and a net investing cash outflow of \$5,377,772 (2018: \$1,254,831).

The Consolidated Entity is currently in a working capital deficit position of \$326,204 (31 December 2018: surplus \$8,847,817).

The directors have prepared a cash flow forecast, which indicates that Group will have sufficient cash flows to meet all commitments and working capital requirements for the 12 month period from the date of signing this financial report. Included in the forecast are capital raisings expected to be completed with the next 12 months.

The Directors are confident that the Group has sufficient cash to fund its activities within the next 12 months from the date the financial statements are approved and will be able to meet existing commitments as they fall due. The Directors will also continue to carefully manage discretionary expenditure in line with the Group's cashflow.

Should the Group not achieve additional funding required, there is uncertainty whether the Group would continue as a going concern and therefore whether it would realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

### Adoption of new and revised accounting standards

The financial statements have been prepared in accordance with the same accounting policies adopted in the Group's last annual financial statements for the year ended December 31, 2018, except for the below:

The Group has adopted AASB 16: *Leases* from January 1, 2019. The below denotes the impact (if any) on the Group's financial report:

#### *Adoption of AASB 16: Leases*

The Group has adopted AASB 16: *Leases* effective January 1, 2019. The adoption of AASB 16 did not result in a material change to the recognition or measurement of lease as the Group is not party to any material leases.

#### *Accounting policy: Leases*

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

### **3. SEGMENT INFORMATION**

#### **Identification of Reportable Segments**

The Company has identified its operating segments based on the internal reports that are reviewed and used by the Board (the chief operating decision-maker) in assessing performance and in determining the allocation of resources. The operating segments are identified by the Board based on reporting lines and the nature of services provided. Discrete financial information about each of these operating segments is reported to the Board on a monthly basis. The Company operates predominately in Peru. The reportable segments are based on aggregated operating segments determined by the similarity of the services provided and other factors.

#### **Segments**

The Group has one reportable operating segment, which is the gold toll processing operation in Peru. The information is further analysed based on the mineral sold within the region.

Segment result represents the profit or loss earned by each segment without allocation of corporate administration costs, investment revenue and finance costs or income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

#### **Holding Company**

Holding Company costs (or unallocated costs, assets and liabilities) are those costs which are managed on a Group basis are not allocated to business segments. They include costs associated with executive management, strategic planning and compliance costs.

#### **Accounting Policies**

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries, share of profits of associates, gain recognised on disposal of interest in former associate, investment income, gains and losses, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

#### **Intersegment Transfers**

There have been no intersegment sales during the period.

The following is an analysis of the Group's revenue and results by reportable operating segment for the period:

### 3. SEGMENT INFORMATION (continued)

	Revenue		Segment Result	
	Three months ended		Three months ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	\$	\$	\$	\$
<b>Continuing operations</b>				
Segment result before income tax – Peru Gold	3,638,329	-	311,000	(320,424)
	3,638,329	-	311,000	(320,424)
Other revenue			166	2,385
Central administration costs and director salaries			(1,883,526)	(960,106)
Foreign exchange costs			168,957	132,020
Finance costs			(54,540)	-
Share based payments			146,270	(205,934)
Loss before income tax expense			(1,311,673)	(1,352,059)
Income tax expense			-	-
Loss for the period from continuing operations			(1,311,673)	(1,352,059)

The following is an analysis of the Group's assets by reportable operating segment:

	Revenue		Segment Result	
	Six months ended		Six months ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	\$	\$	\$	\$
<b>Continuing operations</b>				
Segment result before income tax – Peru Gold	4,838,776	-	456,648	(619,928)
	4,838,776	-	456,648	(619,928)
Other revenue			11,103	4,951
Central administration costs and director salaries			(3,027,257)	(1,053,347)
Foreign exchange costs			79,849	81,450
Finance costs			(460,193)	-
Share based payments			(57,401)	(409,605)
Loss before income tax expense			(2,997,251)	(1,996,479)
Income tax expense			-	-
Loss for the period from continuing operations			(2,997,251)	(1,996,479)

Assets	Jun 30, 2019	Dec 31, 2018
	\$	\$
Peru gold business	21,555,809	16,988,800
Unallocated assets	6,912,710	10,006,061
<b>Consolidated total assets</b>	<b>28,468,519</b>	<b>26,994,861</b>

The following is an analysis of the Group's liabilities by reportable operating segment:

<b>Liabilities</b>	<b>Jun 30, 2019</b>	<b>Dec 31, 2018</b>
	\$	\$
Peru gold business	(5,916,013)	(5,882,362)
Unallocated liabilities	(7,343,838)	(270,804)
<b>Consolidated total liabilities</b>	<b>(13,259,851)</b>	<b>(6,153,166)</b>

#### 4. REVENUE AND EXPENSES

	<b>Three months ended, June 30,</b>		<b>Six months ended, June 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	\$	\$	\$	\$
<b>(a) Revenue</b>				
Revenue from toll processing	3,638,329	-	4,838,776	-
	<b>3,638,329</b>	<b>-</b>	<b>4,838,776</b>	<b>-</b>
<b>(b) Cost of sales</b>				
Cost of sales from toll processing	(3,327,229)	-	(4,382,128)	-
	<b>(3,327,229)</b>	<b>-</b>	<b>(4,382,128)</b>	<b>-</b>

	<b>Three months ended, June 30,</b>		<b>Six months ended, June 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	\$	\$	\$	\$
<b>(c) Expenses</b>				
<i>(i) Depreciation and amortisation:</i>				
Plant and equipment	(67,034)	-	(102,719)	-
<i>(ii) Administration expenses</i>				
Compliance expenses	(116,680)	(140,582)	(131,743)	(195,693)
Legal costs	(130,223)	(119,321)	(205,115)	(206,270)
Professional fees and consultants	(993,383)	(340,709)	(1,629,466)	(439,854)
Director fees	(144,000)	(54,000)	(227,000)	(102,000)
Advertising and investor relations	(14,701)	-	(52,222)	-
Travel and accommodation	(187,759)	(70,586)	(219,163)	(104,293)
Employee benefits expense	(143,199)	-	(283,037)	-
Other Administration costs	(55,942)	(15,808)	(114,228)	(21,292)
	<b>(1,785,887)</b>	<b>(741,006)</b>	<b>(2,861,974)</b>	<b>(1,069,402)</b>



## 5. DISCONTINUED OPERATIONS

Subsequent to year end, the Group disposed of its 100% owned subsidiary Tulin Gold Co S.A.C for consideration of US \$1.

	Three months ended, June 30,		Six months ended, June 30,	
	2019 \$	2018 \$	2019 \$	2018 \$
<b>Profit for the period from discontinued</b>				
Revenue	-	-	128,055	-
Cost of goods sold	-	-	(142,268)	-
Gross profit	-	-	(14,213)	-
Other expenses	(50,096)	-	(91,317)	-
Impairment	(1,149,650)	-	(1,159,667)	-
<b>(Loss) / profit for the year from discontinued operations until date of disposal</b>	<b>(1,199,746)</b>	-	<b>(1,265,197)</b>	-
<b>Profit before income tax</b>	<b>(1,199,746)</b>	-	<b>(1,265,197)</b>	-
Attributable income tax expense	-	-	-	-
<b>Profit for the year from discontinued operations (attributable to owners of the</b>	<b>(1,199,746)</b>	-	<b>(1,265,197)</b>	-
	Three months ended, June 30,		Six months ended, June 30,	
	2019 \$	2018 \$	2019 \$	2018 \$
<b>Cash flows from discontinued operations</b>				
Net cash (outflow) / inflow from operating activities	(107,897)	-	336,711	-

On June 15, 2018, the Group disposed of its 100% owned subsidiary Derivado Y Concentrados S.A.C for 3,500 Soles (AUD \$1,068).

(a) Financial performance and cash flow information

	Three months ended, June 30,		Six months ended, June 30,	
	2019 \$	2018 \$	2019 \$	2018 \$
<b>Profit for the period from discontinued</b>				
Revenue	-	-	-	-
Cost of goods sold	-	-	-	-
Gross profit	-	-	-	-
Other expenses	-	(191,775)	-	(491,281)
<b>(Loss) / profit for the year from discontinued operations until date of disposal</b>	-	(191,775)	-	(491,281)
Gain on disposal	-	3,245,287	-	3,245,287
<b>Profit before income tax</b>	-	<b>3,053,512</b>	-	<b>2,754,006</b>
Attributable income tax expense	-	-	-	-
<b>Profit for the year from discontinued operations (attributable to owners of the</b>	-	<b>3,053,512</b>	-	<b>2,754,006</b>
	Three months ended, June 30,		Six months ended, June 30,	
	2019 \$	2018 \$	2019 \$	2018 \$
<b>Cash flows from discontinued operations</b>				
Net cash outflow from operating activities	-	(13,125)	-	(205,608)

(b) Details of the sale of Derivado Y Concentrados S.A.C

	\$
Consideration received in cash and cash equivalents	1,068

Analysis of assets and liabilities over which control was lost at date of disposal

Trade and other payables	2,985,309
Derecognition of foreign currency reserve	<u>258,910</u>
Gain on disposal of subsidiary	<u>3,245,287</u>

The above gain on disposal of subsidiary is included in the profit for the period from discontinued operations.

**6. CASH AND CASH EQUIVALENTS**

	Jun 30, 2019	Dec 31, 2018
	\$	\$
Cash and bank balances	<u>2,839,488</u>	<u>5,459,426</u>

All cash balances contained in the above table was available for use by the Group as at June 30, 2019 and December 31, 2018.

**7. RESTRICTED CASH**

	Consolidated	
	Jun 30, 2019	Dec 31, 2018
	\$	\$
Restricted cash	<u>1,358,570</u>	<u>-</u>

The balance in restricted cash reflects applications received in advance relating to a capital raising incomplete as at June 30, 2019 (refer Note 14). This amount is unavailable for use as at June 30, 2019.

**8. TRADE AND OTHER RECEIVABLES**

	Consolidated	
	Jun 30, 2019	Dec 31, 2018
	\$	\$
<b>CURRENT</b>		
Trade receivables	-	14,850
GST/VAT/IGV receivable	1,750,757	1,010,683
Other receivables	85,732	341,769
	<u>1,836,489</u>	<u>1,367,302</u>
<b>NON-CURRENT</b>		
Deposits	80,000	80,000
	<u>80,000</u>	<u>80,000</u>

At the reporting date no trade receivables were past due but not impaired.

## 9. INVENTORIES

	Consolidated	
	Jun 30, 2019	Dec 31, 2018
	\$	\$
Raw materials in stockpile	-	865,778
In process ore	1,223,391	208,791
Auxilliary materials	112,776	6,746
	<b>1,336,167</b>	<b>1,081,315</b>

## 10. ASSETS CLASSIFIED AS HELD FOR SALE

	Consolidated	
	Jun 30, 2019	Dec 31, 2018
	\$	\$
Property, plant and equipment held for sale	1,817,341	1,716,454
	<b>1,817,341</b>	<b>1,716,454</b>

The Group has an agreement in place to sell various property, plant and equipment assets for USD \$1,211,473. As at the date of this report, the sale has not yet been finalised.

## 11. PROPERTY, PLANT AND EQUIPMENT

	\$
<b>Assets at Cost</b>	
<b>Balance at January 1, 2019</b>	<u>3,693,232</u>
Additions	716,909
Disposals	(426,061)
Transferred from Work in Progress	-
Exchange differences	26,528
<b>Balance at June 30, 2019</b>	<u>4,010,608</u>
<b>Accumulated depreciation and impairment</b>	
<b>Balance at January 1, 2019</b>	<u>(1,153,185)</u>
Depreciation	(102,719)
Disposals	336,302
Exchange differences	(7,487)
<b>Balance at June 30, 2019</b>	<u>(927,089)</u>
<b>Net book value</b>	
As at December 31, 2018	<u>2,540,047</u>
<b>As at June 30, 2019</b>	<u>3,083,519</u>

## 12. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	June 30, 2019	December 31, 2018
	\$	\$
Deferred exploration expenditure	1,272,713	841,622

Reconciliation of the carrying amounts of mine assets at the beginning and end of the current financial year:

Carrying amount at beginning of the year	841,622	-
- additions	422,188	453,811
- acquisitions through business combination	-	5,400,000
- impairment	-	(5,055,521)
- impact of foreign exchange	8,903	43,332
	<b>1,272,713</b>	<b>841,622</b>

## 13. INTANGIBLES

	June 30, 2019	December 31, 2018
	\$	\$
Goodwill <sup>(1)</sup>	11,872,056	12,110,496
Other intangibles	80,309	83,042
	<b>11,952,365</b>	<b>12,193,538</b>

(1) Goodwill relates to the acquisition of Andina Resources Limited acquired July 12, 2018. The accounting for the business combination has been determined provisionally as at balance date. Subsequent to balance date, the Group has finalised its assessment and determined that no further changes to the accounting of acquisition of Andina Resources Limited is required – refer Note 19.

## 14. FINANCIAL ASSETS

	June 30, 2019	December 31, 2018
	\$	\$
Financial assets at fair value	2,286,598	-
	<b>2,286,598</b>	<b>-</b>

During the period the Group acquired 9,151,363 shares in Core Gold Inc (TSX: CGLD) for AUD \$4,210,616. These shares are recognised as fair value through other comprehensive income, the fair value movement for the period was a loss of \$2,087,764, with the foreign exchange impact being a gain of \$163,746.

## 15. TRADE AND OTHER PAYABLES

	June 30, 2019	December 31, 2018
	\$	\$
<b>CURRENT</b>		
Trade payables	2,077,012	1,074,995
Applications received in advance <sup>(1)</sup>	1,358,500	-
	<b>3,435,512</b>	<b>1,074,995</b>
<b>NON-CURRENT*</b>		
Trade payables	119,249	119,249
	<b>119,249</b>	<b>119,249</b>

(1) As at June 30, 2019, the Group had received \$1,358,500 of application funds received in advance of the issue of shares. The funds received are not available for use by the Group as at balance date – refer Note 7.

## 16. BORROWINGS

	June 30, 2019	December 31, 2018
	\$	\$
<b>CURRENT</b>		
<i>Secured at amortised cost</i>		
Loan – Silverstream SECZ	2,138,885	1,416,842
Loan – Sophisticated and professional investors <sup>1</sup>	4,545,131	-
	<b>6,684,016</b>	<b>1,416,842</b>
<b>NON-CURRENT</b>		
<i>Secured at amortised cost</i>		
Loan – Silverstream SECZ	3,021,074	3,542,080
	<b>3,021,074</b>	<b>3,542,080</b>
<b>TOTAL BORROWINGS</b>	<b>9,705,090</b>	<b>4,958,922</b>

<sup>1</sup>As announced on March 25, 2019, the Group entered into a secured debt facility with a group of sophisticated and professional investors.

The Loan Facility makes available to Titan up to US\$3,000,000 of financing and Titan has drawn down the full amount in order to purchase 9,151,363 common shares of Core Gold on a private placement basis at a price of C\$0.44 per share as previously announced on March 12, 2019.

The material terms of the loan facility are:

- Amount: US\$3,000,000
- Interest: 15% interest per annum payable at the repayment date.
- Security: Vista Gold S.A.C. and Core Private Placement shares
- Repayment: earlier of 21 days from completion of Titan Core Gold plan of arrangement or 6 months from the draw down date, extendable to 9 months at Titans election with a minimum repayment of 5 months interest payable if repaid prior to five months from the draw down date.
- Covenants: Titan Minerals Limited must ensure that Vista Gold S.A.C conducts its business in the ordinary and usual course of business, and must procure that Vista Gold S.A.C must not, without the Lender's approval:
  - grant any Security Interest over any of the assets or undertaking of Vista Gold S.A.C;
  - enter into any capital expenditure commitments in excess of US\$250,000 (in aggregate);
  - incur any liability other than trade creditors in the ordinary course of business up to a maximum amount of US\$500,000;
  - incur indebtedness in excess of US\$750,000 (in aggregate);
  - issue, or agree to issue, any shares, options or any other security which will convert into shares in Vista Gold S.A.C;

- dispose of or procure, approach or enter into any discussions or negotiations with any third party to dispose of the Vista Gold Plant;
- distribute or return any capital to its members;
- alter their constitution or articles of association;
- pay any dividend to its members or pay any management fee, or similar amount;
- Enter into any contract which could effect the balance sheet negatively or require further debt to service that contract.

## 17. ISSUED CAPITAL

### Issued capital reconciliation

	June 30, 2019	
	Number	\$
<b>Issued capital</b>		
Ordinary shares fully paid	256,370,607	118,034,129
Treasury Shares	-	-
	<b>256,370,607</b>	<b>118,034,129</b>
<b>Movements in shares on issue</b>		
Balance at the beginning of the financial period	2,563,706,065	117,125,794
Share consolidation – 10:1	(2,307,335,458)	-
Disposal of treasury shares <sup>1</sup>	-	908,335
<b>Balance at end of half year</b>	<b>256,370,607</b>	<b>118,034,129</b>

(1) During the period the Group disposed of 65,000,000 treasury shares for cash of \$683,335 and \$225,000 in lieu of cash for settlement of creditors. There are no treasury shares held as at June 30, 2019.

### Terms and conditions of contributed equity

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

#### (a) Shares under option – unlisted

During the period no options were exercised, issued or lapsed. As at June 30, 2019, there are 4,500,000 options outstanding.

## 18. SHARE BASED PAYMENTS

At the Annual General Meeting held on May 30, 2019, shareholders approved to grant 15,000,000 (1,500,000 post consolidation) performance rights to Mr Travis Schwertfeger (COO) as part of his remuneration. The performance rights have the following terms:

Tranche	Performance Rights (post-consolidation)	Milestone	Expiry Date
A	500,000	The Shares achieving a daily VWAP of greater than \$0.50 for a period of 10 consecutive Trading Days	2 years from the date of issue
B	500,000	The Shares achieving a daily VWAP of greater than \$0.60 for a period of 10 consecutive Trading Days	
C	500,000	The Shares achieving a daily VWAP of greater than \$0.70 for a period of 10 consecutive Trading Days	

(i) Fair value of performance rights granted

Set out below is the assessed fair value at grant date of performance rights granted that were in existence throughout the period.

Performance rights:

	Fair value at grant date
Class A – Directors – granted 18 December 2016	\$0.032
Class B – Directors – granted 18 December 2016	\$0.032
Class C – Directors – granted 18 December 2016	\$0.032
Class A – COO – granted 30 May 2019	\$0.005
Class B – COO – granted 30 May 2019	\$0.003
Class C – COO – granted 30 May 2019	\$0.002

## 19. BUSINESS COMBINATION

### Acquisition of Andina Resources Limited

On March 26, 2018 the Group announced that it had entered into a bid implementation agreement with Andina Resources Limited (“Andina”), by which Titan would acquire all of the issued capital in Andina via an off-market takeover bid. Under the bid, Andina shareholders will receive 1 fully paid ordinary share in the capital of Titan Minerals Limited for every 1.18 Andina shares held.

On July 12, 2018, the Group’s acquisition of Andina became unconditional upon the completion of the key conditions of the takeover bid.

The accounting of the business combination had been determined provisionally as at the December 31, 2018 annual financial report. As at the date of this report, the Group has finalised the business combination accounting of the acquisition of Andina.

(a) Consideration transferred

	\$
Issued capital (561,656,376 shares)	17,973,004

(b) Assets acquired and liabilities recognised at the date of acquisition

	\$
Current assets	
Cash and cash equivalents	226,248
Trade and other receivables	1,439,816
Prepayments	460,038
Inventories	1,039,005
Financial assets*	2,080,000
Current tax asset	375,823
Non-current assets	
Property, plant and equipment	3,140,477
Deferred exploration and evaluation expenditure	5,400,000
Deferred tax asset	95,922
Current liabilities	
Trade and other payables	526,606
Financial liabilities	1,015,710
Non-current liabilities	
Financial liabilities	4,109,524
Other financial liabilities**	1,114,273
Deferred tax liabilities	1,390,268
Total assets acquired and liabilities recognised at the date of acquisition	<b>6,100,948</b>

\*Andina Resources Limited held in its shares in Titan Minerals Limited as at the date of the acquisition with a value of \$2,080,000. Upon acquisition of these shares, they are now recognised by the Group as treasury shares in Equity (refer Note 19) as at year end.

\*\*Other financial liabilities relates to the loan owing from Mantle Mining S.A.C (a subsidiary of Andina Resources Limited), to Hogan's Heros S.A.C (a subsidiary of Titan Minerals Limited). Upon acquisition of Andina, this loan eliminates upon consolidation.

Goodwill arising on acquisition

	\$
Consideration transferred	17,973,004
Less: Fair value of identifiable net assets and liabilities acquired	<u>(6,100,948)</u>
Goodwill (Note 12)	11,872,056

## 20. CONTINGENCIES AND COMMITMENTS

There are no material changes to contingent liabilities or commitments of the consolidated entity since the last annual reporting date.





**TITAN MINERALS LIMITED  
(ACN 117 790 897)**

**Condensed Consolidated Interim Financial Statements  
June 30, 2018**

# Notice to the users of these Condensed Consolidated Interim Financial Statements

For the Three and Six Months ended June 30, 2018

Titan Minerals Limited

The accompanying unaudited condensed consolidated interim financial statements of Titan Minerals Limited were prepared by management in accordance with International Financial Reporting Standards ("IFRS"). Only changes in accounting policies have been disclosed in these unaudited condensed consolidated interim financial statements. Management acknowledges responsibility for the preparation and presentation of the unaudited condensed consolidated interim financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Group's circumstances.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that:

- (iii) the unaudited condensed consolidated interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited condensed consolidated interim financial statements and
- (iv) the unaudited condensed consolidated interim financial statements fairly present in all material respects the financial position, results of operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited condensed consolidated interim financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited condensed consolidated interim financial statements together with other financial information of the Group's and for ensuring that management fulfils its financial reporting responsibilities.

Management recognises its responsibility for conducting the Group's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

## Condensed Consolidated Statement of Profit and Loss and Other Comprehensive Income

For the period ended June 30, 2018

(all amounts stated are Australian dollars)

	Note	Three months ended, June 30,		Six months ended, June 30,	
		2018	2017*	2018	2017*
<b>CONTINUING OPERATIONS</b>					
Revenue from contracts with customers	4	-	3,630	-	4,061
Cost of sales		-	(184,951)	-	(1,448,436)
Gross profit		-	(181,321)	-	(1,444,375)
Other revenue		2,385	-	4,951	-
Administration expenses	4	(741,006)	(81,277)	(1,069,402)	(186,853)
Foreign exchange gain/(loss)		132,020	168,711	81,450	190,295
Finance costs		-	(2,733)	-	(4,304)
Bad debts		(410,878)	-	(475,227)	-
Impairment expense		(128,646)	-	(128,646)	-
Share based payments		(205,934)	-	(409,605)	-
<b>(LOSS) BEFORE INCOME TAX EXPENSE</b>		(1,352,059)	(96,620)	(1,996,479)	(1,445,237)
Income tax expense		-	-	-	-
<b>(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS</b>		(1,352,059)	(96,620)	(1,996,479)	(1,445,237)
<b>DISCONTINUED OPERATIONS</b>					
Profit for the period on discontinued operations	5	3,053,512	(183,312)	2,754,006	1,442,914
<b>PROFIT / (LOSS) FOR THE PERIOD</b>		1,701,453	(279,932)	757,527	(2,323)
<b>OTHER COMPREHENSIVE INCOME</b>					
Items that may be reclassified subsequently to profit or loss					
- Exchange differences on translating foreign operations		299,957	(248,242)	245,251	(1,429,222)
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF INCOME TAX</b>		299,957	(248,242)	245,251	(1,429,222)
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>		2,001,410	(528,174)	1,002,778	(1,431,545)
<b>EARNINGS PER SHARE (cents per share)</b>					
<b>Basic earnings per share</b>					
From continuing operations		(0.079)	(0.93)	(0.112)	(13.92)
From discontinued operations		0.178	(1.765)	0.164	13.90
<b>Diluted earnings per share</b>					
From continuing operations		(0.079)	(0.93)	(0.112)	(13.92)
From discontinued operations		0.178	(1.765)	0.164	13.90

\* The Company was under external administration from 25 August 2015 to 4 October 2017, consequently the Company may not have sufficient information to allow the level of disclosure required for the comparative period ended June 30, 2017.

Notes to the condensed consolidated financial statements form part of these financial statements.

## Condensed Consolidated Statement of Financial Position

**As at June 30, 2018**  
(all amounts stated are Australian dollars)

	Note	Consolidated	
		June 30, 2018	December 31, 2017
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6	6,798,916	2,931,791
Trade and other receivables	7	155,479	289,776
<b>TOTAL CURRENT ASSETS</b>		<b>6,954,395</b>	<b>3,221,567</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	7	1,113,244	98,097
Property, plant and equipment	8	1,184,156	1,000,000
Mine assets		172,777	172,777
Deferred exploration and evaluation expenditure		159,215	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>2,629,392</b>	<b>1,270,874</b>
<b>TOTAL ASSETS</b>		<b>9,583,787</b>	<b>4,492,441</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	9	728,385	1,064,929
Borrowings	10	-	174,637
<b>TOTAL CURRENT LIABILITIES</b>		<b>728,385</b>	<b>1,239,566</b>
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables	9	-	2,204,403
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>-</b>	<b>2,204,403</b>
<b>TOTAL LIABILITIES</b>		<b>728,385</b>	<b>3,443,969</b>
<b>NET ASSETS</b>		<b>8,855,402</b>	<b>1,048,472</b>
<b>EQUITY</b>			
Issued capital	11	97,445,427	91,050,880
Reserves		3,228,825	2,573,969
Accumulated losses		(91,818,850)	(92,576,377)
<b>TOTAL EQUITY</b>		<b>8,855,402</b>	<b>1,048,472</b>

Notes to the condensed consolidated financial statements form part of these financial statements.

## Condensed Consolidated Statement of Changes in Equity

**For the period ended June 30, 2018**  
(all amounts stated are Australian dollars)

	Issued Capital	Share Based Payment Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
<b>Balance as at January 1, 2017*</b>	<b>78,619,000</b>	<b>2,821,000</b>	<b>(1,902,546)</b>	<b>(105,009,393)</b>	<b>(25,471,939)</b>
Loss for the period	-	-	-	(2,323)	(2,323)
Other comprehensive income for the period, net of income tax	-	-	(1,429,222)	-	(1,429,222)
Total comprehensive income for the period	-	-	<b>(1,429,222)</b>	<b>(2,323)</b>	<b>(1,431,545)</b>
Issue of shares	-	-	-	-	-
Capital raising costs	-	-	-	-	-
<b>Balance at June 30, 2017*</b>	<b>78,619,000</b>	<b>2,821,000</b>	<b>(3,331,768)</b>	<b>(105,011,716)</b>	<b>(26,903,484)</b>
<b>Balance as at January 1, 2018</b>	<b>91,050,880</b>	<b>2,825,527</b>	<b>(251,558)</b>	<b>(92,576,377)</b>	<b>1,048,472</b>
Loss for the period	-	-	-	757,527	757,527
Other comprehensive income for the period, net of income tax	-	-	245,251	-	245,251
Total comprehensive income for the period	-	-	<b>245,251</b>	<b>757,527</b>	<b>1,002,778</b>
Issue of shares	7,000,030	-	-	-	7,000,030
Capital raising costs	(605,483)	-	-	-	(605,483)
Share based payments	-	409,605	-	-	409,605
<b>Balance at June 30, 2018</b>	<b>97,445,427</b>	<b>3,235,132</b>	<b>(6,307)</b>	<b>(91,818,850)</b>	<b>8,855,402</b>

\* The Company was under external administration from 25 August 2015 to 4 October 2017, consequently the Company may not have sufficient information to allow the level of disclosure required for the comparative period ended June 30, 2017.

Notes to the condensed consolidated financial statements form part of these financial statements.

## Condensed Consolidated Statement of Cash Flows

For the period ended June 30, 2018  
(all amounts stated are Australian dollars)

	Three months ended, June 30,		Six months ended, June 30,	
	2018	2017*	2018	2017*
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from gold sales and toll processing	-	204,557	-	584,164
Payments to suppliers and employees	(868,807)	(596,514)	(1,279,684)	(1,143,289)
Interest and other costs of finance paid	(476)	(11,608)	4,951	(18,120)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(869,283)</b>	<b>(403,565)</b>	<b>(1,274,733)</b>	<b>(577,245)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for property, plant & equipment	(28,866)	-	(191,921)	-
Payments of exploration and evaluation costs	(103,327)	-	(151,451)	-
Payment for financial assets	-	-	-	-
Loans provided to third parties	(1,035,073)	-	(1,113,244)	-
Proceeds from repayments of loans provided to third parties	-	-	201,785	-
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(1,167,266)</b>	<b>-</b>	<b>(1,254,831)</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from issue of shares (net of capital raising costs)	6,394,547	-	6,394,547	-
Proceeds from the disposal of treasury shares	-	-	-	-
Proceeds from borrowings	-	380,636	-	569,848
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>6,394,547</b>	<b>380,636</b>	<b>6,394,547</b>	<b>569,848</b>
Net increase / decrease in cash and cash equivalents	4,357,998	(22,929)	3,864,983	(7,397)
Cash and cash equivalents at the beginning of the period	2,439,375	71,760	2,931,791	57,652
Effects of exchange rate changes on the balance of cash held in foreign currencies	1,543	(451)	2,142	(1,875)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>6,798,916</b>	<b>48,380</b>	<b>6,798,916</b>	<b>48,380</b>

\* The Company was under external administration from 25 August 2015 to 4 October 2017, consequently the Company may not have sufficient information to allow the level of disclosure required for the comparative period ended June 30, 2017.

Notes to the condensed consolidated financial statements form part of these financial statements.

# Notes to the Condensed Consolidated Financial Statements

## 4. GENERAL INFORMATION

Titan Minerals Limited is a for-profit listed public company, incorporated in Australia and operates in Australia (corporate office) and in South America. The Group's registered office is in Suite 7, 295 Rokeby Road, Subiaco, WA 6008 Australia.

## 5. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of preparation

These unaudited condensed consolidated interim financial statements have been prepared in accordance with AASB 134 "Interim Financial Reporting". Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 134 "Interim Financial Reporting". The report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

The unaudited condensed consolidated interim financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars unless otherwise noted.

The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

### Adoption of new and revised accounting standards

The financial statements have been prepared in accordance with the same accounting policies adopted in the Group's last annual financial statements for the year end December 31, 2017, except for the below:

The Group has adopted AASB 9: *Financial Instruments* and AASB 15: *Revenue from Contracts with Customers* from 1 January 2018. The below denotes the impact (if any) on the Group's financial report:

#### Adoption of AASB 15: Revenue from Contracts with Customers

The Group has adopted AASB 15: *Revenue from Contracts with Customers*, which supersedes AASB 18: *Revenue*, from 1 January 2018. In accordance with the transition provision in AASB 15, the Group has adopted the new rules prospectively from 1 January 2018 and was not required to restate comparatives.

As the Group does not have any material revenue streams during the 6 month period ended June 30, 2018, the adoption of this standard has not resulted in a material impact to the Group's financial information.

#### Adoption of AASB 9: Financial Instruments

The Group has adopted AASB 9: *Financial Instruments* effective 1 January 2018, which replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of AASB 9 did not result in a material change to the recognition or measurement of financial instruments for the Group as presented in the financial report.

### **Incomplete records – opening balances**

As disclosed in the December 31, 2017 annual report, the condensed consolidated interim financial statements for the three and six month periods ending June 30, 2017 has been prepared by Directors who received custodianship of the operations of the Group upon effectuation of the Deed of Company Arrangement and resignation of the Administrator on or after 4 October 2017. As such, the Directors did not have control of the Company until control was transferred to them on the effectuation of the deed of company arrangement on 4 October 2017.

Prior to October 4, 2017, the current Directors did not have oversight or control over the Company's financial reporting systems including but not limited to being able to obtain access to complete accounting records of the Company. The Directors have reconstructed the financial records of the company for the period January 1, 2017 to October 4, 2017 using data extracted from the Company's accounting system. However, there may have been information that the current Directors were not able to obtain, the impact of which may or may not have been material on the financial performance for the three and six month periods ended June 30, 2017.

The current Directors have not been able to source books and records of the Company's subsidiaries up to October 4, 2017 when the ownership of the subsidiaries was transferred to the creditors' trust.

Consequently, although the Directors have prepared this financial report to the best of their knowledge based on the information made available to them, they were of the opinion that it was not possible to state that these financial reports have been prepared in accordance with Australian Accounting Standards including Australian interpretations, other authoritative pronouncements of the Australian Accounting Standard Board and the Corporations Act 2001, nor was it possible to state these financial reports gave a true and fair view of the Group's financial performance.

## **6. SEGMENT INFORMATION**

### **Identification of Reportable Segments**

The Company has identified its operating segments based on the internal reports that are reviewed and used by the Board (the chief operating decision-maker) in assessing performance and in determining the allocation of resources. The operating segments are identified by the Board based on reporting lines and the nature of services provided. Discrete financial information about each of these operating segments is reported to the Board on a monthly basis. The Company operates predominately in Peru. The reportable segments are based on aggregated operating segments determined by the similarity of the services provided and other factors.

### **Segments**

The Group had one reportable operating segment which is the same as its geographical segments, this is gold and silver exploration in Peru.

Segment result represents the profit or loss earned by each segment without allocation of corporate administration costs, investment revenue and finance costs or income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

### **Holding Company**

Holding Company costs (or unallocated costs, assets and liabilities) are those costs which are managed on a Group basis are not allocated to business segments. They include costs associated with executive management, strategic planning and compliance costs.

### **Accounting Policies**

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries, share of profits of associates, gain recognised on disposal of interest in former associate, investment income, gains and losses, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

### **Intersegment Transfers**

There have been no intersegment sales during the period.



### 3. SEGMENT INFORMATION (continued)

The following is an analysis of the Group's revenue and results by reportable operating segment for the period under review:

	Revenue		Segment Result	
	Three months ended		Three months ended	
	June 30, 2018	June 30, 2017*	June 30, 2018	June 30, 2017*
	\$	\$	\$	\$
<b>Continuing operations</b>				
Segment result before income tax – Peru Gold	-	*	(320,424)	*
Segment result before income tax – Peru Copper	-	*	-	*
Segment result before income tax – USA	-	*	-	*
	-	3,630	(320,424)	(219,270)
Other revenue			2,385	*
Central administration costs and director salaries			(960,106)	(43,328)
Foreign exchange costs			132,020	168,711
Finance costs			-	(2,733)
Share based payments			(205,934)	-
Loss before income tax expense			(1,352,059)	(96,620)
Income tax expense			-	-
Loss for the period from continuing operations			(1,352,059)	(96,620)
	Revenue		Segment Result	
	Six months ended		Six months ended	
	June 30, 2018	June 30, 2017*	June 30, 2018	June 30, 2017*
	\$	\$	\$	\$
<b>Continuing operations</b>				
Segment result before income tax – Peru Gold	-	*	(619,928)	*
	-	4,061	(619,928)	(1,588,228)
Other revenue			4,951	*
Central administration costs and director salaries			(1,053,347)	(43,000)
Foreign exchange costs			81,450	190,295
Finance costs			-	(4,304)
Share based payments			(409,605)	0
Loss before income tax expense			(1,996,479)	(1,445,237)
Income tax expense			-	-
Loss for the period from continuing operations			(1,996,479)	(1,445,237)

The following is an analysis of the Group's assets by reportable operating segment:

<b>Assets</b>	<b>30 Jun 2018</b>	<b>31 Dec 2017</b>
Peru gold business	2,629,392	1,270,874
Unallocated assets	6,954,395	3,221,567
<b>Consolidated total assets</b>	<b>9,583,787</b>	<b>4,492,441</b>

The following is an analysis of the Group's liabilities by reportable operating segment:

<b>Liabilities</b>	<b>30 Jun 2018</b>	<b>31 Dec 2017</b>
Peru gold business	(586,604)	(3,347,206)
Unallocated liabilities	(141,781)	(96,763)
<b>Consolidated total liabilities</b>	<b>(728,385)</b>	<b>(3,443,969)</b>

\* The Company was under external administration from 25 August 2015 to 4 October 2017, consequently the Company may not have sufficient information to allow the level of disclosure required for the comparative period ended June 30, 2017.

#### 4. REVENUE AND EXPENSES

	Three months ended, June 30,		Six months ended, June 30,	
	2018 \$	2017* \$	2018 \$	2017* \$
<b>(a) Revenue</b>				
Revenue from toll processing	-	3,630	-	4,061
	<b>-</b>	<b>3,630</b>	<b>-</b>	<b>4,061</b>

\* The Company was under external administration from August 25, 2015 to October 4, 2017, consequently the Company may not have sufficient information to allow the level of disclosure required for the comparative period ended June 30, 2017.

	Three months ended, June 30,		Six months ended, June 30,	
	2018 \$	2017* \$	2018 \$	2017* \$
<b>(b) Expenses</b>				
<i>(ii) Administration expenses</i>				
Compliance expenses	(140,582)	*	(195,693)	*
Depreciation and amortisation	-	*	-	*
Legal costs	(119,321)	*	(206,270)	*
Professional fees and consultants	(340,709)	*	(439,854)	*
Director fees	(54,000)	*	(102,000)	*
Advertising and investor relations	-	*	-	*
Travel and accommodation	(70,586)	*	(104,293)	*
Employee benefits expense	-	*	-	*
Other Administration costs	(15,808)	*	(21,292)	*
	<b>(741,006)</b>	<b>(81,277)</b>	<b>(1,069,402)</b>	<b>(186,853)</b>

\* The Company was under external administration from 25 August 2015 to 4 October 2017, consequently the Company may not have sufficient information to allow the level of disclosure required for the comparative period ended June 30, 2017.

## 5. DISCONTINUED OPERATIONS

On 15 June 2018, the Group disposed of its 100% owned subsidiary Derivado Y Concentrados S.A.C for 3,500 Soles (AUD \$1,068).

(c) Financial performance and cash flow information

	Three months ended, June 30,		Six months ended, June 30,	
	2018 \$	2017* \$	2018 \$	2017* \$
<b>Profit for the period from discontinued</b>				
Revenue	-	200,927	-	527,850
Cost of goods sold	-	(191,488)	-	(1,065,209)
Gross profit	-	9,439	-	(537,359)
Other expenses	(191,775)	(192,751)	(491,281)	(788,672)
Reversal of write-down	-		-	2,768,945
<b>(Loss) / profit for the year from discontinued operations until date of disposal</b>	(191,775)	(183,312)	(491,281)	1,442,914
Gain on disposal	3,245,287	-	3,245,287	-
<b>Profit before income tax</b>	3,053,512	(183,312)	2,754,006	1,442,914
Attributable income tax expense	-	-	-	-
<b>Profit for the year from discontinued operations (attributable to owners of the</b>	3,053,512	(183,312)	2,754,006	1,442,914
	Three months ended, June 30,		Six months ended, June 30,	
	2018 \$	2017* \$	2018 \$	2017* \$
<b>Cash flows from discontinued operations</b>				
Net cash outflow from operating activities	(13,125)	(205,070)	(205,608)	(213,584)

\* The Company was under external administration from August 25, 2015 and ending October 4, 2017, consequently the Company may not have sufficient information to allow the level of disclosure required for the comparative period ended June 30, 2017.

(d) Details of the sale of Derivado Y Concentrados S.A.C

	\$
Consideration received in cash and cash equivalents	1,068

Analysis of assets and liabilities over which control was lost at date of disposal

Trade and other payables	2,985,309
Derecognition of foreign currency reserve	258,910
Gain on disposal of subsidiary	3,245,287

The above gain on disposal of subsidiary is included in the profit for the period from discontinued operations.

**6. CASH AND CASH EQUIVALENTS**

	June 30, 2018	December 31, 2017
Cash and bank balances	6,798,916	2,931,791

All cash balance contained in the above table was available for use by the Group as at June 30, 2018 and December 31, 2017.

**7. TRADE AND OTHER RECEIVABLES**

	June 30, 2018	December 31, 2017
<b>CURRENT</b>		
GST receivable	153,624	98,572
Other receivables	1,855	191,204
	<b>155,479</b>	<b>289,776</b>
<b>NON-CURRENT</b>		
Loan – Mantle <sup>1</sup>	1,113,244	-
Other	-	98,097
	<b>1,113,244</b>	<b>98,097</b>

<sup>1</sup> During the period funds have been advanced to Mantle Mining Peru SAC (“Mantle”) by the Group. Mantle is a wholly owned subsidiary of Andina Resources Limited, whom the Group has entered into a bid implementation agreement with to acquire all of the issued share capital in Andina via an off-market takeover bid. The loan is interest-free with no set terms of repayment. The acquisition of Andina was completed in August 2018.

## 8. PROPERTY, PLANT AND EQUIPMENT

		\$
<b>Balance at July 1, 2017</b>	-	-
Additions	-	-
Property, Plant & Equipment *	1,000,000	1,000,000
<b>Balance at December 31, 2017</b>	1,000,000	1,000,000
Additions	182,960	182,960
Impact of foreign exchange	8,961	8,961
<b>Balance at June 30, 2018</b>	1,191,921	1,191,921
<b>Accumulated depreciation and impairment</b>		
<b>Balance at July 1, 2017</b>	-	-
Depreciation	-	-
<b>Balance at December 31, 2017</b>	-	-
Depreciation	7,402	7,402
Impact of foreign exchange	363	363
<b>Balance at June 30, 2018</b>	7,765	7,765
<b>Net book value</b>		
As at December 31, 2017	1,000,000	1,000,000
<b>As at June 30, 2018</b>	1,184,156	1,184,156

\* When the directors resumed custodianship of the Company it was noted that the San Santiago plant has a provision for impairment that brought the book value to \$0. The directors obtained a third-party valuation report on the San Santiago plant from Primero Group Pty Ltd to ascertain what the fair value of the plant should be now that the Company was out of administration. The valuator used an order of magnitude valuation estimate and arrived at a fair value of US\$1,302,500. The directors approved a conservative approach to reverse the provision for impairment back to an ascribed fair value of AU\$1,000,000 for the San Santiago plant.

## 9. TRADE AND OTHER PAYABLES

	June 30, 2018	December 31, 2017
	\$	\$
<b>CURRENT</b>		
Trade and other payables	728,385	340,952
Employee benefits	-	723,977
	<b>728,385</b>	<b>1,064,929</b>
<b>NON-CURRENT*</b>		
Trade and other payables	-	1,801,826
Tax liabilities	-	402,577
	-	<b>2,204,403</b>

\* When the directors resumed custodianship of the Company it was noted that a large portion of the payables in the subsidiaries related to debts owed from the period 2010-2016. Some of which pre-dated the Company's acquisition of the subsidiaries. It is the directors expectation that the Company will not settle these outstanding liabilities within the next 12 months as the validity of the liabilities cannot be confirmed, and therefore have classified these liabilities as non-current.

## 10. BORROWINGS

	June 30, 2018 \$	December 31, 2017 \$
<b>CURRENT</b>		
<b><i>Unsecured at amortised cost</i></b>		
Loans	-	174,637
	<b>-</b>	<b>174,637</b>

As at December 31, 2017, the Group owed Andina Resources Limited (a director related entity with Mr Matthew Carr) a total of \$174,637. The terms of the loan are that the loan is payable on demand, is unsecured and has a 0% interest rate.

## 11. ISSUED CAPITAL

### Issued capital reconciliation

	June 30, 2018	
	Number	\$
<b>Issued capital</b>		
Ordinary shares fully paid	<b>1,868,715,356</b>	<b>97,445,427</b>
<b>Movements in shares on issue</b>		
Balance at the beginning of the financial period	1,635,381,023	91,050,880
Issued during the period	233,334,333	7,000,030
Capital raising costs	-	(605,483)
<b>Balance at end of period</b>	<b>1,868,715,356</b>	<b>97,445,427</b>

### Terms and conditions of contributed equity

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

### (b) Shares under option – unlisted

During the period no options were exercised or issued during the period. The number of options that lapsed during the period are denoted below.

Unquoted share options granted carry no rights to dividends and no voting rights and details of the movement in unissued shares or interests under option as at June 30, 2018 are:

	Number of Options (Unlisted)
Balance at the beginning of the period	209,357
Share options lapsed from January 1, 2018 to June 30, 2018	(209,357)
<b>Total number of options outstanding as at June 30, 2018</b>	<b>-</b>

## 12. SHARE BASED PAYMENTS

At the General Meeting held on December 18, 2016, shareholders approved to grant 80,500,000 performance rights as remuneration (Class A, B, C). The rights entitled the directors and company secretary to shares in Titan Minerals Limited on achievement of market conditions. Under the plan, the participant was granted performance rights which only vest if certain market conditions are met.

The amount of rights that will vest depends on the achievement of three market-based conditions. The three conditions are market-based condition related to achieving a 10-day volume weighted average price of shares on the ASX of greater than \$0.05, \$0.06 and \$0.07 respectively.

Performance rights convert to shares on the date of vesting with no exercise price or share issue price being payable.

Set out below is the summary of rights granted and approved by shareholders. The Directors have assessed the likelihood of the rights vesting of Class A, B and C market conditions prior to expiry.

(i) Fair value of performance rights granted

Set out below is the assessed fair value at grant date of performance rights granted that were in existence throughout the period.

Performance rights:

	Fair value at grant date
Class A – market	\$0.032
Class B – market	\$0.032
Class C – market	\$0.032

### 13. KEY MANAGEMENT PERSONNEL

There has been no change in related party transactions since the last annual reporting period

### 14. CONTINGENCIES AND COMMITMENTS

The Group was in administration from August 25, 2015 and ending October 4, 2017, and as a result potential contingent liabilities may arise from when the Group did not control its subsidiaries in Peru. To the best of our knowledge, there are no such liabilities that are required to be accrued in these financial statements, or known contingent liabilities to be disclosed, as at the date of this report.

There were no other material changes to contingent liabilities or commitments of the consolidated entity since the last annual reporting date.

## Statement of Profit or Loss & Other Comprehensive Income

(on the basis that Andina Resources Limited was acquired on 1 January 2018)

	<b>Consolidated Year ended</b>
	<b>31 Dec 2018</b>
<b>CONTINUING OPERATIONS</b>	
Revenue	11,926,530
Cost of sales	<u>(10,799,541)</u>
Gross loss	1,126,989
Other revenue	15,926
Depreciation and amortisation charges	(161,666)
Administration expenses	(3,800,146)
Foreign Exchange	264,021
Finance costs	(195,966)
Impairment	(7,066,878)
Share based payments expense	(2,272,004)
Assumption of liability	(4,951,684)
Other expenses	<u>(154,130)</u>
<b>PROFIT/ (LOSS) BEFORE INCOME TAX EXPENSE</b>	<b>(17,195,538)</b>
Income tax expense / (benefit)	<u>-</u>
<b>PROFIT/ (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>	<b>(17,195,838)</b>
<b>Discontinued operations</b>	
Profit for the year from discontinued operations	<u>2,932,262</u>
<b>PROFIT/ (LOSS) FOR THE YEAR</b>	<b>(14,263,276)</b>
<b>OTHER COMPREHENSIVE INCOME</b>	
Exchange differences on translating foreign operations	<u>298,085</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX</b>	<b>298,085</b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>	<b>(13,965,191)</b>





**TITAN MINERALS LIMITED**  
**(ACN 117 790 897)**

**Annual Financial Report**  
**for the year ended 31 December 2018**

**Corporate Directory**

**Directors**

Matthew Carr  
Nicholas Rowley  
Robert Sckalor  
Cameron Henry

**Company Secretary**

Zane Lewis

**Registered Office & Principal Place of Business**

Suite 6, 295 Rokeby Road  
SUBIACO WA 6008  
  
Telephone: +61 8 6555 2950  
Facsimile: +61 8 6166 0261

**Auditors**

Stantons International Audit and Consulting Pty  
Ltd  
Level 2, 1 Walker Avenue  
West Perth  
Western Australia 6005

**Share Registry**

Automatic Share Registry  
Level 2  
267 St Georges Terrace  
Perth WA 6000

**Australian Company Number**

ACN 117 790 897

**ASX Code**

TTM

**Australian Business Number**

ABN 97 117 790 897

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## Directors' Report

### 1. Directors' Information

The directors and company secretary of Titan Minerals Limited (the "Company" or "Titan") and its controlled entities (together the "Group" or "Consolidated Entity") during the financial year end until the date of this report were as follows:

### 2. Directors and Company Secretary

**Matthew Carr** – appointed as director on 3 February 2017, current.

**Nicholas Rowley** – appointed as a director on 9 August 2016, current.

**Robert Skalor** – appointed as director on 7 August 2017, current.

**Cameron Henry** – appointed as director on 8 August 2017, current.

**Zane Lewis** – appointed as company secretary on 11 August 2016, current.

### 3. Directors' Meetings

Eight meetings of the directors of the Company have been held during the financial year ended 31 December 2018.

### 4. Principal Activities

The Group's principal activities during the course of the financial year were the operation of the Tulin gold toll treatment operation in Peru, and construction of the Vista gold plant. The Company also progressed activities on gold exploration concessions and completed reconnaissance scale work towards development by way of merger and acquisition of a portfolio of gold and copper projects in South America, with a focus on the Andean Terrane.

### 5. Significant changes in the state of affairs and review of operations

The following significant changes in the state of affairs of the Consolidated Entity occurred during the financial year:

The loss of the Group for the year ended 31 December 2018 amounted to \$7,810,308 (31 December 2017: profit of \$12,433,016).

### Corporate

On March 26, 2018, Titan announced that it had entered into a bid implementation agreement with Andina Resources Ltd ("Andina"), by which Titan would acquire all of the issued capital in Andina via an off-market takeover bid with Andina shareholders receiving 1 Titan Share for every 1.18 Andina shares held ("Andina Acquisition").

On July 12, 2018, Titan announced that Titan shareholders had approved all resolutions necessary to satisfy conditions under the bidder statement dated May 23, 2018 making the Andina Acquisition unconditional. On July 24, 2018 Titan announced that it held 97.09% of Andina shares on issue. On September 27, 2018 Titan completed the acquisition of all remaining ordinary shares in Andina.

On May 22, 2018, Titan announced that it had received firm commitments to raise approximately A\$11,000,000 by issuing 366,666,666 Titan Shares at \$0.03 per share to institutional and sophisticated investors. Titan advised that the capital raising would be completed in two tranches. On May 28, 2018, Titan announced that it had issued the first tranche of 233,333,333 Titan Shares raising a total of A\$7,000,000. On July 17, 2018, Titan announced that it had issued the second tranche of 133,333,333 Titan Shares to raise A\$4,000,000.

On June 28, 2018, Titan announced that it had appointed Mr. Travis Schwertfeger to the role of Chief Operations Officer and Group Geologist for Titan.

On August 10, 2018, Titan announced that it had engaged Canaccord Genuity (Australia) Limited ("Canaccord") to provide corporate advisory services to Titan in consideration for which Titan had agreed to issue Canaccord 45,000,000 unquoted options comprised of: (i) 12,000,000 options exercisable at \$0.05 each on or before July 1, 2021; (ii) 15,000,000 options exercisable at \$0.06 each on or before July 1, 2021; and (iii) 18,000,000 options exercisable at \$0.07 each on or before July 1, 2021.

**Core Gold Merger – Ecuador**

Subsequent to the reporting period, Titan and Core Gold Inc. (“Core Gold”) jointly announced that the companies have entered into a binding arrangement agreement (the “Arrangement Agreement”), pursuant to which Titan will acquire all of the issued and outstanding Core Gold common shares by way of a share exchange (the “Merger”). The Merger will create a diversified Latin America focused ASX-listed gold company with a robust portfolio of exploration, development and production assets in both the emerging mining jurisdiction of Ecuador and the well-established mining jurisdiction of Peru. The proposed Arrangement Agreement will provide the merged company with a strong pipeline of growth opportunities.

In support of Core Gold and the proposed merger, on 25 March 2019, Titan announced completion of a US\$3 million private placement with Core Gold Limited, as part of the amending agreement announced 12 March 2019. The amendment amended the terms of the previously announced arrangement agreement between Titan and Core Gold of which Titan will acquire all the issued and outstanding Core Gold common shares by way of a court approved share exchange plan of arrangement.

As part of the amending agreement, all of the directors and current senior management of Core Gold holding in aggregate 38,041,981 Core Gold shares, representing 25.1% of the currently issued and outstanding common shares of Core Gold and 23.7% following the private placement, have entered into customary voting and support agreements that require those Directors and senior management to vote in favour of the Merger at the Core Gold shareholder meeting to be convened to approve the Merger. Together with Titan’s 5.7%, these shareholders have agreed to vote their 29.4% collective common share position in Core in favour of the Merger.

Under the Amending Agreement Titan and Core Gold have agreed:

- Termination of the go-shop period in which Core Gold was permitted to solicit superior proposals
- Increase the break fee payable by Core Gold to Titan in the event of a superior cash proposal from C\$500,000 to C\$3,000,000
- Titan’s consent will be required for any disposal by Core Gold of non-core assets prior to closing
- Titan’s consent will also be required for any private placement of the shares of Core Gold, other than a private placement of up to US\$8 million at not less than C\$0.44 per share.

**Ecuador Asset Overview****Dynasty Goldfield - Ecuador:**

The Dynasty Goldfield project (100% owned), located in the Loja Province in southwestern Ecuador, is an advanced stage gold project with a CIM compliant mineral resource estimate of:

Category	oz Au	Au g/t	oz Ag	Ag g/t	Tonnes
Measured	437,000	4.7	3,567,000	38.1	2,909,000
Indicated	585,000	4.6	4,936,000	38.8	3,958,000
<b>Total M&amp;I</b>	<b>1,022,000</b>	<b>4.6</b>	<b>8,504,000</b>	<b>38.5</b>	<b>6,867,000</b>
Inferred	1,118,000	4.4	9,901,000	39.4	7,825,000

*Table 1: Mineral Resource Estimation as per Core press release dated November 5, 2014 for the Canadian NI 43-101 Technical Report titled “Dynasty Goldfield Project, Celica, Loja Province, Ecuador” dated October 22, 2014.*

Dynasty Goldfield is currently operating as a small-scale open pit mining operation and is the first fully permitted open pit gold mine in Ecuador. The Dynasty Goldfield project consists of 3 mining concessions at altitudes ranging from 1,100 – 1,800m above sea level and covers an area of approximately 6,700 hectares. 120+ major veins have been identified in 6km strike, predominantly drilled to less than 100m vertical extent. Cerro Verde small scale mining has only exploited 3 of 120 veins and has identified an additional 4 ‘blind’ veins’ in ongoing development work. An updated NI 43-101 technical report with restated mineral resource estimation is currently in progress and is expected to be completed prior to mailing of Core Gold’s circular.

As at the time of this report, the Company is not in possession of any new information or data relating to the foreign estimate that materially impacts on the reliability of the estimates or the mining entity’s ability to verify

the foreign estate as minerals resources in accordance with the JORC Code. Titan confirms that the supporting information in the initial market announcement by the Company dated 25 February 2019 (“Initial Announcement”) continues to apply and has not materially changed.

The information in this announcement relating to Mineral Resource Estimates for the Dynasty Goldfield Project is a foreign estimate and is not reported in accordance with the JORC Code. A competent person has not done sufficient work to classify this foreign estimate as a mineral resource in accordance with the JORC Code and it is uncertain that following further exploration work that this foreign estimate will be able to be reported as a mineral resource in accordance with the JORC Code.

As at the date of reporting, no progress on exploration activity as proposed in the Initial Announcement in accordance with ASX listing rule 5.12.7 has been made towards verifying the foreign estimate as a mineral resource in accordance with the JORC Code.

The foreign estimate has not been verified as a mineral resource in accordance with the JORC Code where (i) the Initial Announcement of the foreign estimate post-dates the reporting period of this report and (ii) the proposed exploration activity remains subject to completion of the proposed Merger with Core Gold.

Following completion of the Merger (refer to Timetable in the Initial Announcement) it is Titan’s intention to undertake an evaluation of the data, and initiate further exploration work planned for the Dynasty Goldfield Project to underpin a mineral resource estimation report in accordance with the JORC Code that will include, but is not limited to: (i) Comprehensive re-logging and digital photograph acquisition of archived diamond core material previously drilled on the project, (ii) in-fill drilling to confirm confidence in projected mineralisation, and selective twinning of previous drilling for verification purposes, (iii) additional metallurgical studies to underpin assumption or predictions to underpin anticipated preliminary economic assessments.

Subject to completion of the Merger and any relevant permitting requirements, the proposed exploration activity and evaluation work is planned to be completed during CY2019, with the aim to have an updated Mineral Resource estimation reported in accordance with the principles of the JORC Code within a year of completion of the Merger. Proposed work will be funded out of the capital raised as a condition of the Arrangement Agreement. The company intends to provide regular updates on timing of a mineral resource update and will regularly report result of exploration activity in compliance with continuous disclosure obligations under ASX listing rule 3.1.

Linderos Project - Ecuador:

The Linderos project (100% owned) is a new high-grade gold discovery identified by Core Gold during its 2017 exploration efforts. Core Gold announced the results of a maiden 2,000m diamond drill test from its 2018 program, which returned select high grade intervals of 5.94 m @ 10.8 g/t Au and 7.80 m @ 5.3 g/t Au. Core Gold’s four contiguous Linderos project concessions total 14,317 hectares and are located approximately 45km southwest of Core Gold’s Dynasty Goldfield project.

Copper Duke - Ecuador:

The Copper Duke project (100% owned) is an early stage gold-copper exploration project comprised of 11 mineral concessions covering a number of gold and copper porphyry occurrences in an area of approximately 100km<sup>2</sup>. The project is located approximately 18km east of Core Gold’s Dynasty Goldfield project and 40km south of its Portovelo mill and processing plant. To date, Core Gold has identified a potential major copper-gold porphyry complex, El Huato, and four additional copper-gold anomalies. Core Gold received the environmental license (drilling permit) in January 2019.

Portovelo Mill and Processing Plant – Ecuador:

The Portovelo mill and processing plant (100% owned) (formerly known as the “Zaruma Mill”) hosts a conventional crush, mill, leach, Carbon-in-Pulp (“CIP”), elution and electrowinning circuit. Portovelo has a nameplate capacity of 2,000 tpd. Portovelo currently processes all ore mined from Core Gold’s Dynasty Goldfield project with one of its two available ball mills. Core Gold is currently planning to conduct a refurbishment program on Portovelo in H1 2019 to increase recoveries and throughput.

**Zaruma - Ecuador:**

The Zaruma project (100% owned) is Core Gold's legacy high-grade gold project in southern Ecuador, 3km from the town of Zaruma. The Zaruma project is currently on care and maintenance as Core Gold evaluates strategic alternatives for the asset. Zaruma initially commenced production in 2013 and ceased production in 2016 producing over 60,000 ounces of gold averaging >8g/t Au. The existing underground 5m x 5m decline portal is located 7.5km from the Portovelo mill and processing plant. This district is a significant, high-grade goldfield, having produced over 5 million ounces of gold historically. The project has numerous underground veins available for exploitation.

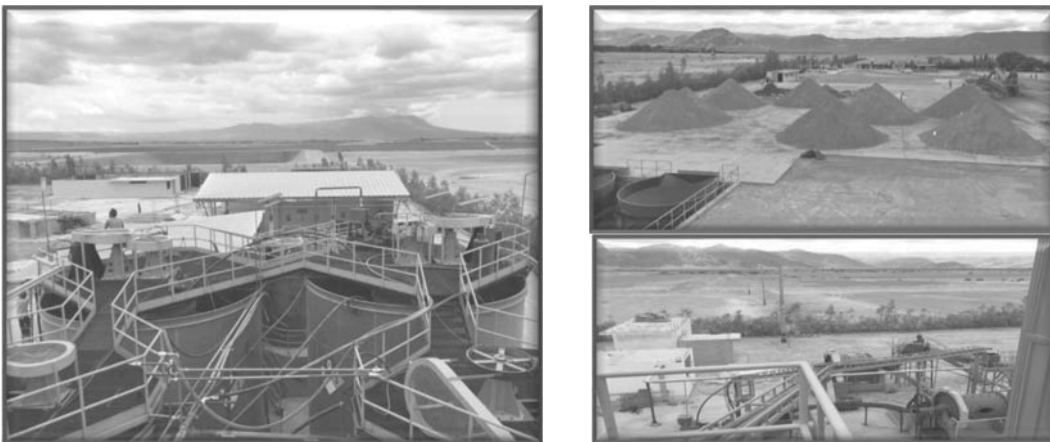
**Vista Gold Plant - Peru**

Titan continues to advance its development strategy for the recently acquired gold treatment arm of its business focused in the Southern Peru region within the highly prospective Andean Terrane. Complimentary to the current ore processing capability, Titan has an ongoing process to develop a land position in Southern Peru with mine development potential to provide Company generated feed to the centralised Vista Gold Plant.

In the 12-month period ending December 2018 the Andina subsidiary acquired by Titan in the reporting period processed 13,900 tonnes of gold bearing material averaging 17.0g/t gold. The Company produced 6,957 oz of gold and 8600 oz silver totalling US\$8,922,000 in metal sales (of which US\$4,207,000 was earned during the period that Titan had acquired Andina) with an average realised gold price of US\$1,264 per oz;

During the reporting Period, Titan accelerated the development of the Vista Gold plant following acquisition to complete construction in 2018, subsequent to which the Company received approval for its Environmental Impact Assessment ("EIA") for the Vista Plant (refer to ASX announcement dated 9 January 2019). The Plant's management team continues to progress requisite physical safety and operational inspections of the plant site with the Direccion Regional De Energia Y Minas (The Regional Energy and Mines Institute, or "DREM"), prior to the DREM issuing the final stage of approval of an operator's permit (Concession of Benefit).

Currently Titan is working through an operational testing phase of the facility while progressing the final stages of permitting and licensing to facilitate sales and commercial scale production. When commissioned and Concession of Benefit and full commercial licencing are granted, the Vista Gold Plant will have a nameplate capacity of 150 tonnes per day, more than triple the operating capacity of the Tulin Gold Plant. The Vista Gold Plant has been designed to increase its capacity to 350 tons per day with minimal capital outlay, when warranted by supply of ore. The team intends to acquire and process high grade ore from licensed artisanal miners in the region in the near term and utilise the Vista Gold Plant's additional capacity to advance a mine development strategy for the company and process any ore mined from several projects identified with mine development potential for providing significant synergies to the group.



Figures 1 to 3: Vista Gold Plant – Leach Tanks for gold recovery (left), Crushed ore stockpiles ready for grinding and processing (upper right), and ball mill grinding circuit and conveyor feed to leach tanks (lower right)

The strategy to establish expanded production for 2019 at the Company's wholly owned Vista Gold Plant tied in optimally with the expiry of lease at the Tulin Plant. The Tulin Plant, operated by Tulin Gold Co. SAC ("Tulin") was operated under a mining assignment agreement with a private owner negotiated by the previous

management (refer to ASX release dated 23 May 2018) and as a result of the expiry of the plant lease, Tulin ceased processing ore at its Tulin plant facility. The extinguishment of lease payments for the Tulin Gold Plant provide a significant cost saving opportunity.

Vista Gold commenced acquisition of ore for processing from existing supply chain acquired in the Andina acquisition and the Titan team continues a planned process to transfer its ore purchasing and processing capability for the Company's gold toll treatment arm of its business to a single location.

The Company received gold-silver bearing material for processing at the Vista plant through December to establish stockpiles for commercial production and commissioning of the plant over the March quarter with over 1,500 tonnes averaging 21.6g/t Au received at the Vista Gold Plant through 31 December 2018.

**Las Antas Gold Project - Peru**

On 12 September 2018 Titan agreed non-binding indicative terms with Management Environmental Solutions S.A, a privately held Peruvian company, ("Vendor") to acquire up to an 85% ownership interest in the Las Antas gold project in southern Peru ("Las Antas Gold Project").

Subsequent to the reporting period, on 14 January 2019 the Company executed a binding agreement pursuant to which it has been granted an exclusive option to acquire an initial ownership interest of 60% in the Las Antas Gold Project by funding US\$2m in exploration activity within a 2-year period, and further options to acquire up to an additional 25% ownership interest in the Las Antas Gold Project (being a total of up to an 85% interest in the Las Antas Gold Project). Refer to the ASX release dated 12 September 2018 for Indicative Key Terms.

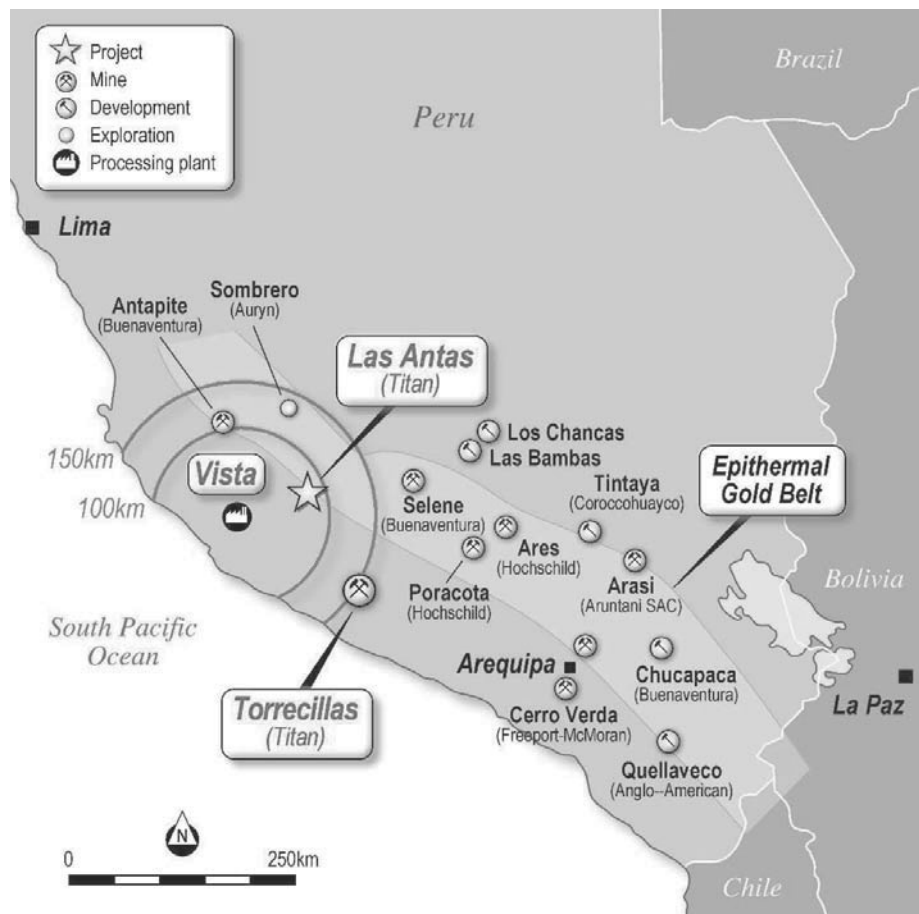


Figure 4 | Las Antas Project location relative to the centralised Vista Gold plant



Las Antas Project - Highlights

Las Antas is located within the prolific epithermal gold belt of Southern Peru (Refer to Figure 4) which contains various precious metal deposits including the Ares Mine (1.2Moz Au & 15Moz Ag) and the Antapite Mine (600koz Au). The Las Antas project itself hosts significant exploration potential for stand alone, bulk tonnage, disseminated style gold mineralization, and provides the Company with a key foothold into a broader district containing multiple high-grade gold-silver veins.

Accessible by paved road to within 8km of the project, Las Antas is 80km East of Peru's prominent PanAmerican Highway and well within trucking distance of the Company's Vista Gold Plant, which is currently undergoing commissioning for early 2019 commencement of commercial production.

The local mining district contains multiple high-grade gold and silver veins located proximal to key prospects within the Las Antas project. Las Antas is an important step towards the Company's objective of generating multiple opportunities with potential to provide high-grade gold ore feed to the centralized Vista Gold Plant. The Company is currently completing progressing environmental permitting authorisation to commence a maiden drilling program on targets defined from historical surface geochemistry and geophysical survey work anticipated to be completed in the December quarter of 2019.

Las Antas Earn-in Agreement – Key Terms

Titan, through a wholly owned Peruvian subsidiary, has executed the Earn-in Agreement to acquire up to an 85% interest in the Project owned by Management Environmental Solutions S.A. ("**Vendor**"), a privately held Peruvian company. The key terms of the Agreement are as follows:

- The Vendor has granted Titan an exclusive right to acquire 60% interest in the Project ("**Earn-In Option**") by completing at least US\$2,000,000 in exploration expenditure within 2 years of receiving all permitting requirements to commence undertaking of exploration activities on the Project ("**Earn-in Obligation**").
- Upon completion of the Earn-In Obligation, Titan will have a period of 60 days within which it may elect to exercise the Earn-In Option. If Titan elects to exercise the Earn-In Option, it must deliver a notice to the Vendor and, within 30 days of delivery of such notice, pay the Vendor an amount of US\$450,000.
- Upon Titan acquiring the initial 60% interest in the Project, Titan and the Vendor will establish a Joint Venture to govern the future conduct of activities in relation to the Project ("**Joint Venture**"), with Titan holding a 60% initial interest in the Joint Venture.
- Upon the date on which a pre-feasibility study is first delivered in relation to the Project ("**Pre-Feasibility Date**"), Titan's interest in the Joint Venture and the Project will be increased by 10%. Titan will be solely responsible for funding the pre-feasibility study.
- Separately, Titan will have an option ("**Buying Option**") to purchase an additional 15% interest in the Joint Venture and the Project from the Vendor in three tranches as follows:
  - Tranche 1: Titan can purchase a 5% interest in the Joint Venture and the Project at any time before the Pre-Feasibility Date by paying to the Vendor US\$500,000;
  - Tranche 2: Titan can purchase a 5% interest in the Joint Venture and the Project at any time within 60 days following the making of a decision to mine in relation to the Project by paying to the Vendor US\$1,000,000 (provided this must occur within 5 years of the Pre-Feasibility Date); and
  - Tranche 3: Titan can purchase a 5% interest in the Joint Venture and the Project at any time within 60 days following the commencement of commercial production in relation to an operating mine on the Project by paying to the Vendor US\$1,000,000,
 with Titan's right to exercise any tranche applying irrespective of whether it has previously exercised any other tranche.
- The Vendor to retain a 15% non-diluted interest in the Project subject to financing by the Joint Venture subsequent to the pre-feasibility study.
- The Vendor's contributions to the Joint Venture following the Pre-Feasibility Date will be covered by loan funding from Titan.
- At all times following the formation of the Joint Venture, Titan will retain a first right of refusal over the Vendor's interest in the Project.

The Project features an extensive zone of intense hydrothermal alteration at surface. The broader district contains multiple high-grade gold and silver veins located proximal to key prospects within the Las Antas project. The surface hydrothermal and breccia footprint is host to significant potential for larger scale, bulk tonnage, disseminated style gold mineralization.

Las Antas is hosted by the Calipuy volcanic layered stratigraphy in Southern Peru hosting andesitic flows, ignimbrites, tuffs, volcanic breccias and agglomerate units. The volcanic stratigraphy has been intruded by several andesitic to dacitic stocks, which comprise favourable units for mineralization and at surface are associated with a pervasive hydrothermal alteration system in halos of intense silicification, showing vuggy silica, alunite and illite

Specific to the Las Antas Project area is two prioritized targets areas:

- Yuracmarca Target, 1.5x2.2 km of area with propylitization, argilization and silicification alterations.
- Cerro Amarillo Target, 3.5x2.3 km of area with intense silicification, in parts vuggy silica, altered breccias, alunite and Illite, argilitization and propylitization



*Photo 1 (Left) | Cerro Amarillo Target Area, with intense silicification, localised vuggy silica, altered breccias, alunite, Illite and pervasive argilitization. Photo 2 (Right) | Cerro Amarillo Target, alteration contact between silicification and argilized breccias.*

The Las Antas project has received early stage modern exploration techniques, with non-systematic geophysical coverage completed in historical exploration activity from 1995 through 1998 under a joint venture between Hochschild and Anaconda. The project area has seen only limited shallow reconnaissance RC drilling before exploration abruptly ceased in 1998.

### **Torrecillas Gold Project – Peru**

During the reporting period the Company's geological team completed a review of the historical exploration and previous mine development datasets and completed a detailed field mapping and sampling campaign for the high-grade Torrecillas Gold Project in Peru.

Exploration activity on the project focused on mapping and sampling of previously underexplored areas of the project to assess the project for growth potential through further exploration and to rate and rank numerous targets requiring follow-up work.

The work completed prioritised four vein zones based on strike extent and continuity of high-grade results (refer to Figure 5), including the Rebeca, Preciosa and Ady-Oly vein corridors, with each target area containing multiple narrow vein sets across substantial widths and ranging from 1.8 to 2.7km in strike extent. The priority target areas defined include;

- Ady-Oly Prospect, which comprises numerous sub-parallel vein and vein extensions to the historical resource at the Torrecillas mine area on a complex vein array covering over 2.4km extent proximal to the granitic and Andesitic volcanic host rock contact zone in the area. The area includes numerous >5g/t results from channel samples across veins mapped at surface. Including up to 42.7g/t gold and

22.7g/t gold value returned on new vein extensions identified in recent mapping in a step-out to the southwest.

- Preciosa Prospect is a 2.7km long corridor of veining with multiple high-grade veins mapped on topographic highs. Sampling to date demonstrate strong potential for continuity of gold grades along strike, and additional trench sampling is planned in areas of colluvial cover to assess additional continuity of strike along veins within the target area.
- Rebecca Prospect is an area of relative high vein density and on average returning consistently high grades from representative channel sampling across multiple veins within the 1.8km long vein swarm. Again, vein extent and density are currently focused in areas of best exposure with significant potential to add strike extent and volume through further trenching and follow-up drilling along strike.

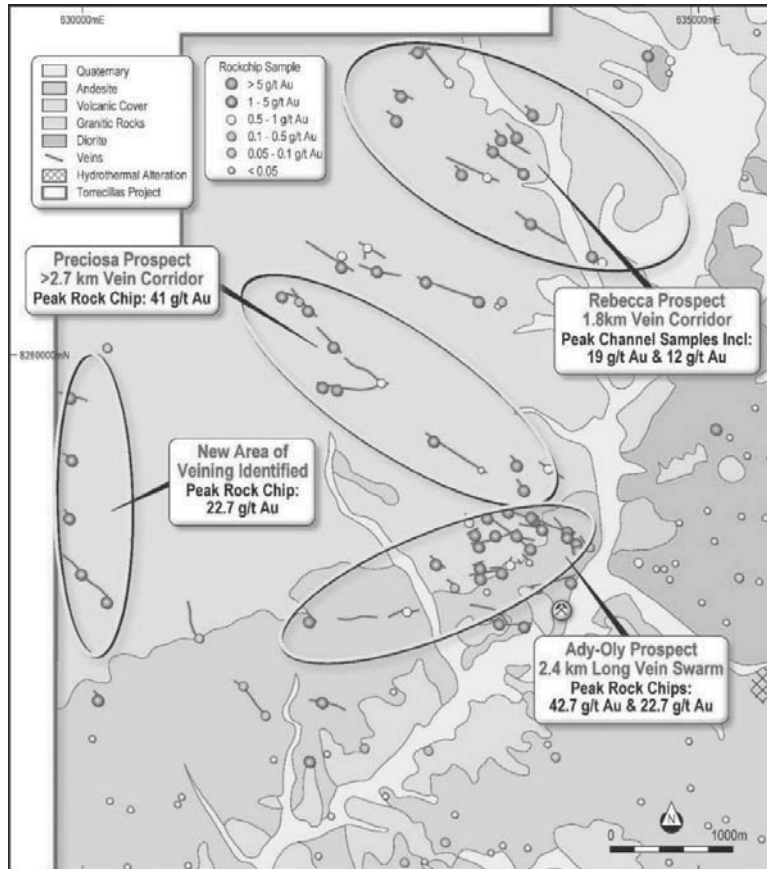


Figure 5 | Location of prioritised high-grade gold target areas at Torrecillas Project in Peru with reported surface sampling locations

### **Mirador Copper Gold Plant**

On 17 April 2018, Titan executed an agreement subject to conditions precedent to acquire Peruvian companies Kairos Capital Peru S.A.C (“**Kairos**”) and M&S Transportes y Servicios Generales S.R.L (“**Mirador**”).

The major assets held by Kairos and Mirador included the 100% owned Mirador processing plant located in Chimbote, Peru (“**Mirador Plant**”) and six (6) 100% owned mineral concessions. The operational Mirador Plant site is fully permitted for up to 350 tonnes per day capacity of the operation, where subject to the results of Titan’s due diligence and completion of the acquisition, Titan proposed to upgrade the facility with a carbon in pulp (CIP) circuit.

On 11 September 2018, The Company elected not to proceed with the acquisition of Kairos Capital Peru S.A.C (“**Kairos**”) and M&S Transportes y Servicios Generales S.R.L (“**Mirador**”) and accordingly, will not be acquiring the Mirador Plant.

**San Santiago Copper Plant**

With the successful acquisition of Andina's Vista Gold Plant, Titan will not restart the gold circuit at San Santiago. Instead, it is proposed that gold will be more cost effectively processed at the available capacity of the Vista Gold Plant. The San Santiago Copper Plant remains in care and maintenance, while the Titan technical team completes ground rationalisation of adjacent exploration tenements and evaluates options for potential divestment of the asset .

**6. Share Options**

As at the date of this report there are 45,000,000 options on issue.

**7. Indemnification and Insurance of Officers**

During or since the end of the financial year the Company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The Company has entered into agreements to indemnify all directors and provide access to documents, against any liability arising from a claim brought by a third party against the Company. The agreement provides for the Company to pay all damages and costs which may be awarded against the directors.

The Company has paid premiums to insure each of the directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a willful breach of duty in relation to the Company. The amount of the premium was \$20,122 which was paid during the financial year. No indemnity has been sought for or paid to auditors.

**8. Events Subsequent to Reporting Date**

There has not been any matter or circumstance that have arisen since the end of the financial year, that has significantly affected or may significantly affect, the operations of the Group, the results of the operations, or the state of the affairs of the Group in the future financial years, other than:

On January 14, 2019, Titan announced that it has executed a binding agreement pursuant to which Titan had been granted an exclusive option to acquire up to an 85% interest in the Las Antas Project ("Las Antas Earn-In"). Under the Las Antas Earn-In, Titan can earn-in to 60% of the Las Antas Project by funding US\$2,000,000 in exploration activity within a 2-year period. Upon Titan acquiring the 60% interest, Titan and the vendor will establish a joint venture to govern the future conduct of activities in relation to the Las Antas Project, with Titan holding 60% initial interest in the joint venture. The Las Antas Earn-In also provides Titan with an opportunity to acquire an additional 25% interest in the Las Antas Project.

On 25 February 2019 Titan Minerals Limited and Core Gold Inc (TSX-V: CGLD, OTCQX: CGLDF) ("Core Gold") announce that the companies have entered into a binding arrangement agreement (the "Arrangement Agreement"), pursuant to which Titan will acquire all of the issued and outstanding Core Gold common shares by way of a share exchange (the "Merger").

The Merger will be affected by means of a statutory plan of arrangement (the "Arrangement") under the *Business Corporations Act* (British Columbia). Under the Arrangement:

- each Core Gold shareholder will receive twenty (20) fully paid ordinary shares in Titan pre-consolidation ("Titan Shares") for every one (1) Core Gold common share (the "Exchange Ratio"); and
- holders of Core Gold Options and Warrants will receive options in Titan on comparable terms, taking into account the Exchange Ratio under the Merger.

In connection with the Merger, Titan will conduct a placement of new Titan Shares to certain eligible institutional and high net worth investors to raise a minimum of A\$20 million at an issue price to be agreed by Titan and Core Gold (each acting reasonably and taking into account the then current market conditions) (the "Placement"). If a minimum of A\$20 million is raised under the Placement, assuming an issue price of A\$0.024 (being the closing price of Titan Shares on the ASX on February 15, 2019), approximately 833,333,333 new Titan Shares will be issued under the Placement. The issue of new Titan Shares under the Placement will be subject to Titan shareholder approval. Completion of the Merger is conditional on completion of the Placement.

On 25 March 2019, the Group raised USD \$3 million via loan facility agreements. The material terms of the loan facility are:

- Amount: US\$3,000,000
- Interest: 15% interest per annum
- Security: Vista Gold S.A.C. and Core Private Placement shares
- Repayment: earlier of 21 days from completion of Titan Core Gold plan of arrangement or 6 months from the draw down date, extendable to 9 months at Titan’s election with a minimum repayment of 5 months interest payable if repaid prior to five months from the draw down date

## 9. Dividends

No dividends have been paid or declared since the start of the financial year by the Company. The directors have recommended that no dividend be paid by the Company in respect of the year ended 31 December 2018.

## 10. Likely developments

The Company will continue to pursue its principal activity of minerals exploration and gold and copper toll processing in Peru, particularly in respect to the projects, as outlined under the heading ‘Significant changes in the state of affairs and Review of operations’ of this Report. The Company will also continue to evaluate new business opportunities in Peru.

## 11. Environmental Issues

The Company’s operations comply with all relevant environmental laws and regulations and have not been subject to any actions by environmental regulators.

## 12. Proceedings on behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

## 13. Information on Directors and Company Secretary

### Matthew Carr

Director (Executive Director)

Qualifications and Experience:

Mr Carr is a successful and experienced company director having founded Urban Capital Group. Urban Capital Group is a private equity company with a strong focus on property backed investment and security. Matthew is also the Non-Executive Chairman of Andina Resources Limited.

Directorships of other listed companies in the 3 years prior to the end of the Financial Year:	N/A
Interest in shares and options of the Company:	67,384,936 Ordinary Shares 7,000,000 Class A Performance Rights 7,750,000 Class B Performance Rights 8,250,000 Class C Performance Rights
Directors meetings attended:	8 of 8 held during term of directorship in financial year
Appointed:	3 February 2017

### Nicholas Rowley

Director (Non-Executive Chairman)

Qualifications and Experience:

Mr Rowley is an experienced corporate executive with a strong financial background having previously worked in the financial services industry for over 10 years where he gained widespread experience in corporate advisory, M&A transactions and equities markets, advising domestic and international Institutional sales and

high net worth individuals. He also advised on the equity financings of numerous ASX and TSX listed companies predominantly in the mining and resources sector. Mr Rowley currently serves as Director of Corporate Development for Galaxy Resources Ltd (ASX:GXY).

Directorships of other listed companies in the 3 years prior to the end of the Financial Year:	Non-Executive Director of Cobalt One Ltd (ASX:CO1) until 4 December 2017. Non-Executive Director of ARC Exploration Limited appoint 31 May 2018 (ASX: ARX).
Interest in shares and options of the Company:	23,489,985 Ordinary Shares 7,000,000 Class A Performance Rights 7,750,000 Class B Performance Rights 8,250,000 Class C Performance Rights
Directors meetings attended:	8 of 8 held during term of directorship in financial year
Appointed:	9 August 2016

### Robert Skalor

Director (Non-Executive Director)

Qualifications and Experience:

Mr Skalor has 30 years of experience working in the legal and financial markets worldwide and has worked on capital market and financial transactions on five continents. Currently he is Co-Founder and President of Capital Instincts, a Private Equity and Venture related investment company he founded 14 years ago while in London. Prior to founding Capital Instincts, Mr Skalor was a director and General Counsel for Liquid Capital Markets (LCM), LTD, a London Investment and Financial company. Mr Skalor assisted with the expansion of the firm from its single office in London to offices in Seoul and Sydney. Previously, Mr Skalor worked as General Counsel, IDEAglobal Ltd in New York, Singapore and London. At the time, IDEAglobal was the world's largest independent economic research company specializing in fixed income, equity, capital market and currency analysis. Mr Skalor started his career practicing law, and has been a partner at The Simons Firm and Simons, Cuddy and Friedman. Mr Skalor obtained his BA from Grinnell College and JD from Washington University, JD.

Directorships of other listed companies in the 3 years prior to the end of the Financial Year:	N/A
Interest in shares and options of the Company:	3,500,000 Class A Performance Rights 3,875,000 Class B Performance Rights 4,125,000 Class C Performance Rights
Directors meetings attended:	8 of 8 held during term of directorship in financial year
Appointed:	7 August 2017

### Cameron Henry

Director (Non-Executive Director)

Qualifications and Experience:

Mr Henry comes from a project development and operational background specialising in minerals processing and oil and gas projects across the globe. Mr Henry is from a technical background with tertiary qualifications in engineering and project management and has advised for several ASX listed companies on development, acquisitions, and execution strategies at a number of levels. Mr Henry is currently Managing Director of Primero Group, a private engineering and construction company that specialises in minerals processing and has been a member of the Australian Institute of Company Directors (AICD) for over 5 years.

Directorships of other listed companies in the 3 years prior to the end of the Financial Year:	Managing Director of Primero Group Limited
Interest in shares and options of the Company:	42,373 Ordinary Shares 3,500,000 Class A Performance Rights 3,875,000 Class B Performance Rights 4,125,000 Class C Performance Rights
Directors meetings attended:	8 of 8 held during term of directorship in financial year
Appointed:	8 August 2017

**Zane Lewis**

Company Secretary

Qualifications and Experience:

Mr Lewis has over 20 of years corporate advisory experience with various ASX and AIM listed companies. Mr Lewis is a fellow of Chartered Secretaries Australia and is a Non-Executive Director and Company Secretary for a number of ASX Listed companies.

Appointed as company secretary on 11 August 2016.

**14. Remuneration Report (Audited)**

The Directors present the remuneration report for the Company and the Consolidated Entity for the year ended 31 December 2018. This remuneration report forms part of the Directors' Report and has been audited in accordance with section 300A of the Corporations Act 2001 and details the remuneration arrangements for the key management personnel.

Key management personnel are those persons who, directly or indirectly, have authority and responsibility for planning, directing and controlling the major activities of the Company and the Consolidated Entity. Remuneration is based on fees approved by the Board of Directors.

There is no relationship between the performance or the impact on shareholder wealth of the Company for the current financial year or the previous financial years and either the remuneration of directors and executives or the issue of shares and options to directors. Remuneration is set at levels to reflect market conditions and encourage the continued services of directors and executives.

The names and positions of key management personnel of the Company and of the Consolidated Entity who have held office during the financial year are:

Matthew Carr	Executive Chairman
Nicholas Rowley	Non-Executive Director
Robert Sckalor	Non-Executive Director
Cameron Henry	Non-Executive Director
Travis Schwertfeger	Chief of Operations

*Service Agreements*

Remuneration and other terms of employment for the Executive Directors and other officers are formalised in a service agreement. For Non-Executive Directors these terms are set out in a Letter of Appointment. The major provisions of the agreements relating to remuneration per year are set out below.

Name	Base Salary	Consulting fees	Term of Agreement	Notice Period
<b>Matthew Carr</b>	-	\$120,000 (until 12 July 2018) \$240,000 (from 13 July 2018)	No fixed term	12/6 months*
<b>Nicholas Rowley</b>	-	\$72,000 (until 31 August 2018) \$96,000 (from 1 September 2018)	No fixed term	N/A
<b>Robert Sckalor</b>	-	\$72,000 (until 31 August 2018) \$60,000 (from 1 September 2018)	No fixed term	N/A
<b>Cameron Henry</b>	-	\$72,000 (until 31 August 2018) \$60,000 (from 1 September 2018)	No fixed term	N/A
<b>Travis Schwertfeger</b>	-	\$180,000	No fixed term	3 months

\* Termination benefits: In the case of termination without cause by the Company Mr Carr is entitled to receive 12 months' salary on top of the entitlements mentioned below. In the case of termination without cause by Mr Carr then he is entitled to receive 6 months' salary on top of the entitlements outlined below. Matthew Carr is entitled to an additional 1 months' salary on top of the notice period for each year of continuous service to the company (pro-rata up to the date of leaving the entity).

Under Mr Schwertfeger's Consultancy Agreement, he is entitled to the following performance rights subject to shareholder approval:

- 5,000,000 Class A Performance Rights which vest upon the Shares achieving a daily VWAP of greater than \$0.05 for a period of 10 consecutive Trading Days;
- 5,000,000 Class B Performance Rights which vest upon the Shares achieving a daily VWAP of greater than \$0.06 for a period of 10 consecutive Trading Days; and
- 5,000,000 Class C Performance Rights which vest upon the Shares achieving a daily VWAP of greater than \$0.07 for a period of 10 consecutive Trading Days,

Each have an expiry date that is 2 years from the date of issue.

*Details of Remuneration*

**Compensation 12 months to 31 December 2018**

	Short Term Benefits \$	Super-annuation \$	Share based payments \$	Total \$	Percentage of remuneration that is equity based
<b>Compensation of key management based on fees approved by the Board of directors.</b>					
Matthew Carr	180,000	-	236,000	416,000	57%
Nicholas Rowley	80,000	-	236,000	316,000	75%
Robert Sckalor	68,000	-	118,000	186,000	63%
Cameron Henry	68,000	-	118,000	186,000	63%
Travis Schwertfeger	91,400	-	-	91,400	-
<b>TOTAL COMPENSATION – FOR KEY MANAGEMENT PERSONNEL</b>	<b>487,400</b>	<b>-</b>	<b>708,000</b>	<b>1,195,400</b>	<b>-</b>

\*Included in Mr Carr's short term benefits are \$60,000 of fees relevant to the aforementioned service agreement effective 13 July 2018 paid from Andina Resources Limited.

**Compensation 12 months to 31 December 2017**

	Short Term Benefits \$	Super-annuation \$	Share based payments \$	Total \$	Percentage of remuneration that is equity based
<b>Compensation of Directors based on fees approved by the Board of directors.</b>					
Matthew Carr	30,000	-	1,293	31,293	4%
Nicholas Rowley	18,000	-	1,293	19,293	7%
Robert Sckalor	18,000	-	647	18,647	3%
Cameron Henry	18,000	-	647	18,647	3%
Tim Morrison	-	-	-	-	-
<b>TOTAL COMPENSATION – FOR KEY MANAGEMENT PERSONNEL</b>	<b>84,000</b>	<b>-</b>	<b>3,880</b>	<b>87,880</b>	<b>-</b>



**Shares and performance rights held by Key Management Personnel**

Shareholdings	Number of Ordinary Shares			31 December 2018 or Resignation
	1 January 2018 or Appointment	Issued as Compensation	Net Change Other	
Matthew Carr	5,000,000	-	62,384,936	67,384,936
Nicholas Rowley	5,000,000	-	18,489,985	23,489,685
Robert Sckalor	-	-	-	-
Cameron Henry	-	-	42,373	42,373
Travis Schwertfeger	-	-	110,000	110,000
	10,000,000	-	81,027,294	91,027,294

Performance Rights	Number of Performance Rights			31 December 2018 or Resignation
	1 January 2018 or Appointment	Issued as Incentive	Net Change Other	
Matthew Carr	23,000,000	-	-	23,000,000
Nicholas Rowley	23,000,000	-	-	23,000,000
Robert Sckalor	11,500,000	-	-	11,500,000
Cameron Henry	11,500,000	-	-	11,500,000
Travis Schwertfeger	-	-	-	-
	69,000,000	-	-	69,000,000

At the General Meeting held on 18 December 2017, shareholders approved to grant 80,500,000 performance rights as remuneration (Class A, B, C). The rights entitled the directors and company secretary to shares in Titan Minerals Limited on achievement of market conditions. Under the plan, the participant was granted performance rights which only vest if certain market conditions are met.

The amount of rights that will vest depends on the achievement of three market-based conditions. The three conditions are market-based condition related to achieving a 10-day volume weighted average price of shares on the ASX of greater than \$0.05, \$0.06 and \$0.07 respectively.

Performance rights convert to shares on the date of vesting with no exercise price or share issue price being payable.

Set out below is the summary of rights granted and approved by shareholders. Management have assessed the likelihood of the rights vesting and have estimated that Class A, B and C market conditions are expected to be achieved prior to expiry.

(i) Fair value of performance rights granted

Set out below is the assessed fair value at grant date of performance rights granted in the previous year.

Performance rights:

	Fair value at grant date
Class A – market	\$0.032
Class B – market	\$0.032
Class C – market	\$0.032

There were no options held by the directors during the year.

*Other Information*

There were no loans made to any Key Management Personnel during the year or outstanding at year end. Refer to Note 28 and 29 for further transactions with Key Management Personnel during the year.

During the year the Company did not engage remuneration consultants to review its remuneration policies.

**End of Remuneration Report (Audited)**

## 15. Business Risks and Uncertainties

There are a number of risks that may have a material and adverse impact on the future operating and financial performance of the Company. These include the risks discussed in Note 30 of the consolidated financial statements, along with risks that are widespread and associated with any form of business and specific risks associated with the Company's business and its involvement in the exploration and mining industry generally and in Peru in particular. While most risk factors are largely beyond the control of the Company, the Company will seek to mitigate the risks where possible.

## 16. Incomplete Records

The Company was under External administration from 25 August 2015 to 4 October 2017, the financial information relating to the period 1 January 2016 to 31 December 2016 and 1 January 2017 to 4 October 2017 was not subject to the same accounting and internal control processes, which include the implementation and maintenance of internal controls that are relevant to the preparation and fair presentation of the financial report.

Due to there being incomplete records, there may be actions that were taken by the previous directors and officers of the Company and its subsidiaries that the existing board is not aware of. Whilst the Directors are confident the Deed of Company Arrangement process deals with any outstanding liabilities at the parent entity level (as it was the only entity subject to the Deed of Company Arrangement), there is a risk that previous unknown actions may adversely affect the Company's operations and financial position, including those of its retained subsidiaries.

## 17. Lead Auditor's Independence Declaration

In accordance with the Corporations Act 2001 section 307C the auditors of the Company have provided a signed Auditor's Independence Declaration to the directors in relation to the year ended 31 December 2018. A copy of this declaration appears at the end of this report.

Signed in accordance with a resolution of the directors.



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Matthew Carr  
**Executive Director**  
29<sup>th</sup> day of March 2019  
Perth, Western Australia

29 March 2019

Board of Directors  
Titan Minerals Limited  
Suite 6, 295 Rokeby Road  
SUBIACO WA 6008

Dear Sirs

**RE: TITAN MINERALS LIMITED**

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Titan Minerals Limited.

As Audit Director for the audit of the financial statements of Titan Minerals Limited for the year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**  
**(Trading as Stantons International)**  
**(An Authorised Audit Company)**



**Martin Michalik**  
**Director**

**Directors' Declaration**

In accordance with a resolution of the directors of Titan Minerals Limited A.C.N. 117 790 897 ("Company"), I state that:

A. In the opinion of the directors

- 1) As set out in Note 2(b), except for the effect of opening balances on the Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the year ended 31 December 2018, the Directors are of the opinion that the financial statements:
  - a) give a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of the performance for the year ended 31 December 2018; and
  - b) complying with Australian Accounting Standards and the *Corporations Act 2001*;
- 2) the financial statements and notes also comply with the International Financial Reporting Standards as disclosed in Note 2; and
- 3) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

B. this declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 31 December 2018.

On behalf of the Board of Directors.



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Matthew Carr

**Executive Director**

29<sup>th</sup> day of March 2019

Perth, Western Australia

Consolidated Statement of Profit and Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Note	Consolidated Year ended	
		31-Dec-18	31-Dec-17
<b>CONTINUING OPERATIONS</b>			
Revenue	5a	5,802,384	-
Cost of sales		(5,211,220)	-
Gross profit		591,164	-
Other revenue	5a	15,799	2,896
Depreciation charges	5b	(87,202)	-
Administration expenses	5b	(3,097,136)	(600,762)
Foreign exchange gain / (loss)		297,248	(16,261)
Finance costs		(10,903)	-
Impairment (expense) / reversal	5b	(7,066,878)	977,794
Loan forgiveness	5b	-	13,205,162
DOCA expenses		-	(2,350,000)
Share based payments expense	31	(1,230,532)	(4,527)
Other expenses		(154,130)	-
<b>(LOSS) / PROFIT BEFORE INCOME TAX EXPENSE</b>		<b>(10,742,570)</b>	<b>11,214,302</b>
Income tax expense	6	-	-
<b>(LOSS) / PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>		<b>(10,742,570)</b>	<b>11,214,302</b>
<b>Discontinued operations</b>			
Profit for the year from discontinued operations	24	2,932,262	1,218,714
<b>(Loss) / Profit for the year</b>		<b>(7,810,308)</b>	<b>12,433,016</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Items that may not be reclassified subsequently to profit or loss</i>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign operations		298,085	1,650,988
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX</b>		<b>298,085</b>	<b>1,650,988</b>
<b>TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR</b>		<b>(7,512,223)</b>	<b>14,084,004</b>
<b>EARNINGS PER SHARE</b>			
<b>Basic earnings per share</b>			
From continuing operations	21	(0.523)	2.820
<b>Diluted earnings per share</b>			
From continuing operations	21	(0.523)	2.820
<b>Basic earnings per share</b>			
<b>From discontinued operations</b>	21	0.143	0.306
<b>Diluted earnings per share</b>			
<b>From discontinued operations</b>	21	0.143	0.306

The above Consolidated Statement of Profit of Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

## Consolidated Statement of Financial Position

As at 31 December 2018

	Note	Consolidated	
		31-Dec-18	31-Dec-17
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	26(a)	5,459,426	2,931,791
Trade and other receivables	7	1,367,302	289,776
Prepayments	8	889,963	-
Inventories	9	1,081,315	-
Current tax asset	10	825,194	-
Assets classified as held for sale	11	1,716,454	-
<b>TOTAL CURRENT ASSETS</b>		<b>11,339,654</b>	<b>3,221,567</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	7	80,000	98,097
Property, plant and equipment	12	2,540,047	1,000,000
Mine assets	13	-	172,777
Deferred exploration and evaluation expenditure	15	841,622	-
Intangible assets	16	12,193,538	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>15,655,207</b>	<b>1,270,874</b>
<b>TOTAL ASSETS</b>		<b>26,994,861</b>	<b>4,492,441</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	16	1,074,995	1,064,929
Borrowings	17	1,416,842	174,637
Provisions	18	-	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,491,837</b>	<b>1,239,566</b>
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables	16	119,249	2,204,403
Borrowings	17	3,542,080	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>3,661,329</b>	<b>2,204,403</b>
<b>TOTAL LIABILITIES</b>		<b>6,153,166</b>	<b>3,443,969</b>
<b>NET ASSETS</b>		<b>20,841,695</b>	<b>1,048,472</b>
<b>EQUITY</b>			
Issued capital	19	117,125,794	91,050,880
Reserves	20	4,102,586	2,573,969
Accumulated losses		(100,386,685)	(92,576,377)
<b>TOTAL EQUITY</b>		<b>20,841,695</b>	<b>1,048,472</b>

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Issued Capital	Share Based Payment Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
<b>Balance as at 1 January 2017</b>	<b>78,619,000</b>	<b>2,821,000</b>	<b>(1,902,546)</b>	<b>(105,009,393)</b>	<b>(25,471,939)</b>
Profit for the year	-	-	-	12,433,016	12,433,016
Other comprehensive income for the year, net of income tax	-	-	1,650,988	-	1,650,988
Total comprehensive Loss for the year	-	-	<b>1,650,988</b>	<b>12,433,016</b>	<b>14,084,004</b>
Issue of shares under the public offer	6,000,000	-	-	-	6,000,000
Issue of shares under the employee offer	700,000	-	-	-	700,000
Issue of shares under the broker offer	3,160,324	-	-	-	3,160,324
Issue of shares under the SilverStream offer	3,500,000	-	-	-	3,500,000
Issue of shares under the unsecured creditor offer	539,676	-	-	-	539,676
Issue of shares under the Andina offer	2,350,000	-	-	-	2,350,000
Issue of Performance Rights	-	4,527	-	-	4,527
Capital raising costs	(3,818,120)	-	-	-	(3,818,120)
<b>Balance as at 31 December 2017</b>	<b>91,050,880</b>	<b>2,825,527</b>	<b>(251,558)</b>	<b>(92,576,377)</b>	<b>1,048,472</b>
Loss for the year	-	-	-	(7,810,308)	(7,810,308)
Other comprehensive income for the year, net of income tax	-	-	298,085	-	298,085
Total comprehensive income for the year	-	-	<b>298,085</b>	<b>(7,810,308)</b>	<b>(7,512,223)</b>
Issue of shares	28,973,044	-	-	-	28,973,044
Capital raising costs	(818,130)	-	-	-	(818,130)
Acquisition of treasury shares on business combination	(2,080,000)	-	-	-	(2,080,000)
Share based payments	-	1,230,532	-	-	1,230,532
<b>Balance at 31 December 2018</b>	<b>117,125,794</b>	<b>4,056,059</b>	<b>46,527</b>	<b>(100,386,685)</b>	<b>20,841,695</b>

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Note	Consolidated Year ended	
		31-Dec-18	31-Dec-17
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from operating activities		5,760,887	713,574
Payments to suppliers and employees		(10,882,303)	(3,797,390)
Finance costs		-	(1,895)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	26b)	<b>(5,121,416)</b>	<b>(3,085,711)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for property, plant & equipment		(1,445,775)	-
Payments of exploration and evaluation costs		(497,143)	-
Loans provided to third party		(1,114,273)	(191,204)
Net cash inflow on acquisition of subsidiary		226,248	-
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(2,830,943)</b>	<b>(191,204)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares (net of costs)		10,181,910	5,342,204
Proceeds from borrowings		-	810,882
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>		<b>10,181,910</b>	<b>6,153,086</b>
Net increase in cash and cash equivalents		2,229,551	2,876,171
Cash and cash equivalents at the beginning of the year		2,931,791	57,790
Effects of exchange rate changes on the balance of cash held in foreign currencies		298,084	(2,170)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	26a)	<b>5,459,426</b>	<b>2,931,791</b>

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.



# Notes to the Consolidated Financial Statements

## 1. GENERAL INFORMATION

### Corporate Information

The consolidated financial statements of Titan Minerals Limited (“Parent Entity” or “Company”) and its controlled entities (collectively as “Consolidated Entity” or “the Group”) for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 29 March 2019. The Parent Entity is a for-profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The Group’s principal activities during the course of the financial year were the operation of the Tulin gold toll treatment operation in Peru, and construction of the Vista gold plant. The Company also progressed activities on gold exploration concessions and completed reconnaissance scale work towards development by way of merger and acquisition of a portfolio of gold and copper projects in South America, with a focus on the Andean Terrane.

Further information on nature of the operations and principal activities of the Group is provided in the directors’ report. Information on the Group’s structure and other related party relationships are provided in notes 22 and 29.

The Group’s registered office is in Suite 7, 295 Rokeby Road, Subiaco, WA 6008 Australia.

## 2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

### a) Statement of compliance

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (“AASB”) and the Corporations Act 2001, to the maximum extent possible given the factors outlined in 2b). Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. The financial statements and notes also comply with International Financial Reporting Standards as issued by the International Accounting Standard Board (IASB) to the maximum extent possible given the points raised below in 2b). Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial statements were authorised for issue by the Directors’ on 29 March 2019.

### b) Incomplete Records

As disclosed in the 31 December 2017 annual report, the financial report for the year ended 31 December 2017 has been prepared by Directors who received custodianship of the operations of the Group upon effectuation of the Deed of Company Arrangement and resignation of the Administrator on or after 4 October 2017. As such, the Directors did not have control of the Company until control was transferred to them on the effectuation of the deed of company arrangement on 4 October 2017.

As a result of this factor amongst others also disclosed in the annual report, the Directors were unable to state that the 31 December 2017 annual report has been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001, nor was it possible to state the financial report gives a true and fair view of the Group’s financial position.

As the conditions outlined above are relevant to the comparative information in this 31 December 2018 financial report, being the opening balances of the current period, the Directors position on the comparative information is consistent with that of the previous annual report. As opening balances affects the determination of the results of operations and cash flows, the Directors are of the opinion that, except for the impact of opening balances on the Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows, this financial report has been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

# Notes to the Consolidated Financial Statements

## c) Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian Dollars unless otherwise noted.

The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

## d) Critical accounting judgements and key sources of estimation uncertainty

In the application of AIFRS management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Refer to Note 3 for a discussion of critical judgements in applying the entity's accounting policies and key sources of estimation uncertainty.

## e) New and Revised Standards that are effective for these Financial Statements

The AASB has issued a number of new and revised Accounting Standards and Interpretations are effective for annual periods beginning on or after 1 January 2018. These new and revised standards are:

Reference	Title
AASB 9	Financial Instruments
AASB 15	Revenue from Contracts with Customers
AASB 2017-5	Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions
AASB 2018-1	Amendments to Australian Accounting Standards – Transfers of Investments Property, Annual Improvements 2014-2017 Cycle and Other Amendments
AASB Interpretation 22	Foreign Currency Transactions and Advance Consideration

The Group has adopted each of the above new and amended standards. The application of these standards did not have a material impact on the results of the Group for the reporting year, as noted below:

### **AASB 9 Financial Instruments (AASB 9)**

AASB 9 Financial Instruments (AASB 9) replaces AASB 139 Financial Instruments: Recognition and Measurement (AASB 139) for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has applied AASB 9 retrospectively, with the initial application date of 1 January 2018.

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The Group has adopted AASB 9 retrospectively in accordance with the standard; changes in accounting policies resulting from the adoption of AASB 9 did not have a material impact on the Group's consolidated financial statements.

# Notes to the Consolidated Financial Statements

AASB 9 largely retains the existing requirements of AASB 139 for the classification and measurement of financial liabilities, however, it eliminates the previous AASB 139 categories for financial assets held to maturity, receivables and available for sale. Under AASB 9, on initial recognition a financial asset is classified as measured at:

- a. Amortised cost;
- b. Fair Value through Other Comprehensive Income (FVOCI) – debt investment;
- c. FVOCI – equity investment; or
- d. Fair Value through Profit or Loss (FVTPL)

The classification of financial assets under AASB 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition. For financial assets measured at amortised cost, these assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses.

Interest income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

As of 31 December 2017 and 31 December 2018, the Company's financial instruments consist of cash and cash equivalents, trade and other receivables, trade and other payables, and borrowings.

Cash and cash equivalents and trade and other receivables previously designated as receivables under AASB 139 are now classified as amortised cost under AASB 9. The trade and other payables and borrowings are designated as other financial liabilities, which are measured at amortised cost.

The cash and cash equivalents, trade and other receivables, trade and other payables and borrowings approximate their fair value due to their short-term nature.

## *Impairment of financial assets*

In relation to the financial assets carried at amortised cost, AASB 9 requires an expected credit loss model to be applied as opposed to an incurred credit loss model under AASB 139. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial asset. In particular, AASB 9 requires the Group to measure the loss allowance at an amount equal to lifetime expected credit loss ("ECL") if the credit risk on the instrument has increased significantly since initial recognition. On the other hand, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group is required to measure the loss allowance for that financial instrument at an amount equal to the ECL within the next 12 months.

## *Measurement Category*

<b>Class of financial instrument presented in the statement of financial position</b>	<b>Original measurement category under AASB 139</b>	<b>New measurement category under AASB 9</b>
Cash and cash equivalents	Loans and receivables	Financial assets at amortised cost
Trade and other receivables	Loans and receivables	Financial assets at amortised cost
Trade and other payables	Financial liability at amortised cost	Financial liability at amortised cost
Borrowings	Financial liability at amortised cost	Financial liability at amortised cost

The change in classification has not resulted in any re-measurement adjustment at 1 January 2018.

# Notes to the Consolidated Financial Statements

## **AASB 15 Revenue from Contracts with Customers (AASB 15)**

The Group has adopted AASB 15 with the date of initial application being 1 January 2018. In accordance with the transitional provisions in AASB 15 the standard has been applied using the full retrospective approach.

AASB 15 supersedes AASB 118 Revenue, AASB 111 Construction Contracts and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

Upon acquisition of Andina Resources Limited, it was determined that the adoption of AASB 15 had no impact on the Group as revenue arises entirely from the sale of gold bullions as described in Note 2. AASB 15 requires that revenue from contracts with customers be recognised upon the transfer of control over goods or services to the customer. The recognition of revenue upon transfer of control to the customer is consistent with the previous revenue recognition policy, as revenue is generally recognition when title over the goods has transferred to the customer. Therefore, this requirement under AASB 15 has resulted in no impact to the financial statements as the revenue recognition timing on gold bullion sales is unchanged.

### **f) Standards issued but not yet effective and not early adopted by the Company**

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting period, some of which are relevant to the Company. The new and amended standards that are relevant to the Company are listed below:

Reference	Title	Summary	Application date of standard
AASB 16	Leases	<p>AASB 16 requires lessees to account for all leases under a single on balance sheet model in a similar way to finance leases under AASB 117 <i>Leases</i>. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less).</p> <p>At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).</p> <p>Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.</p> <p>Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.</p> <p>Lessor accounting is substantially unchanged from today's accounting under AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance</p>	1 January 2019

# Notes to the Consolidated Financial Statements

Reference	Title	Summary	Application date of standard
		leases.	
AASB 2018-7	<i>Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures</i>	This Standard amends AASB 128 <i>Investments in Associates and Joint Ventures</i> to clarify that an entity is required to account for long-term interests in an Associate or joint venture, which in substance form part of the net investment in the associate or joint venture but to which the equity method is not applied, using AASB 9 <i>Financial Instruments</i> before applying the loss allocation and impairment requirements in AASB 128.	1 January 2019
AASB 2018-1	Annual Improvements to IFRS Standards 2015–2018 Cycle	The amendments clarify certain requirements in: <ul style="list-style-type: none"> <li>▶ AASB 3 <i>Business Combinations</i> and IFRS 11 <i>Joint Arrangements</i> - previously held interest in a joint operation</li> <li>▶ AASB 112 <i>Income Taxes</i> - income tax consequences of payments on financial instruments classified as equity</li> <li>▶ AASB 123 <i>Borrowing Costs</i> - borrowing costs eligible for capitalisation.</li> </ul>	1 January 2019

The Company has not elected to early adopt any new standards or amendments that are issued but not yet effective. New standards and amendments will be adopted when they become effective.

When adopted, the above standards are not expected to have a material impact to the financial statements.

## g) Going Concern

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity, realisation of assets and the settlement of liabilities in the normal course of business. The Consolidated Entity incurred a net loss of \$7,810,308 (2017: net profit \$12,433,016 had a net operating cash outflow of \$5,121,416 (2017: \$3,085,710) and a net investing cash outflow of \$2,830,943 (2017: \$191,204) for the year ended 31 December 2018.

The Consolidated Entity is currently in a positive working capital position of \$8,847,817 (2017: \$1,982,001).

As described in Note 27, the Group has entered into a binding arrangement agreement, pursuant to which Titan Minerals Limited will acquire all of the issued and outstanding Core Gold common shares by way of a share exchange (“the merger”). In connection with the merger, the Group will conduct a placement of new TTM shares to raise a minimum of A\$20 million, for which the issue will be subject to shareholder approval. The completion of the merger is conditional on completion of this placement.

On 25 March 2019, the Group raised USD \$3 million via loan facility agreements. The material terms of the loan facility are:

- Amount: US\$3,000,000
- Interest: 15% interest per annum
- Security: Vista Gold S.A.C. and Core Private Placement shares
- Repayment: earlier of 21 days from completion of Titan Core Gold plan of arrangement or 6 months from the draw down date, extendable to 9 months at Titans election with a minimum repayment of 5 months interest payable if repaid prior to five months from the draw down date

# Notes to the Consolidated Financial Statements

Also on 25 March 2019, the Group announced that it has successfully closed its US \$3,000,000 private placement with Core Gold Inc. acquiring 9,151,363 common shares of Core Gold on a private placement basis.

The Directors are confident that the Group has sufficient cash to fund its activities within the next 12 months from the date the financial statements are approved and will be able to meet existing commitments as they fall due. The Directors will also continue to carefully manage discretionary expenditure in line with the Group's cash flow.

Should the Group not achieve additional funding required, there is uncertainty whether the Group would continue as a going concern and therefore whether it would realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

## **h) Principles of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect those returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary as the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

## **i) Significant Accounting Policies**

The following significant policies have been adopted in the preparation of the Financial Report:

# Notes to the Consolidated Financial Statements

## **i. Revenue recognition**

The group primarily generates revenue from the sale of gold bullion. Revenue from the sale of these goods is recognised when control over the inventory has transferred to the customer, typically at physical delivery when title is transferred to the customer.

## **ii. Interest revenue**

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

## **iii. Cash and cash equivalents**

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at the date of acquisition.

Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

## **iv. Trade and other receivables**

Trade receivable (without a significant financing component) are initially recognised at their transaction price and all other receivables are initially measured at fair value. Receivables are measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within a business model with the objective to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For the purposes of the assessment whether contractual cash flows are solely payments of principal and interest, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non recourse features).

The Group recognises an allowance for expected credit losses ("ECLs") for all receivables not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate ("EIR").

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

# Notes to the Consolidated Financial Statements

For trade receivables and other receivables due in less than 12 months, the Group applies the simplified approach in calculating ECLs, as permitted by IFRS 9. Therefore, the Group does not track changes in credit risk, but instead, recognises a loss allowance based on the financial asset's lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. For any other financial assets carried at amortised cost (which are due in more than 12 months), the ECL is based on the 12-month ECL. The 12-month ECL is the proportion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment including forward-looking information.

## v. Inventory

Inventories are valued at the lower of cost and net realisable value. Cost includes expenditure incurred in acquiring and bringing the inventories to their existing condition and location but excludes overheads. Cost is accounted for as follows:

- *Bullion* - average fixed direct costs and variable direct costs.
- *Gold in circuit* - average cost.
- *Stores* - purchase cost on a first in first out cost method.
- *Ore stockpiles* - cost of mining on an average cost method.
- *Work in progress* - cost of mining and processing at an average cost method.

## vi. Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value commencing from the date the asset is available for use. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

Depreciation on assets utilised in exploration, evaluation and mine development during the pre-production phase is included in the carrying value of Deferred Exploration Expenditure and Mine Assets reflected on the balance sheet. On commencement of production, depreciation is expensed to the Income Statement.

The following estimated useful lives are used in the calculation of depreciation:

Facilities	10 years
Vehicles	5 years
Furniture and fixtures	10 years
Computer and other equipment	4 years
Other plant and equipment	3 – 10 years

## vii. Mine assets

Expenditure on mine properties in production or under development are accumulated and brought to account at cost less accumulated amortisation in respect of each identifiable area of interest. Amortisation of capitalised costs is provided on a production output basis, proportional to the depletion of the mineral resource of each area of interest expected to be ultimately economically recoverable.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Should the carrying value of expenditure not



# Notes to the Consolidated Financial Statements

yet amortised exceed its estimated recoverable amount in any period, the excess is written off to the income statement.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which it belongs.

Pre-production revenue from gold sales derived from mine development ore is netted off against capitalised mine development expenditure.

## viii. Impairment of assets

At each reporting date, the Consolidated Entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Consolidated Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

## ix. Deferred exploration expenditure

Exploration and evaluation expenditure for each area of interest is carried forward as an asset provided that one of the following conditions is met:

- Such costs are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or
- Exploration activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing.

Exploration and evaluation expenditure, which fails to meet at least one of the conditions outlined above, is written off.

Identifiable exploration assets acquired from another mining company are carried as assets at their cost of acquisition. Exploration assets acquired are reassessed on a regular basis and these costs are carried forward provided that at least one of the conditions outlined above are met. Exploration and evaluation expenditure incurred subsequent to acquisition in respect of an exploration asset acquired, is accounted for in accordance with the policy outlined above for exploration incurred by or on behalf of the entity. Exploration and evaluation expenditure assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.

The recoverable amount of the exploration and evaluation asset is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that

# Notes to the Consolidated Financial Statements

the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years. Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to mine assets.

## **x. Investments in associates and joint ventures**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except with the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with AASB 5. Under the equity method, an investment in an associate or joint venture is initially recognised in the consolidated statements of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interest in the associate or joint venture that are not related to the Group.

## **xi. Business combinations**

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 112 'Income Taxes' and AASB 119 'Employee Benefits' respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment

# Notes to the Consolidated Financial Statements

arrangements of the acquiree are measured in accordance with AASB 2 'Share-based Payment' at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations' are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 139 'Financial Instruments: Recognition and Measurement'; or AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

## **xii. Trade and other payables**

Trade payables and other accounts payable are recognised when the Consolidated Entity becomes obliged to make future payments resulting from the purchase of goods and services.

## **xiii. Provisions**

Provisions are recognised when the Consolidated Entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

# Notes to the Consolidated Financial Statements

## Provision for restoration and rehabilitation

A provision for restoration and rehabilitation is recognised when there is a present obligation as a result of exploration, development, production, transportation or storage activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount of the provision can be measured reliably.

The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation as at the reporting date. Future restoration costs are reviewed annually and any change in the estimates are reflected in the present value of the restoration provision at reporting date.

The initial estimate of the restoration and rehabilitation provision relating to exploration, development and production facilities is capitalised into the cost of the related asset and amortised on the same basis as the related asset, unless the present value arises from the production of inventory in the period, in which case the amount is included in the cost of production for the period. Changes in the estimate of the provision for restoration and rehabilitation are treated in the same manner, except that the unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the cost of the related asset.

## **xiv. Employee benefits**

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled wholly within twelve months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within twelve months are measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

## Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when incurred.

## **xv. Financial assets**

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity investments', 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The Group's "other financial Assets" held during the year comprise solely of assets classified as "loans and receivables".

## Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'.

## Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

# Notes to the Consolidated Financial Statements

## Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables. For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

## **xvi. Financial Liabilities**

Borrowings and other financial liabilities (including trade payables but excluding derivative liabilities) are recognised initially at fair value, net of transaction costs incurred and are subsequently stated at amortised cost. Any difference between the amounts originally received for borrowings and other financial liabilities (net of transaction costs) and the redemption value is recognised in the income statement over the period to maturity using the effective interest method.

### Fair value

Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties. Where relevant market prices are available, these have been used to determine fair values. In other cases, fair values have been calculated using quotations from independent financial institutions, or by using valuation techniques consistent with general market practice applicable to the instrument.

- (a) The fair values of cash, short-term borrowings and loans to joint ventures and associates approximate to their carrying values, as a result of their short maturity or because they carry floating rates of interest.
- (b) The fair values of medium and long-term borrowings are calculated as the present value of the estimated future cash flows using quoted prices in active markets or an appropriate market based yield curve. The carrying value of the borrowings is amortised cost.

### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash outflows through the expected life of the financial liability, or, where appropriate, a shorter period.

# Notes to the Consolidated Financial Statements

An expense is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'.

## **xvii. Issued Capital**

Ordinary share capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

## **xviii. Treasury Shares**

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in the share premium.

## **xix. Foreign currency**

### *Foreign currency transactions*

The individual financial statements of each group entity are presented in its functional currency being the currency of the primary economic environment in which the entity operates. For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Australian dollars, which is the functional currency of Titan Minerals Limited and the presentation currency for the consolidated financial statements.

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Exchange differences are recognised in profit or loss in the year in which they arise except that exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur, which form part of the net investment in a foreign operation, are recognised in the foreign currency translation reserve in the consolidated financial statements and recognised in consolidated profit or loss on disposal of the net investment.

### *Foreign operations*

On consolidation, the assets and liabilities of the Consolidated Entity's overseas operations are translated at exchange rates prevailing at the yearend closing rate. Income and expense items are translated at the average exchange rates for the year unless exchange rates fluctuate significantly. Exchange differences arising, if any, are recognised in the foreign currency translation reserve, and recognised in profit or loss on disposal of the foreign operation.

## **xx. Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- (i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- (ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

## **xxi. Share-based payments**

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. The expected life used in the

# Notes to the Consolidated Financial Statements

model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

## **xxii. Income tax**

Income tax expense represents the sum of the tax currently payable and deferred tax.

### Current tax

Current tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other periods and items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting year.

### Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

# Notes to the Consolidated Financial Statements

## Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

## **xxiii. Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

## **3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

The following are the key estimates that management has made in the process of applying the Group's accounting policies and that have the most significant effects on the amounts recognised in the financial statements.

### *(a) Impairment of property, plant and equipment*

The Group reviews for impairment of property, plant and equipment, in accordance with its accounting policy. The recoverable amount of these assets has been determined based on the higher of the assets' fair value less costs to sell and value in use. These calculations require the use of estimates and judgements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. The Group may engage the assistance of third parties to establish the appropriate valuation techniques and inputs to the valuation model.

### *(b) Impairment of deferred exploration expenditure*

The future recoverability of deferred exploration and evaluation expenditure is dependent on several factors, including whether the Group decides to exploit the related tenement/lease/concession itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, costs of drilling and production, production rates, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

### *(c) Impairment of Goodwill*

The Group reviews for impairment on goodwill at each reporting date. In determining the recoverable amount of relevant cash generating units, in the absence of quoted market prices, estimations are made regarding the present value of future cash flows. For goodwill, expected future cash flow estimation is based on future production profiles, commodity prices and costs. These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of the goodwill.

Furthermore, as the accounting for the business combination has been provisionally determined (refer Note 22) as at the date of this report, the recognition of and associated impairment assessment requirements are subject to change.



# Notes to the Consolidated Financial Statements

## 4. SEGMENT INFORMATION

### Identification of Reportable Segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board (the chief operating decision-maker) in assessing performance and in determining the allocation of resources. The operating segments are identified by the Board based on reporting lines and the nature of services provided. Discrete financial information about each of these operating segments is reported to the Board on a monthly basis. The Group operates predominately in Peru. The reportable segments are based on aggregated operating segments determined by the similarity of the services provided and other factors.

### Segments

The Group has one reportable operating segment, which is the gold toll processing operation in Peru. The information is further analysed based on the mineral sold within the region.

Segment result represents the profit or loss earned by each segment without allocation of corporate administration costs, investment revenue and finance costs or income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

### Holding Company

Holding Company costs (or unallocated costs, assets and liabilities) are those costs which are managed on a Group basis and not allocated to business segments. They include costs associated with executive management, strategic planning and compliance costs.

### Accounting Policies

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries, share of profits of associates, gain recognised on disposal of interest in former associate, investment income, gains and losses, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

### Intersegment Transfers

There have been no intersegment sales during the year.

The following is an analysis of the Group's revenue and results by reportable operating segment for the year under review:

# Notes to the Consolidated Financial Statements

	Revenue		Segment Result	
	Year ended		Year ended	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
<b>Continuing operations</b>				
Segment result before income tax – Peru Gold Toll Treatment Processing	5,802,384	-	591,164	-
	5,802,384	-	<b>591,164</b>	-
Other revenue			15,799	2,896
Central administration costs and director salaries and depreciation			(3,338,468)	(600,762)
Foreign exchange gain / (loss)			297,248	(16,261)
Finance costs			(10,903)	-
Loan forgiveness			-	13,205,162
Impairment expense / (reversal)			(7,066,878)	977,794
DOCA Expenses			-	(2,350,000)
Share Based Payments			(1,230,532)	(4,527)
(Loss) / profit before income tax expense			<b>(10,742,570)</b>	<b>11,214,302</b>
Income tax expense			-	-
<b>Loss) / profit for the year from continuing operations</b>			<b>(10,742,570)</b>	<b>11,214,302</b>

The revenue reported above represents revenue generated from processed gold sales, toll treatment revenues and concentrate sales to external customers.

The following is an analysis of the Group's assets by reportable operating segment:

<b>Assets</b>	<b>31-Dec-18</b>	<b>31-Dec-17</b>
Peru Gold Toll Treatment Processing	16,988,800	1,270,874
Unallocated assets	10,006,061	3,221,567
<b>Consolidated total assets</b>	<b>26,994,861</b>	<b>4,492,441</b>

The following is an analysis of the Group's liabilities by reportable operating segment:

<b>Liabilities</b>	<b>31-Dec-18</b>	<b>31-Dec-17</b>
Peru Gold Toll Treatment Processing	(5,882,362)	(3,347,207)
Unallocated liabilities	(270,804)	(96,762)
<b>Consolidated total liabilities</b>	<b>(6,153,166)</b>	<b>(3,443,969)</b>

# Notes to the Consolidated Financial Statements

## 5. REVENUE AND EXPENSES

The following is an analysis of the Group's revenue for the year from continuing operations:

	Consolidated	
	31-Dec-18	31-Dec-17
<b>(a) Revenue</b>		
Gold Toll Treatment Processing	5,802,384	-
Revenue for continuing operations	<b>5,802,384</b>	-
Other income	15,799	2,896
Other Revenue	<b>15,799</b>	<b>2,896</b>
<b>(b) Expenses</b>		
<i>(i) Depreciation</i>		
Plant and equipment	(87,202)	-
	<b>(87,202)</b>	-
<i>(ii) Administration expenses</i>		
Compliance expenses	(509,556)	*
Legal costs	(81,444)	*
Professional fees and consultants	(1,313,330)	*
Director fees	(331,000)	*
Advertising and investor relations	(51,968)	*
Travel and accommodation	(276,318)	*
Employee benefits expense	(255,080)	*
Other Administration costs	(278,440)	*
	<b>(3,097,136)</b>	<b>(600,762)</b>
<i>(iii) Impairment (expense) / reversal</i>		
Impairment / reversal of impairment - San Santiago <sup>1</sup>	(1,000,000)	1,000,000
Impairment of Deferred exploration and evaluation expenditure assets and mine assets <sup>2</sup>	(3,838,030)	-
Impairments relating to Tulin Plant <sup>3</sup>	(2,003,072)	-
Impairment – other receivables	(225,776)	(22,206)
	<b>(7,066,878)</b>	<b>977,794</b>

<sup>1</sup>The Company reversed the provision for impairment upon the directors resumed custodianship of the Company from administration on 4 October 2017. With the successful acquisition of Andina Resources Limited (including the Vista Gold Plant), the Company decided that the gold circuit at San Santiago would not be restarted. The San Santiago plant remains in care and maintenance while the Company assesses future options for the asset. As a result, the Company has fully impaired the San Santiago plant in the 2018 financial year.

<sup>2</sup>As a result of the acquisition of Andina Resources Limited as described in Note 23, the Company acquired the full rights to the Torrecillas concession, recognising the fair value of the asset acquired of \$5.4 million. While the Company still continues its exploration plans for this asset, as the asset currently remains as an early stage exploration project, the Company has decided to impair the value of the Torrecillas asset down to Group costs incurred on the project. The impairment is made up of impairment of Deferred exploration and evaluation expenditure assets \$5,228,298 net of the derecognition of the deferred tax liability of \$1,390,268 recognised as a result of business combination.

# Notes to the Consolidated Financial Statements

<sup>3</sup>The Tulin Plant, operated by Tulin Gold Co. SAC ("Tulin"), a subsidiary of Andina Resources Limited, was operating under a mining assignment agreement with a private owner and as a result of the expiry of the plant lease, Tulin has ceased processing ore at the facility. The expiry of the lease and the non-compliance has resulted in a dispute in finalising the termination of assignment. The Company is working with DREM ('The Direccion Regional De Energia Y Minas' or 'The Regional Energy and Mines Institute') with a focus on the return of the facility back to the underlying owner. Until there is a resolution, the Company is restricted from accessing assets owned by the Company, including ore material stockpiles and operational equipment. As a result of the above, a provision for impairment amounting \$2,003,072 over the restricted assets have been raised.

	Consolidated	
	31-Dec-18	31-Dec-17
(iv) Loan Forgiveness:		
Cash settlements	-	(1,379,183)
Equity settlements	-	(4,739,676)
Book value of loans forgiven	-	19,324,021
	-	<b>13,205,162</b>

\* The Company was under External administration from 25 August 2015 to 4 October 2017, consequently the Company did not have sufficient information to allow the level of disclosure required for the year ended 31 December 2017.

## 6. INCOME TAXES

	Consolidated	
	31-Dec-18	31-Dec-17
Income tax recognised in profit or loss		
Tax expense comprises:		
Deferred tax expense	-	-
Total tax expense	-	-

The prima facie income tax expense on pre-tax accounting loss / profit from continuing operations reconciles to the income tax expense in the financial statements as follows:

(Loss) / Profit from continuing operations	(10,742,570)	11,204,302
Income tax calculated at 27.5% (2017: 27.5%)	(2,954,207)	3,083,933
Expenses that are not deductible / (income that is exempt) in determining taxable profit	2,326,532	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	57,087	-
Tax benefit not recognised as recovery not probable	570,588	(3,083,933)
	-	-

The tax rate used in the above reconciliation is the tax rate of 27.5% (2017: 27.5%) payable by Australian corporate entities on taxable profits under Australian tax law.

Deferred tax balances as at 31 December 2018 were not recognised in the statement of financial position. These relate to the deferred tax assets from the following accounts:

Temporary differences	168,239	-
Tax losses – revenue	1,665,551	1,001,705
Tax losses – capital	8,663,325	8,663,325
	10,497,115	9,665,030

# Notes to the Consolidated Financial Statements

\* The Company was under External administration from 25 August 2015 to 4 October 2017, consequently the Company did not have sufficient information to allow the level of disclosure required for the year ended 31 December 2017.

## 7. TRADE AND OTHER RECEIVABLES

	31-Dec-18	31-Dec-17
<b>Current</b>		
Trade receivables	14,850	-
GST/VAT receivable	1,010,683	98,572
Other receivables	341,769	191,204
	1,367,302	289,776

At the reporting date no trade receivables were past due but not impaired.

	31-Dec-18	31-Dec-17
<b>Non-Current</b>		
Deposits	80,000	-
Other receivables	-	98,097
	80,000	98,097

## 8. PREPAYMENTS

	31-Dec-18	31-Dec-17
<b>Current</b>		
Advances to suppliers <sup>(1)</sup>	868,381	-
Other prepayments	21,582	-
	889,963	-

(1) This balance primarily relates to advances given to mineral suppliers to secure goods in the ordinary course of business.

# Notes to the Consolidated Financial Statements

## 9. INVENTORIES

	<u>31-Dec-18</u>	<u>31-Dec-17</u>
Raw materials in stockpile	865,778	-
In process ore	208,791	-
Auxilliary materials	6,746	-
	<u>1,081,315</u>	<u>-</u>

## 10. CURRENT TAX ASSET

	<u>31-Dec-18</u>	<u>31-Dec-17</u>
Current tax receivable	825,194	-
	<u>825,194</u>	<u>-</u>

The balance reflects tax that are eligible for a refund from the Peruvian tax authorities as a result of income tax prepayments and the export of minerals.

## 11. ASSETS CLASSIFIED AS HELD FOR SALE

	<u>31-Dec-18</u>	<u>31-Dec-17</u>
Property, plant and equipment	1,716,454	-
	<u>1,716,454</u>	<u>-</u>
Reconciliation of the carrying amounts of non-current assets held for sale at the beginning and end of the current financial year:		
Carrying amount at beginning of the year	-	-
- Transferred from Property, Plant and Equipment	1,619,942	-
- Impact of foreign exchange	96,512	-
	<u>1,716,454</u>	<u>-</u>

In November 2018, the Company decided to sell some of the property, plant and equipment from the Tulin plant and has reclassified the amounts to assets classified as held for sale. Furthermore, also in November 2018 the Group signed a contract to sell the asset, with management expecting to complete the sale in the first 6 months of financial year 2019.

# Notes to the Consolidated Financial Statements

## 12. PROPERTY, PLANT AND EQUIPMENT

	San Santiago Plant*	Land	Facilities	Vehicles	Computer Equipment	Furniture and fixtures	Other Plant and Equipment	Work in Progress	Total
<b>Assets at Cost</b>									
<b>Balance at 31 December 2016</b>	-	-	-	-	-	-	-	-	-
Additions	1,000,000	-	-	-	-	-	-	-	1,000,000
Reversal of impairment	1,000,000	-	-	-	-	-	-	-	1,000,000
<b>Balance at 31 December 2017</b>	-	1,025,474	88,506	453,455	-	44,842	944,813	1,805,284	4,362,374
Acquisition of subsidiary	-	120,322	-	441,606	22,027	4,962	32,394	527,281	1,148,592
Additions	-	-	-	(185,658)	-	-	-	-	(185,658)
Disposals	-	-	(17,895)	-	-	-	(211,811)	(1,554,908)	(1,784,614)
Transferred to held for sale (Note 11)	-	54,534	3,022	36,193	1,312	2,367	32,950	22,160	152,538
Exchange differences	-	-	-	-	-	-	-	-	-
<b>Balance at 31 December 2018</b>	1,000,000	1,200,330	73,633	745,596	23,339	52,171	798,346	799,817	4,693,232
<b>Accumulated depreciation and</b>									
<b>Balance at 31 December 2016</b>	-	-	-	-	-	-	-	-	-
<b>Balance at 31 December 2017</b>	-	-	-	-	-	-	-	-	-
Acquisition of subsidiary	-	-	(34,996)	(356,502)	-	(26,835)	(519,877)	-	(938,210)
Depreciation	-	-	(20,416)	(30,783)	(328)	(2,079)	(33,596)	-	(87,202)
Disposals	-	-	16,501	-	-	-	-	-	16,501
Transferred to held for sale (Note 11)	-	-	-	-	-	-	164,672	-	164,672
Impairment	(1,000,000)	-	(31,800)	31,398	-	(10,306)	(249,741)	-	(1,260,449)
Exchange differences	-	-	(2,657)	(4,975)	(3)	(1,860)	(39,002)	-	(48,497)
<b>Balance at 31 December 2018</b>	(1,000,000)	-	(73,368)	(360,862)	(331)	(41,080)	(677,544)	-	(2,153,185)
<b>Net book value</b>									
As at 31 December 2017	1,000,000	-	-	-	-	-	-	-	1,000,000
<b>As at 31 December 2018</b>	-	1,200,330	265	384,734	23,008	11,091	120,802	799,817	2,540,047

\* When the directors resumed custodianship of the Company it was noted that the San Santiago plant has a provision for impairment that brought the book value to \$nil. The directors obtained a third-party valuation report on the San Santiago plant from Primero Group Pty Ltd to ascertain what the fair value of the plant should be now that the Company was out of administration. The valuer used an order of magnitude valuation estimate and arrived at a fair value of US\$1,302,500. The directors approved a conservative approach to reverse the provision for impairment back to an ascribed fair value of AU\$1,000,000 for the San Santiago plant during the 31 December 2017 financial year.

In the 31 December 2018 financial year, with the successful acquisition of Andina Resources Limited's Vista Gold Plant, Titan decided it will not restart the gold circuit at San Santiago. As a result, the Group has recognised an impairment of the fully carrying value of \$1,000,000.

# Notes to the Consolidated Financial Statements

## 13. MINE ASSETS

	Consolidated	
	31-Dec-18	31-Dec-17
Mine assets at cost	172,777	172,777
Impairment	(172,777)	-
Net book value	<u>-</u>	<u>172,777</u>

Reconciliation of the carrying amounts of mine assets at the beginning and end of the current financial year:

Carrying amount at beginning of the year	172,777	500,000
- fair value adjustment on disposal	-	(327,223)
- impairment – refer Note 5(b)	(172,777)	-
	<u>-</u>	<u>172,777</u>

## 14. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	31-Dec-18	31-Dec-17
Deferred exploration expenditure	841,622	-

Reconciliation of the carrying amounts of mine assets at the beginning and end of the current financial year:

Carrying amount at beginning of the year	-	-
- additions	453,811	-
- acquisitions through business combination – refer Note 23	5,400,000	-
- impairment – refer Note 5(b)	(5,055,521)	-
- impact of foreign exchange	43,332	-
	<u>841,622</u>	<u>-</u>

## 15. INTANGIBLES

	Consolidated	
	31-Dec-18	31-Dec-17
Goodwill <sup>(1)</sup>	12,110,496	-
Other intangibles	83,042	-
	<u>12,193,538</u>	<u>-</u>

(1) Goodwill relates to the acquisition of Andina Resources Limited as described in Note 23. As described in this note, the accounting for the business combination has been determined provisionally as at the date of this report.



# Notes to the Consolidated Financial Statements

## 16. TRADE AND OTHER PAYABLES

	Consolidated	
	31-Dec-18	31-Dec-17
<b>Current Liabilities</b>		
Trade and other payables	1,074,995	340,952
Employee benefits	-	723,977
	<b>1,074,995</b>	<b>1,064,929</b>
<b>Non- Current Liabilities*</b>		
Trade and other payables	119,249	1,801,826
Tax liabilities	-	402,577
	<b>119,249</b>	<b>2,204,403</b>

\* When the directors resumed custodianship of the Company it was noted that a large portion of the payables in the subsidiaries related to debts owed from the period 2010-2017. Some of which pre-dated the Company's acquisition of the subsidiaries. It is directors expectation that the Company will not settle these outstanding liabilities within the next 12 months as the validity of the liabilities cannot be confirmed, and therefore have classified these liabilities as non-current.

## 17. BORROWINGS

	Consolidated	
	31-Dec-18	31-Dec-17
<b>CURRENT</b>		
<b><i>Unsecured at amortised cost</i></b>		
Loans	-	174,637
<b><i>Secured at amortised cost</i></b>		
Loan – Silverstream SECZ	1,416,842	-
	<b>1,416,842</b>	<b>174,637</b>
<b>NON CURRENT</b>		
<b><i>Secured at amortised cost</i></b>		
Loan – Silverstream SECZ	3,542,080	-
	<b>3,542,080</b>	<b>-</b>
<b>TOTAL BORROWINGS</b>	<b>4,958,922</b>	<b>174,637</b>

Silverstream SECZ Loan

As a result of the acquisition of Andina Resources Limited (refer Note 23), the Group assumed the Silverstream liability has been assumed by the Group. The Silverstream agreement is secured over the Torrecillas concessions and mining operations that the Titan group had with Silverstream SECZ.

The loan is interest free, and requires the total payment of US\$3,700,000 over 15 instalments commencing on 1 July 2018 and ending on 30 June 2022.

# Notes to the Consolidated Financial Statements

## 18. PROVISIONS

	Consolidated	
	31-Dec-18	31-Dec-17
<b>Current</b>		
Provision for mine closure <sup>(1)</sup>	-	-
<b>Total Current</b>	-	-
<b>Non-current</b>		
Provision for mine closure	-	-
<b>Total Non-Current</b>	-	-
<b>TOTAL</b>	-	-
<i>Provision for mine closure</i>		
Opening balance	-	328,651
- decrease in the provision	-	(328,651)
Closing balance	-	-

- (1) The provision for mine closure is an environmental management instrument used to evaluate and plan necessary measures before, during and after the closure of operations to eliminate, mitigate and control adverse effects on the area used or disturbed by the mining activity, in order to be considered as a compatible ecosystem with a healthy environment, appropriate for the biological development and landscape preservation. This Environmental Impact Statement has been approved by the Regional Government of Arequipa.

# Notes to the Consolidated Financial Statements

## 19. ISSUED CAPITAL

### (a) Issued capital reconciliation

Issued capital	31 December 2018		31 December 2017	
	Number	\$	Number	\$
Ordinary shares fully paid	2,563,706,065	119,205,794	1,635,381,023	91,051,880
Treasury shares <sup>(1)</sup>	-	(2,080,000)	-	-
<b>Total Issued Capital</b>	<b>2,563,706,065</b>	<b>117,125,794</b>	<b>1,635,381,023</b>	<b>91,051,880</b>
<b>Movements in shares on issue</b>				
Balance at the beginning of the financial year	1,635,381,023	91,050,880	3,633,823,438	78,619,000
Consolidation on a 350:1 basis	-	-	(3,623,442,415)	-
Shares issued 5 October 2017, at \$0.01, under the Public Offer	-	-	600,000,000	6,000,000
Shares issued 5 October 2017, at \$0.01, under the Employee Offer	-	-	70,000,000	700,000
Shares issued 5 October 2017, at \$0.01, under the Broker Offer	-	-	316,032,382	3,160,324
Shares issued 5 October 2017, at \$0.01, under the SilverStream Offer	-	-	350,000,000	3,500,000
Shares issued 5 October 2017, at \$0.01, under the Unsecured Creditor Offer	-	-	53,967,618	539,676
Shares issued 5 October 2017, at \$0.01, under the Andina Offer	-	-	235,000,000	2,350,000
Shares issued 28 May 2018, at \$0.03 under Tranche 1 of Share Placement	233,334,333	7,000,030	-	-
Shares issued 16 July 2018, at \$0.03 under Tranche 2 of Share Placement	133,334,333	4,000,010	-	-
Shares issued 10 August 2018, at \$0.032 for the acquisition of Andina Resources Limited	545,263,978	17,448,447	-	-
Shares issued 26 September 2018, at \$0.032 for the acquisition of Andina Resources Limited	16,392,398	524,557	-	-
Capital Raising Costs	-	(818,130)	-	(3,818,120)
<b>Balance at end of financial year</b>	<b>2,563,706,065</b>	<b>119,205,794</b>	<b>1,635,381,023</b>	<b>91,050,880</b>

### Terms and conditions of contributed equity

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

#### (1) Treasury shares

As a result of the acquisition of Andina Resources Limited as outlined in Note 23, by way of Andina Resources Limited's holding in Titan Minerals Limited at the date of acquisition, the Group acquired 65,000,000 TTM shares. The shares are carried at cost (being the deemed issue price as per the Andina takeover bid) and recognised as a deduction against Issued capital.

# Notes to the Consolidated Financial Statements

## (b) Shares under option – unlisted

Recipient	Number of shares under option	Exercise price	Expiry date	Vested
Canaccord Genuity (Australia) Limited	12,000,000	\$0.05	1 July 2021	100%
Canaccord Genuity (Australia) Limited	15,000,000	\$0.06	1 July 2021	100%
Canaccord Genuity (Australia) Limited	18,000,000	\$0.07	1 July 2021	100%

As at 31 December 2018, there are 45,000,000 unlisted share options issued to corporate advisors.

Unquoted share options granted carry no rights to dividends and no voting rights and details of the movement in unissued shares or interests under option as at the date of this report are:

	Number of Options (Unlisted)
<b>Balance at 1 January 2017</b>	<b>82,275,000</b>
Consolidation on a 350:1 basis	(82,039,929)
Share options lapsed	(25,714)
<b>Total number of options outstanding as at 31 December 2017</b>	<b>209,357</b>
Issue of options	45,000,000
Share options lapsed	(209,357)
<b>Total number of options outstanding as at 31 December 2018</b>	<b>45,000,000</b>

No options were exercised during the year.

## 20. RESERVES

	Consolidated	
	31-Dec-18	31-Dec-17
Share based payments reserve	4,056,059	2,825,527
Foreign currency translation reserve	46,527	(251,558)
	<b>4,102,586</b>	<b>2,573,969</b>
<i>Movements in Share based payments reserve</i>		
At the beginning of the financial year	2,825,527	2,821,000
Additions	1,230,532	4,527
	<b>4,056,059</b>	<b>2,825,527</b>

The share based payments reserve is used to accumulate the fair value of share based payments issued, including options and performance rights.

### *Movements in Foreign currency translation reserve*

At the beginning of the financial year	(251,558)	(1,902,546)
Movement	298,085	1,650,988
	<b>46,527</b>	<b>(251,558)</b>

The foreign currency translation reserve is used to record exchange differences arising from the translation of subsidiaries from the functional currency (US dollars for Peru) to the presentation currency (AUD).

# Notes to the Consolidated Financial Statements

## 21. LOSS PER SHARE

	<b>Consolidated</b>	
	<b>31-Dec-18</b>	<b>31-Dec-17</b>
	<b>Cents</b>	<b>Cents</b>
Basic and diluted loss per share from continuing operations	(0.523)	2.820
	<b>\$</b>	<b>\$</b>
(Loss) / Profit from Continuing Operations Attributable to Equity Holders of Titan Minerals Ltd	(10,742,570)	11,214,302
	<b>No.</b>	<b>No.</b>
Weighted average number of ordinary shares used in the	2,052,757,028	397,709,790
Potential ordinary shares not considered to be dilutive at year end	-	-
	<b>Consolidated</b>	
	<b>31-Dec-18</b>	<b>31-Dec-17</b>
	<b>Cents</b>	<b>Cents</b>
Basic and diluted loss per share from discontinued operations	0.143	0.306
	<b>\$</b>	<b>\$</b>
Profit from Discontinued Operations Attributable to Equity Holders	2,932,262	1,218,714
	<b>No.</b>	<b>No.</b>
Weighted average number of ordinary shares used in the	2,052,757,028	397,709,790
Potential ordinary shares not considered to be dilutive at year end	-	-

There were no potential ordinary shares considered to be dilutive at year end.

# Notes to the Consolidated Financial Statements

## 22. SUBSIDIARIES

Name of entity	Country of incorporation	Ownership interest 2018	Ownership interest 2017	Principal Activity
Mundo Minerals USA	USA	100%	100%	Administrative holding company
Compania Minera Cobrepampa S.A.C	Peru	- <sup>1</sup>	100%	Copper exploration
Empresa Minera Cobrepampa S.A.C	Peru	100% <sup>2</sup>	100%	Copper exploration
Grupo Cobrepampa S.A.C	Peru	100% <sup>2</sup>	100%	Copper exploration
Korisumaq S.A.C	Peru	100% <sup>2</sup>	100%	Copper exploration
Derivados Y Concentrados S.A.C	Peru	- <sup>1</sup>	100%	Processing plant operator
Hogans Heros S.A.C	Peru	100%	100%	Administrative holding company
Hogans Hotel California S.A.C	Peru	100%	-	Administrative holding company
Little Twigg S.A.C	Peru	100%	-	Administrative holding company
Andina Resources Limited	Australia	100% <sup>3</sup>	-	Administrative holding company
Tulin Gold S.A.C	Peru	100% <sup>3</sup>	-	Processing plant operator
Vista Gold S.A.C	Peru	100% <sup>3</sup>	-	Processing plant operator
Mantle Mining S.A.C	Peru	100% <sup>3</sup>	-	Gold exploration
Andean Metals S.A.C	Peru	100% <sup>3</sup>	-	Administrative holding company
Porphyry Assets Pty Ltd	Australia	100% <sup>3</sup>	-	Administrative holding company
Porphyry Assets S.A.C	Peru	100% <sup>3</sup>	-	Administrative holding company

Note 1: Compania Minera Cobrepampa S.A.C and Derivados Y Concentrados S.A.C were disposed of during the year. Refer Note 24 for further details

Note 2: Empresa Minera Cobrepampa S.A.C, Grupo Cobrepampa S.A.C and Korisumaq S.A.C were placed in liquidation during the year, with the process ongoing as at 31 December 2018.

Note 3: Control of these entities was obtained as a result of the acquisition of Andina Resources Limited as described in Note 23.

## 23. BUSINESS COMBINATION

### Acquisition of Andina Resources Limited

On 26 March 2018 the Group announced that it had entered into a bid implementation agreement with Andina Resources Limited ("Andina"), by which Titan would acquire all of the issued capital in Andina via an off-market takeover bid. Under the bid, Andina shareholders will receive 1 fully paid ordinary share in the capital of Titan Minerals Limited for every 1.18 Andina shares held.

On 12 July 2018, the Group's acquisition of Andina became unconditional upon the completion of the key conditions of the takeover bid.

The accounting of the business combination has been determined provisionally as at the date of this report. The Group is obtaining all necessary information to ensure that the fair value of the recognised assets and liabilities on acquisition are accurate.

# Notes to the Consolidated Financial Statements

## (a) Consideration transferred

	\$
Issued capital (561,656,376 shares)	17,973,004

## (b) Assets acquired and liabilities recognised at the date of acquisition

	\$
Current assets	
Cash and cash equivalents	226,248
Trade and other receivables	1,439,816
Prepayments	460,038
Inventories	1,039,005
Financial assets*	2,080,000
Current tax asset	375,823
Non-current assets	
Property, plant and equipment	3,140,477
Deferred exploration and evaluation expenditure	5,400,000
Deferred tax asset	95,922
Current liabilities	
Trade and other payables	765,044
Financial liabilities	1,015,710
Non-current liabilities	
Financial liabilities	4,109,524
Other financial liabilities**	1,114,273
Deferred tax liabilities	1,390,268
<b>Total assets acquired and liabilities recognised at the date of acquisition</b>	<b>5,862,508</b>

\*Andina Resources Limited held in its shares in Titan Minerals Limited as at the date of the acquisition with a value of \$2,080,000. Upon acquisition of these shares, they are now recognised by the Group as treasury shares in Equity (refer Note 19) as at year end.

\*\*Other financial liabilities relates to the loan owing from Mantle Mining S.A.C (a subsidiary of Andina Resources Limited), to Hogan's Heros S.A.C (a subsidiary of Titan Minerals Limited). Upon acquisition of Andina, this loan eliminates upon consolidation.

## Goodwill arising on acquisition

	\$
Consideration transferred	17,973,004
Less: Fair value of identifiable net assets and liabilities acquired	(5,862,508)
Goodwill (Note 15)	12,110,496

# Notes to the Consolidated Financial Statements

(c) Net cash inflow on acquisition of subsidiary

	\$
Cash and cash equivalents acquired	226,248

There was no cash consideration transferred for the acquisition of Andina Resources Limited.

(d) Impact of acquisitions on the results of the Group

Included in the loss for the year is a \$2,814,457 loss attributable to the operational results of Andina. Revenue for the year of \$5,802,384 relates to the results of Andina.

Had these business combinations been effected at 1 January 2018, the revenue of the Group from continuing operations attributable to Andina would have been \$11,926,530, and the loss attributable to Andina would have been \$8,486,322.

## 24. DISCONTINUED OPERATIONS

The profit or loss attributable to discontinued operations relate to the disposal of the below entities.

	31 Dec 2018	31 Dec 2017
MPG Group	-	(1,835,586)
Derivado Y Concentrados S.A.C	2,468,151	3,054,300
Compañía Minera Cobrepampa SAC	464,103	-
<b>Total Profit / (loss) for the year from discontinued operations (attributable to owners of the company)</b>	<b>2,932,254</b>	<b>1,218,714</b>

The details of the disposal are outlined below:

### Disposal of Derivado Y Concentrados S.A.C

On 15 June 2018, the Group disposed of its 100% owned subsidiary Derivado Y Concentrados S.A.C for 3,500 Soles (AUD \$1,068).

#### (a) Financial performance

	31 Dec 2018	31 Dec 2017
<b>Profit for the period from discontinued operations</b>		
Revenue	-	638,684
Cost of goods sold	-	(807,242)
Gross profit	-	(168,558)
Depreciation and amortisation charges	-	(213,291)
Administration expenses	-	(853,720)
Loan forgiveness	-	4,548,627
Other expenses	(777,136)	(258,758)
<b>(Loss) / profit for the year from discontinued operations for the year or until date of disposal</b>	<b>(777,136)</b>	<b>3,054,300</b>
Gain on disposal	3,245,287	-
<b>Profit before income tax</b>	<b>2,468,151</b>	<b>3,054,300</b>
Attributable income tax expense	-	-
<b>Profit for the year from discontinued operations (attributable to owners of the company)</b>	<b>2,468,151</b>	<b>3,054,300</b>



# Notes to the Consolidated Financial Statements

	31 Dec 2018	31 Dec 2017
<b>Cash flows from discontinued operations</b>		
Net cash outflow from operating activities	(205,608)	(111,823)

## (b) Details of the sale of Derivado Y Concentrados S.A.C

	15 June 2018
Consideration received in cash and cash equivalents	1,068

### Analysis of assets and liabilities over which control was lost

Trade and other payables	2,985,309
Derecognition of foreign currency reserve	<u>258,910</u>
Gain on disposal of subsidiary	3,245,287

The above gain on disposal of subsidiary is included in the profit for the period from discontinued operations.

## Disposal of Compañía Minera Cobrepampa SAC

On 29 August 2018, the Group disposed of its 100% owned subsidiary Compañía Minera Cobrepampa SAC for no consideration.

### (a) Financial performance and cash flow information

	31 Dec 2018	31 Dec 2017
<b>Profit for the period from discontinued operations</b>		
Revenue	-	-
Cost of goods sold	-	-
Gross profit	-	-
Other expenses	-	-
<b>Profit for the year from discontinued operations for the year or until date of disposal</b>	-	-
Gain on disposal	464,103	-
<b>Profit before income tax</b>	464,103	-
Attributable income tax expense	-	-
<b>Profit for the year from discontinued operations (attributable to owners of the company)</b>	<b>464,103</b>	-

	31 Dec 2018	31 Dec 2017
<b>Cash flows from discontinued operations</b>		
Net cash outflow from operating activities	-	-

# Notes to the Consolidated Financial Statements

## (b) Details of the sale of Compañía Minera Cobrepampa SAC

29 August 2018

Consideration received in cash and cash equivalents -

### Analysis of assets and liabilities over which control was lost

Trade and other payables	464,103
<b>Gain on disposal of subsidiary</b>	<b>464,103</b>

The above gain on disposal of subsidiary is included in the profit for the period from discontinued operations.

## Disposal of MPG Group

On 4 October 2017 the shares in the entities that made up the MPG group of companies were transferred to the Minera Gold Limited Creditors Trust.

## (a) Financial performance and cash flow information

	31 Dec 2018	31 Dec 2017
<b>Loss for the year from discontinued operations</b>		
Revenue - rendering of services	-	3,109
Other income	-	-
	-	3,109
Expenses	-	(1,511,354)
<b>Loss for the year from discontinued operations until date of disposal</b>	-	(1,508,245)
Loss on disposal	(b) -	(327,341)
<b>Loss before income tax</b>	-	<b>(1,835,586)</b>
Attributable income tax expense	-	-
<b>Loss for the year from discontinued operations (attributable to owners of the company)</b>		<b>(1,835,586)</b>
<b>Cash flows from discontinued operations</b>		
Net cash outflow from operating activities	-	(363,663)
<b>Net cash outflows from discontinued operations</b>	-	<b>(363,663)</b>

# Notes to the Consolidated Financial Statements

## (b) Details of the sale of the MPG Group

	<u>4-Oct-17</u>
	\$
Consideration received or receivable:	
Cash	-
<b>Total disposal consideration</b>	<u>-</u>
Carrying amount of net assets sold	4,742,518
Foreign Currency Translation reclassified from reserve to profit or loss on disposal	<u>(5,069,859)</u>
<b>Loss on disposal</b>	<b>(327,341)</b>

The carrying amounts of assets and liabilities as at the date of sale (4 October 2017) were:

	<u>4-Oct-17</u>
	\$
Cash and cash equivalents	-
Other current assets	488,205
Property, plant and equipment	630,367
Other non-current assets	<u>10,198,265</u>
<b>Total assets</b>	<b>11,316,837</b>
Trade and other payables	<u>(3,319,685)</u>
Other non-current liabilities	<u>(3,254,634)</u>
<b>Total liabilities</b>	<b>(6,574,319)</b>
<b>Net assets</b>	<b>4,742,518</b>

\* The Company was under External administration from 25 August 2015 to 4 October 2017, consequently the Company did not have sufficient information to allow the level of disclosure required for the year ended 31 December 2017.

## 25. CONTINGENCIES AND COMMITMENTS

As at reporting date, the Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	<b>Consolidated</b>	
	<b>31-Dec-18</b>	<b>31-Dec-17</b>
Within one year	37,404	-
In the second to fifth years inclusive	144,234	-
After 5 years		
	<u>181,638</u>	<u>-</u>

Operating leases are comprised of rentals payable by the Group for office rental.

The Group has no other commitments or contingent liabilities as at 31 December 2018.

# Notes to the Consolidated Financial Statements

## 26. NOTES TO THE CASH FLOW STATEMENT

### (a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money markets instruments. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

	<b>Consolidated</b>	
	<b>31-Dec-18</b>	<b>31-Dec-17</b>
Cash at bank and deposits at call	5,459,426	2,931,791
<b>(b) Reconciliation of loss for the year to net cash flows used in operating</b>		
Profit / (Loss) for the year	(7,810,308)	12,433,016
Adjustments for:		
Depreciation and amortisation of non-current assets	87,202	213,291
Share based payments	1,230,532	4,527
Foreign exchange	(297,248)	16,261
Loan forgiveness	-	(17,753,789)
DOCA expenses	-	2,350,000
Provision expense	-	22,206
Impairment / (reversal) of impairment	7,066,878	(1,000,000)
Gain on disposal of subsidiary	(2,932,262)	-
Non-cash financing activities:		
- Assumption of financial liability	1,053,133	-
<i>(Increase)/decrease in assets:</i>		
Trade and other receivables	380,386	289,625
Prepayments	(429,926)	-
Inventories	(42,310)	-
Current tax assets	(449,371)	-
<i>Increase/(decrease) in liabilities:</i>		
Trade and other payables	(2,978,122)	339,151
Net cash used in operating activities	<u>(5,121,416)</u>	<u>(3,085,712)</u>

### (c) Non-cash financing activities

During the year the Group loaned funds to Mantle Mining S.A.C of \$1,114,273. As part of the acquisition of Andina Resources Limited as described in Note 23, the Group acquired the corresponding loan payable, thereby extinguishing the Group's balance.

## 27. EVENTS AFTER THE REPORTING PERIOD

There has not been any matter or circumstance that have arisen since the end of the financial year, that has significantly affected or may significantly affect, the operations of the Group, the results of the operations, or the state of the affairs of the Group in the future financial years, other than:

On January 14, 2019, Titan announced that it has executed a binding agreement pursuant to which Titan had been granted an exclusive option to acquire up to an 85% interest in the Las Antas Project ("Las Antas Earn-In"). Under the Las Antas Earn-In, Titan can earn-in to 60% of the Las Antas Project by funding US\$2,000,000 in exploration activity within a 2-year period. Upon Titan acquiring the 60% interest, Titan and the vendor will establish a joint venture to govern the future conduct of activities in relation to the Las

# Notes to the Consolidated Financial Statements

Antas Project, with Titan holding 60% initial interest in the joint venture. The Las Antas Earn-In also provides Titan with an opportunity to acquire an additional 25% interest in the Las Antas Project.

On 25 February 2019 Titan Minerals Limited and Core Gold Inc (TSX-V: CGLD, OTCQX: CGLDF) ("Core Gold") announce that the companies have entered into a binding arrangement agreement (the "Arrangement Agreement"), pursuant to which Titan will acquire all of the issued and outstanding Core Gold common shares by way of a share exchange (the "Merger").

The Merger will be affected by means of a statutory plan of arrangement (the "Arrangement") under the Business Corporations Act (British Columbia). Under the Arrangement:

- each Core Gold shareholder will receive twenty (20) fully paid ordinary shares in Titan pre-consolidation ("Titan Shares") for every one (1) Core Gold common share (the "Exchange Ratio"); and
- holders of Core Gold Options and Warrants will receive options in Titan on comparable terms, taking into account the Exchange Ratio under the Merger.

In connection with the Merger, Titan will conduct a placement of new Titan Shares to certain eligible institutional and high net worth investors to raise a minimum of A\$20 million at an issue price to be agreed by Titan and Core Gold (each acting reasonably and taking into account the then current market conditions) (the "Placement"). If a minimum of A\$20 million is raised under the Placement, assuming an issue price of A\$0.024 (being the closing price of Titan Shares on the ASX on February 15, 2019), approximately 833,333,333 new Titan Shares will be issued under the Placement. The issue of new Titan Shares under the Placement will be subject to Titan shareholder approval. Completion of the Merger is conditional on completion of the Placement.

On 25 March 2019, the Group raised USD \$3 million via loan facility agreements. The material terms of the loan facility are:

- Amount: US\$3,000,000
- Interest: 15% interest per annum
- Security: Vista Gold S.A.C. and Core Private Placement shares
- Repayment: earlier of 21 days from completion of Titan Core Gold plan of arrangement or 6 months from the draw down date, extendable to 9 months at Titan's election with a minimum repayment of 5 months interest payable if repaid prior to five months from the draw down date

Also on 25 March 2019, the Group announced that it has successfully closed its US \$3,000,000 private placement with Core Gold Inc. acquiring 9,151,363 common shares of Core Gold on a private placement basis.

# Notes to the Consolidated Financial Statements

## 28. KEY MANAGEMENT PERSONNEL

	31-Dec-18	31-Dec-17
Remuneration of key management personnel		
Short term employee benefits	487,400	84,000
Post-employment benefits	-	-
Share based payments	708,000	3,880
Termination benefits	-	-
	1,195,400	87,880

Refer to the Remuneration Report on pages 12-14 of the Directors Report for further details.

## 29. RELATED PARTY TRANSACTIONS

### a) Subsidiaries

The ultimate parent entity of the group is Titan Minerals Limited. Details of the ownership of ordinary shares held in subsidiaries are disclosed in Note 22 to the Financial Statements. Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in the Note. Details of transactions between the Group and other related parties, if any, are disclosed below.

Transactions and balances between the Company and its subsidiaries were eliminated in the preparation of consolidated financial statements of the Group.

As described in Note 23, the Group acquired Andina Resources Limited during the period. Mr Matthew Carr is a director of Andina Resources Limited.

### b) Parent entity

The ultimate parent entity of the Group is Titan Minerals Limited.

The Statement of Comprehensive Income and Financial position on the parent entity are summarised below:

	Parent	
	31-Dec-18	31-Dec-17
<b><i>Statement of Financial Position</i></b>		
Current assets	5,396,859	3,009,430
Non-current assets	80,000	-
<b>Total assets</b>	<b>5,476,859</b>	<b>3,009,430</b>
Current liabilities	158,100	112,762
Non-current liabilities	-	-
<b>Total liabilities</b>	<b>158,100</b>	<b>112,762</b>
<b>Net Assets</b>	<b>5,318,759</b>	<b>2,896,668</b>
Issued capital	117,125,794	91,050,880
Reserves	4,056,060	2,825,527
Accumulated losses	(115,863,095)	(90,979,739)
<b><i>Shareholder Equity</i></b>	<b>5,318,759</b>	<b>2,896,668</b>
	<b>31-Dec-18</b>	<b>31-Dec-17</b>
<b><i>Statement of Comprehensive Income</i></b>		
Loss after tax	(24,883,356)	(12,057,002)
<b>Total comprehensive loss</b>	<b>(24,883,356)</b>	<b>(12,057,002)</b>

# Notes to the Consolidated Financial Statements

c) Expenditure commitments by the parent entity:

	31-Dec-18	31-Dec-17
Not longer than 1 year	-	*
Longer than 1 year and not longer than 5 years	-	-
	-	*

\* The Company was under External administration from 25 August 2015 to 4 October 2017, consequently the Company did not have sufficient information to allow the level of disclosure required for the year ended 31 December 2017.

## 30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, price and foreign exchange risks and ageing analysis for credit and liquidity risk.

Risk management is carried out by senior management under direction of the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas. The consolidated entity is not materially exposed to changes in interest rates in its activities.

The material financial instruments to which the Group has exposure include:

- (i) Cash and short-term deposits;
- (ii) Trade and Other Receivables;
- (iii) Accounts payable; and
- (iv) Borrowings

The carrying values of these financial instruments approximate their fair values. The carrying values of the Group's financial instruments are as follows:

	31-Dec-18	31-Dec-17
<b>Financial Assets</b>		
Cash and Cash Equivalents	5,459,426	2,931,791
Trade and Other Receivables	1,447,302	387,873
<b>Total Financial Assets</b>	<b>6,906,728</b>	<b>3,319,664</b>
<b>Financial Liabilities</b>		
Trade and other payables	1,194,244	3,269,332
Borrowings	4,958,922	174,637
<b>Total Financial Liabilities</b>	<b>6,153,166</b>	<b>3,443,969</b>
<b>Net Exposure</b>	<b>753,562</b>	<b>(124,305)</b>

The table reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity as well as management's expectations of settlement period for all other financial instruments.

	31-Dec-18	31-Dec-17
<i>Trade and other receivables maturing as follows:</i>		
Less than 6 months	1,367,302	289,776
6 months to 1 year	-	-
Later than 1 year but not longer than 5 years	80,000	98,097
Over 5 years	-	-
	1,447,302	387,873

# Notes to the Consolidated Financial Statements

*Trade and other payables maturing as follows:*

Less than 6 months	1,074,995	1,064,929
6 months to 1 year	-	-
Later than 1 year but not longer than 5 years	119,249	2,204,403
Over 5 years	-	-
	<u>1,194,244</u>	<u>3,269,332</u>

*Borrowings maturing as follows:*

Less than 6 months	708,416	-
6 months to 1 year	708,416	-
Later than 1 year but not longer than 5 years	3,542,090	-
Over 5 years	-	174,637
	<u>4,958,922</u>	<u>174,637</u>

## (a) Market Risk

### Foreign Exchange Risk

The Group operates internationally and is exposed to foreign exchange risk arising primarily from its subsidiaries, primarily with respect to the US dollar.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency.

The carrying amounts of the Group's foreign currency denominated assets and monetary liabilities at the end of the reporting year are as follows:

	Assets		Liabilities	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
	\$	\$	\$	\$
US dollars	<u>6,808,428</u>	<u>284,628</u>	<u>4,265,073</u>	<u>2,610,821</u>

### Interest Rate Risk

All the consolidated entity's financial instruments that are exposed to interest rate risk are either non-interest bearing, bear interest at commercial interest rates or at fixed rates. The weighted average interest rate on cash and short-term deposits at 31 December 2018 was 1.15% (31 December 2017: 0.5%). All receivables, other financial assets and payables are non-interest bearing.

### Price risk

The Group is exposed to commodity price risk through its gold sales from the Toll processing operations. The Group does not currently hedge the price at which it sells gold.

## (b) Credit Risk

Financial instruments, which potentially subject the consolidated entity to credit risk, consist primarily of cash and short-term deposits. Credit risk on cash, short term deposits and trade receivables is largely minimised by dealing with companies with acceptable credit ratings.

The consolidated entity has no reason to believe credit losses will arise from any of the above financial instruments. However, the maximum amount of loss, which may possibly be realised, is the carrying amount of the financial instrument.

Cash in Australia is held with National Australia Bank Limited which is an appropriate financial institution with an external credit rating of AA-. Cash in Peru is held with Banco De Credito Del Peru which is an appropriate financial institution with an external credit rating of BBB+.



# Notes to the Consolidated Financial Statements

## (c) Liquidity Risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. Management monitors the rolling forecasts of the Group's cash and fair value assets based on expected cash flows. This is generally carried out at a local level in the operating companies of the Group in accordance with the practise and limits set by the Group.

## (d) Capital Risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to maintain a suitable capital structure and fulfil the objectives of the Group.

## 31. SHARE-BASED PAYMENTS

### Performance Rights

At the General Meeting held on 18 December 2016, shareholders approved to grant 80,500,000 performance rights as remuneration (Class A, B, C). The rights entitled the directors and company secretary to shares in Titan Minerals Limited on achievement of market conditions. Under the plan, the participant was granted performance rights which only vest if certain market conditions are met.

The amount of rights that will vest depends on the achievement of three market-based conditions. The three conditions are market-based condition related to achieving a 10-day volume weighted average price of shares on the ASX of greater than \$0.05, \$0.06 and \$0.07 respectively.

Performance rights convert to shares on the date of vesting with no exercise price or share issue price being payable.

Set out below is the summary of rights granted and approved by shareholders. Management have assessed the likelihood of the rights vesting and have estimated that Class A, B and C market conditions are expected to be achieved prior to expiry.

#### (i) Fair value of performance rights granted

Set out below is the assessed fair value at grant date of performance rights granted in the previous year.

Performance rights:

	Fair value at grant date
Class A – market	\$0.032
Class B – market	\$0.032
Class C – market	\$0.032

### Options

On 10 August 2018 the Company issued the following 45,000,000 options to Canaccord Genuity (Australia) Limited, comprised of:

- 12,000,000 unquoted options exercisable at \$0.05 each on or before 1 July 2021;
- 15,000,000 unquoted options exercisable at \$0.06 each on or before 1 July 2021; and
- 18,000,000 unquoted options exercisable at \$0.07 each on or before 1 July 2021.

# Notes to the Consolidated Financial Statements

The options were valued using a Black Scholes valuation model. The key inputs into the valuation were:

Options exercisable at:	\$0.05	\$0.06	\$0.07
Grant date	10 August 2018	10 August 2018	10 August 2018
Expiry date	1 July 2021	1 July 2021	1 July 2021
Estimated volatility	75.93%	75.93%	75.93%
Risk-free interest rate	1.82%	1.82%	1.82%
Fair value	\$0.01	\$0.009	\$0.008

## Expenses Arising from Share-based Payment Transactions

Total expenses arising from share-based payment transactions recognised during the year were as follows:

	<b>31-Dec-18</b>	<b>31-Dec-17</b>
	\$	\$
Shares Issued under the Employee Offer	-	(700,000)
Shares Issued under the Broker Offer	-	(3,160,324)
Shares Issued under the SilverStream Offer	-	(3,500,000)
Shares Issued under the Unsecured Creditor Offer	-	(539,676)
Shares Issued under the Andina Offer	-	(2,350,000)
Performance Rights issued to directors and staff	(826,000)	(4,527)
Options issued to Canaccord Genuity (Australia) Limited	(404,532)	-
<b>Total share-based payments</b>	<b>(1,230,532)</b>	<b>(10,254,527)</b>

## 32. REMUNERATION OF AUDITORS

	<b>31-Dec-18</b>	<b>31-Dec-17</b>
	\$	\$
<i>Auditor of the parent entity</i>		
Audit and review of the financial report	74,985	66,695
Tax services	-	45,103
	<u>74,985</u>	<u>111,798</u>
<i>Other auditors – associate firms of the auditor of the parent entity in Peru</i>		
Audit or review of the financial report	22,732	-
	<u>22,732</u>	<u>-</u>

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
TITAN MINERALS LIMITED**

**Report on the Audit of the Financial Report**

**Qualified Opinion**

We have audited the financial report of Titan Minerals Limited the Company and its subsidiaries ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, except for the effects of the matter described in the Basis of Qualified Opinion section of our report, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

**Basis for Qualified Opinion**

During the period 25 August 2015 to 4 October 2017, the Company was subject to a Deed of Company Arrangement ("DOCA") and therefore under external administration. On 4 October 2017, the recapitalisation of the Company was completed and the DOCA was fully effectuated. Accordingly, on 4 October 2017, the Company exited external administration and the control of the Company was passed to the directors of the Company.

Since the Directors did not control the Company until it exited external administration, the financial information for the period up to 4 October 2017, and consequently to 31 December 2017, was not subject to accounting and internal control processes that are relevant to the preparation and presentation of the financial report. Accordingly, we are not in a position and do not express any assurance in respect of, the comparative information for the year ended 31 December 2017 and the statement financial position as at 31 December 2017.

The potential impact of the aforementioned basis of qualified opinion on the current year's financial performance and cash flows, prevents us from determining whether adjustments might have been necessary in respect of the income and expenditure for the year ended 31 December 2018 reported in the statement of profit or loss and other comprehensive income and the net cash flows reported in the statement of cash flows.

The Company through its foreign subsidiary, carried inventory stated in the financial statements at \$1,081,315. Due to the reasons outlined in Note 5(b) point 3, we were unable to determine whether any adjustment to this balance was necessary.

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### Emphasis of Matter Relating to Going Concern

In addition to our qualified audit opinion expressed above, attention is drawn to the following matter.

As referred to in Note 2 to the financial statements, the consolidated financial statements have been prepared on the going concern basis. At 31 December 2018, the Group had cash and cash equivalents of \$5,459,426, and incurred a loss after income tax of \$7,810,308.

The ability of the Group to continue as a going concern and meet its planned exploration, administration and other commitments is dependent upon the Group raising further working capital and/or successfully recommencing profitable operations and/or exploiting its mineral and other assets. In the event that the Group is not successful in raising further equity or successfully recommencing profitable operations and /or exploiting its mineral and other assets, the Group may not be able to meet its liabilities as and when they fall due and the realisable value of the Group's current and non-current assets may be significantly less than book values.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How the matter was addressed in the audit
<p><b><i>Business Combination – Acquisition of Andina Resources Limited and Carrying Value of Goodwill</i></b></p> <p>During the year, the Company acquired 100% of the issued capital of Andina Resources Limited.</p> <p>The acquisition has been disclosed in Note 23 to the financial report and was considered a key audit matter due to:</p> <ul style="list-style-type: none"> <li>• The significance of the transaction (\$17,973,004 consideration paid); and \$5,862,508 net assets acquired resulting in goodwill of \$12,110,496.</li> <li>• The judgement required in the application of AASB 3 Business Combinations (“AASB 3”).</li> </ul> <p>AASB 3 required the Group to determine, if the transaction is an asset acquisition or a business combination.</p>	<p>Inter alia, our audit procedures included the following:</p> <ol style="list-style-type: none"> <li>i. Examining the contract for the acquisition of Andina Resources Limited;</li> <li>ii. Reviewing and assessing the determination made by the Group whether the transaction is an asset acquisition or a business combination;</li> <li>iii. Assessing the fair value of consideration paid for the acquisition of Andina Resources Limited;</li> <li>iv. Examining the net assets of Andina Resources Limited as at the date of acquisition;</li> <li>v. Considering the adequacy of the financial report disclosures contained in Note 23 in relation to AASB 3; and</li> <li>vi. Review of the Carrying Value of Goodwill as at 31 December 2018.</li> </ol>

### **Issued Capital**

The Group's Issued Capital amounted to \$117,125,794. During the reporting period, 928,325,042 ordinary shares were issued resulting in an increase in Issued Capital of \$26,074,914 (net of capital raising costs).

Issued Capital is a key audit matter due to:

- the quantum and value of share capital issued during the year; and
- the varied nature of the movements during the year.

We have expended significant audit effort on ensuring the Issued Capital was appropriately accounted for and disclosed.

Inter alia, our audit procedures included the following:

- i. Obtaining an understanding of the underlying transactions;
- ii. Verifying all issued capital movements to the relevant ASX announcements; Agreements and Directors Minutes;
- iii. Vouching proceeds from capital raisings to bank statements and other relevant supporting documentation;
- iv. Verifying underlying capital raising costs and ensuring these costs were appropriately recorded;
- v. Ensuring consideration paid in shares for Business combination is measured in accordance with AASB 3 Business Combinations and agreed the share issues to the relevant supporting documentation; and
- vi. Ensuring the requirements of the relevant accounting standards and disclosures achieve fair presentation and reviewing the financial statements to ensure appropriate disclosures are made.

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### **Other Information**

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance opinion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of the Directors for the Financial Report**

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

***Auditor's Responsibilities for the Audit of the Financial Report***

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in Internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on the Remuneration Report**

*Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 12 to 14 of the directors' report for the year ended 31 December 2018.

In our opinion, the Remuneration Report of Titan Minerals Limited for the year ended 31 December 2018 complies with section 300A of the Corporations Act 2001.

*Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**  
**(Trading as Stantons International)**  
**(An Authorised Audit Company)**

*Stantons International Audit & Consulting Pty Ltd*



**Martin Michalik**  
Director  
West Perth, Western Australia  
29 March 2019



**TITAN MINERALS LIMITED**  
**(ACN 117 790 897)**

**Annual Report**  
**for the year ended 31 December 2017**



**Corporate Directory**

**Directors**

Matthew Carr  
Nicholas Rowley  
Robert Sckalor  
Cameron Henry

**Company Secretary**

Zane Lewis

**Registered Office & Principal Place of Business**

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Telephone: +61 8 6555 2950  
Facsimile: +61 8 6166 0261

**Auditors**

Stantons International Audit and Consulting Pty  
Ltd  
Level 2, 1 Walker Avenue  
West Perth  
Western Australia 6005

**Share Registry**

Security Transfer Registrars Pty Limited  
770 Canning Highway  
Applecross  
Western Australia 6151  
Telephone +61 8 9315 2333

**Australian Company Number**

ACN 117 790 897

**ASX Code**

TTM

**Australian Business Number**

ABN 97 117 790 897

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## Directors' Report

### 1. Directors' Information

The directors and company secretary of Titan Minerals Limited and its subsidiaries (together the 'Group') during the financial year end until the date of this report were as follows:

### 2. Directors and Company Secretary

**Matthew Carr** – appointed as director on 3 February 2017, current. On 17 August 2017 Mr Carr was appointed as Executive Director.

**Nicholas Rowley** – appointed as a director on 9 August 2016, current.

**Robert Skalor** – appointed as director on 7 August 2017, current.

**Cameron Henry** – appointed as director on 8 August 2017, current.

**Tim Morrison** – appointed as a director on 10 August 2016, resigned 4 August 2017.

**Zane Lewis** – appointed as company secretary on 11 August 2016, current.

### 3. Directors' Meetings

One meeting of the directors of the Company have been held since the administrators effectuated the Deed of Company Arrangement on the 4<sup>th</sup> October 2017 to balance date.

### 4. Corporate Governance

On 25 August 2015 Martin Jones and Darren Weaver were appointed as voluntary administrators as the directors formed the view that the Company could not meet its obligations as they fell due. On 4 October 2017 the Deed of Company Arrangement (DOCA) was effectuated, and the Directors resumed operation of the Company. On 13 October 2017 the Company established the Corporate Governance Statement for operations post the DOCA.

### 5. Principal Activities

The Group's principal activities during the course of the financial year were exploration of copper and gold exploration concessions and development and production of a portfolio of medium sized gold projects in South America, with a primary focus on Peru. In addition Titan was the owner and operator of a gold and copper toll processing plant in Peru (San Santiago).

### 6. Significant changes in the state of affairs and review of operations

The following significant changes in the state of affairs of the Consolidated Entity occurred during the financial year:

The profit of the Group for the year ended 31 December 2017 amounted to \$12,433,000 (31 December 2016: loss \$947,000).

#### *Company Restructure / Recapitalisation*

On the 4 October 2017 the Deed of Company Arrangement was effectuated. This then allowed the Company to seek reinstatement to official quotation on the ASX which occurred on 17 October 2017. The prospectus dated 18 August 2017 outlined the various offers that were made being the following:

*Public Offer* - the Company issued 600,000,000 shares at 1 cent per share raising \$6,000,000 before costs;

*Employee Offer* - the Company issued 70,000,000 shares at 1 cent per share to certain employees, contractors and consultants of the Company and its subsidiaries as an offset or to satisfy employee entitlements;

*Broker Offer* - the Company issued 316,032,382 shares at 1 cent per share to the brokers appointed to manage the Public Offer in consideration for their facilitation of the Public Offer;

*SilverStream Offer* - the Company issued 350,000,000 shares at 1 cent per share broken down as follows:

1. 45,000,000 Shares in full and final satisfaction of the debt owed by the Company to SilverStream under the MIZ Loan Facility;
2. 30,000,000 Shares in full and final satisfaction of the debt owed by the Company under the Existing Silver Stream Agreement and Existing Gold Stream Agreement; and
3. 275,000,000 Shares as promoter equity.



**13. Proceedings on behalf of Company**

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

**14. Information on Directors and Company Secretary**

**Matthew Carr**

Director (Executive Director)

Qualifications and Experience:

Mr Carr is a successful and experienced company director having founded Urban Capital Group. Urban Capital Group is a private equity company with a strong focus on property backed investment and security. Matthew is also the Non-Executive Chairman of Andina Resources Limited.

Directorships of other listed companies in the 3 years prior to the end of the Financial Year:	N/A
Interest in shares and options of the Company:	5,000,000 Ordinary Shares 7,000,000 Class A Performance Rights 7,750,000 Class B Performance Rights 8,250,000 Class C Performance Rights
Directors meetings attended:	1 of 1 held during term of directorship in financial year
Appointed:	3 February 2017

**Nicholas Rowley**

Director (Non-Executive Chairman)

Qualifications and Experience:

Mr Rowley is an experienced corporate executive with a strong financial background having previously worked in the financial services industry for over 10 years where he gained widespread experience in corporate advisory, M&A transactions and equities markets, advising domestic and international Institutional sales and high net worth individuals. He also advised on the equity financings of numerous ASX and TSX listed companies predominantly in the mining and resources sector. Mr Rowley currently serves as Director of Corporate Development for Galaxy Resources Ltd (ASX:GXY).

Directorships of other listed companies in the 3 years prior to the end of the Financial Year:	Non Executive Director of Cobalt One Ltd (ASX:CO1) until 4 December 2017.
Interest in shares and options of the Company:	5,000,000 Ordinary Shares 7,000,000 Class A Performance Rights 7,750,000 Class B Performance Rights 8,250,000 Class C Performance Rights
Directors meetings attended:	1 of 1 held during term of directorship in financial year
Appointed:	9 August 2016

**Robert Sckalor**

Director (Non-Executive Director)

Qualifications and Experience:

Mr Sckalor has 30 years of experience working in the legal and financial markets worldwide and has worked on capital market and financial transactions on five continents. Currently he is Co-Founder and President of Capital Instincts, a Private Equity and Venture related investment company he founded 14 years ago while in London. Prior to founding Capital Instincts, Mr Sckalor was a director and General Counsel for Liquid Capital Markets (LCM), LTD, a London Investment and Financial company. Mr Sckalor assisted with the expansion of the firm from its single office in London to offices in Seoul and Sydney. Previously, Mr Sckalor worked as General Counsel, IDEAglobal Ltd in New York, Singapore and London. At the time, IDEAglobal was the world's largest independent economic research company specializing in fixed income, equity, capital market and currency analysis. Mr Sckalor started his career practicing law, and has been a partner at The Simons Firm and Simons, Cuddy and Friedman. Mr Sckalor obtained his BA from Grinnell College and JD from Washington University, JD.

Directorships of other listed companies in the 3 years prior to the end of the Financial Year:	N/A
Interest in shares and options of the Company:	3,500,000 Class A Performance Rights 3,875,000 Class B Performance Rights 4,125,000 Class C Performance Rights
Directors meetings attended:	0 of 1 held during term of directorship in financial year
Appointed:	7 August 2017

**Cameron Henry**

Director (Non-Executive Director)

Qualifications and Experience:

Mr Henry comes from a project development and operational background specialising in minerals processing and oil and gas projects across the globe. Mr Henry is from a technical background with tertiary qualifications in engineering and project management and has advised for several ASX listed companies on development, acquisitions, and execution strategies at a number of levels. Mr Henry is currently Managing Director of Primero Group, a private engineering and construction company that specialises in minerals processing and has been a member of the Australian Institute of Company Directors (AICD) for over 5 years.

Directorships of other listed companies in the 3 years prior to the end of the Financial Year:	N/A
Interest in shares and options of the Company:	3,500,000 Class A Performance Rights 3,875,000 Class B Performance Rights 4,125,000 Class C Performance Rights
Directors meetings attended:	1 of 1 held during term of directorship in financial year
Appointed:	8 August 2017

**Tim Morrison**

Director (Non-Executive Director)

Directorships of other listed companies in the 3 years prior to the end of the Financial Year:	N/A
Interest in shares and options of the Company:	Nil
Directors meetings attended:	0 of 1 held during term of directorship in financial year
Appointed:	10 August 2016
Resigned:	4 August 2017

**Zane Lewis**

Company Secretary

Qualifications and Experience:

Mr Lewis has over 20 of years corporate advisory experience with various ASX and AIM listed companies. Mr Lewis is a fellow of Chartered Secretaries Australia and is a Non-Executive Director and Company Secretary for a number of ASX Listed companies.

Appointed as company secretary on 11 August 2016.

## 15. Remuneration Report (Audited)

The Directors present the remuneration report for the Company and the Consolidated Entity for the year ended 31 December 2017. This remuneration report forms part of the Directors' Report and has been audited in accordance with section 300A of the Corporations Act 2001 and details the remuneration arrangements for the key management personnel.

Key management personnel are those persons who, directly or indirectly, have authority and responsibility for planning, directing and controlling the major activities of the Company and the Consolidated Entity. Remuneration is based on fees approved by the Board of Directors.

There is no relationship between the performance or the impact on shareholder wealth of the Company for the current financial year or the previous financial years and either the remuneration of directors and executives or the issue of shares and options to directors. Remuneration is set at levels to reflect market conditions and encourage the continued services of directors and executives.

The names and positions of key management personnel of the Company and of the Consolidated Entity who have held office during the financial year are:

Nicholas Rowley	Non-Executive Chairman
Robert Sckalor	Non-Executive Director
Cameron Henry	Non-Executive Director
Matthew Carr	Executive Director

### *Service Agreements*

Remuneration and other terms of employment for the Executive Directors are formalised in a service agreement. For Non-Executive Directors these terms are set out in a Letter of Appointment. The major provisions of the agreements relating to remuneration per year are set out below.

Name	Base Salary	Consulting fees	Term of Agreement	Notice Period
<b>Nicholas Rowley</b>	-	\$72,000	No fixed term	N/A
<b>Matthew Carr</b>	-	\$120,000	No fixed term	12/6 months*
<b>Robert Sckalor</b>	-	\$72,000	No fixed term	N/A
<b>Cameron Henry</b>	-	\$72,000	No fixed term	N/A

\* Termination benefits: In the case of termination without cause by the Company Mr Carr is entitled to receive 12 months' salary on top of the entitles mentioned below. In the case of termination without cause by Mr Carr then he is entitled to receive 6 months' salary on top of the entitlements outlined below. Matthew Carr is entitled to an additional 1 months' salary on top of the notice period for each year of continuous service to the company (pro-rata up to the date of leaving the entity).

TITAN MINERALS LIMITED – YEAR ENDED 31 DECEMBER 2017

Details of Remuneration

Compensation 12 months to 31 December 2017

	Short Term Benefits <sup>2</sup> \$	Super-annuation \$	Share based payments \$	Total \$	Percentage of remuneration that is equity based
<b>Compensation of Directors based on fees approved by the Board of directors.</b>					
Nicholas Rowley	18,000	-	1,293	19,293	7%
Matthew Carr	30,000	-	1,293	31,293	4%
Robert Sckalor	18,000	-	647	18,647	3%
Cameron Henry	18,000	-	647	18,647	3%
Tim Morrison	-	-	-	-	-
<b>TOTAL COMPENSATION – FOR KEY MANAGEMENT PERSONNEL</b>	<b>84,000</b>	<b>-</b>	<b>3,880</b>	<b>87,880</b>	<b>-</b>

Compensation 12 months to 31 December 2016

	Short Term Benefits <sup>2</sup> \$	Super-annuation \$	Share based payments \$	Total \$	Percentage of remuneration that is equity based
<b>Compensation of Directors based on fees approved by the Board of directors.</b>					
Nicholas Rowley	-	-	-	-	-
Matthew Carr	-	-	-	-	-
Robert Sckalor	-	-	-	-	-
Cameron Henry	-	-	-	-	-
Tim Morrison	-	-	-	-	-
<b>TOTAL COMPENSATION – FOR KEY MANAGEMENT PERSONNEL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

\* The Company was under External administration from 25 August 2015, consequently the Company did not have sufficient information to allow the level of disclosure required for the year ended 31 December 2016.

Shares and options held by Key Management Personnel

Shareholdings	Number of Ordinary Shares			31 December 2017 or Resignation
	1 January 2017 or Appointment	Issued as Compensation	Net Change Other	
Nicholas Rowley	-	-	5,000,000	5,000,000
Matthew Carr	-	-	5,000,000	5,000,000
Robert Sckalor	-	-	-	-
Cameron Henry	-	-	-	-
Tim Morrison	-	-	-	-
	<b>-</b>	<b>-</b>	<b>10,000,000</b>	<b>10,000,000</b>



**TITAN MINERALS LIMITED – YEAR ENDED 31 DECEMBER 2017**

Performance Rights	1 January 2017 or Appointment	Number of Ordinary Shares Issued as Incentive	Net Change Other	31 December 2017 or Resignation
Nicholas Rowley	-	23,000,000	-	23,000,000
Matthew Carr	-	23,000,000	-	23,000,000
Robert Sckalor	-	11,500,000	-	11,500,000
Cameron Henry	-	11,500,000	-	11,500,000
Tim Morrison	-	-	-	-
	-	69,000,000	-	69,000,000

There were no options held by the directors during the year.

*Other Information*

There were no loans made to any Key Management Personnel during the year or outstanding at year end.

Refer to Note 24 and 25 for further transactions with Key Management Personnel during the year.

During the year the Company did not engage remuneration consultants to review its remuneration policies.

**End of Remuneration Report (Audited)**

**16. Business Risks and Uncertainties**

There are a number of risks that may have a material and adverse impact on the future operating and financial performance of the Company. These include the risks discussed in Note 26 of the consolidated financial statements, along with risks that are widespread and associated with any form of business and specific risks associated with the Company's business and its involvement in the exploration and mining industry generally and in Peru in particular. While most risk factors are largely beyond the control of the Company, the Company will seek to mitigate the risks where possible.

**17. Incomplete Records**

The Company was under External administration from 25 August 2015 to 4 October 2017, the financial information relating to the period 1 January 2016 to 31 December 2016 and 1 January 2017 to 4 October 2017 was not subject to the same accounting and internal control processes, which include the implementation and maintenance of internal controls that are relevant to the preparation and fair presentation of the financial report.

Due to there being incomplete records, there may be actions that were taken by the previous directors and officers of the Company and its subsidiaries that the existing board is not aware of. Whilst the Directors are confident the Deed of Company Arrangement process deals with any outstanding liabilities at the parent entity level (as it was the only entity subject to the Deed of Company Arrangement), there is a risk that previous unknown actions may adversely affect the Company's operations and financial position, including those of its retained subsidiaries.

**18. Rounding**

The Company is of a kind referred to in ASIC Instrument 2016/191 dated 24 March 2016 and in accordance with that Class Order, amounts in the financial report and the Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

**19. Lead Auditor's Independence Declaration**

In accordance with the Corporations Act 2001 section 307C the auditors of the Company have provided a signed Auditor's Independence Declaration to the directors in relation to the year ended 31 December 2017. A copy of this declaration appears at the end of this report.

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read 'M Carr', is positioned above a horizontal line.

---

Matthew Carr  
**Executive Director**  
29<sup>th</sup> day of March 2018  
Perth, Western Australia

29 March 2018

Board of Directors  
Titan Minerals Limited  
Suite 6, 295 Rokeby Road  
SUBIACO WA 6008

Dear Sirs

**RE: TITAN MINERALS LIMITED**

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Titan Minerals Limited.

As Audit Director for the audit of the financial statements of Titan Minerals Limited for the year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**  
**(Trading as Stantons International)**  
**(An Authorised Audit Company)**



**Martin Michalik**  
**Director**

**Directors' Declaration**

In accordance with a resolution of the directors of Titan Minerals Limited A.C.N. 117 790 897 ("Company"), I state that:

A. In the opinion of the directors

- 1) As set out in Note 2(b), although the Directors have prepared the financial statements and notes thereto, to the best of their knowledge and based on the information made available to them, they are of the opinion that it is not possible to state that the full year financial statements and notes thereto:
  - a) give a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of the performance for the year ended 31 December 2017; and
  - b) complying with Australian Accounting Standards and the *Corporations Act 2001*;
- 2) the financial statements and notes also comply with the International Financial Reporting Standards as disclosed in Note 2; and
- 3) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

B. this declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 31 December 2017.

On behalf of the Board of Directors.



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Matthew Carr  
**Executive Director**  
29<sup>th</sup> day of March 2018  
Perth, Western Australia

**TITAN MINERALS LIMITED – YEAR ENDED 31 DECEMBER 2017**

**Consolidated Statement of Profit and Loss and Other Comprehensive Income  
For the year ended 31 December 2017**

	Note	Consolidated Year ended	
		31-Dec-17 \$'000s	31-Dec-16 \$'000s
<b>CONTINUING OPERATIONS</b>			
Revenue	5a	639	1,365
Cost of sales		(808)	(1,009)
Gross loss		(169)	356
Other revenue		3	-
Occupancy expenses		-	-
Employee benefits expense	5b	-	-
Depreciation and amortisation charges	5b	(213)	(109)
Administration expenses		(1,455)	(623)
Foreign Exchange		(16)	247
Finance costs	5b	-	(6)
Provision expense		(22)	-
Reversal of provision of impairment of property, plant & equipment		1,000	-
Loan forgiveness	5b	17,754	-
DOCA expenses		(2,350)	-
Share based payments expense		(4)	-
Other expenses		(259)	(150)
<b>PROFIT/ (LOSS) BEFORE INCOME TAX EXPENSE</b>		<b>14,269</b>	<b>(285)</b>
Income tax expense / (benefit)	6	-	-
<b>PROFIT/ (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>		<b>14,269</b>	<b>(285)</b>
<b>Discontinued operations</b>			
Loss for the year from discontinued operations		(1,836)	(662)
<b>Profit/ (Loss) for the year</b>		<b>12,433</b>	<b>(947)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Items that may not be reclassified subsequently to profit or loss</i>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign operations		1,652	1,341
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX</b>		<b>1,652</b>	<b>1,341</b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR</b>		<b>14,085</b>	<b>394</b>
<b>EARNINGS PER SHARE</b>			
<b>Basic earnings per share</b>			
From continuing operations	18	3.588	(9.1)
<b>Diluted earnings per share</b>			
From continuing operations	18	3.588	(9.1)
<b>Basic earnings per share</b>			
<b>From discontinued operations</b>	18	-0.462	-
<b>Diluted earnings per share</b>			
<b>From discontinued operations</b>	18	-0.462	-

Notes to the consolidated financial statements are included on pages 15 to 49.

## Consolidated Statement of Financial Position

As at 31 December 2017

	Note	Consolidated	
		31-Dec-17 \$'000s	31-Dec-16 \$'000s
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	22(a)	2,932	58
Trade and other receivables	7	290	-
Inventories	8	-	-
<b>TOTAL CURRENT ASSETS</b>		<b>3,222</b>	<b>58</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables		99	-
Property, plant and equipment	9	1,000	-
Mine assets	10	173	500
Deferred exploration and evaluation expenditure	11	-	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,272</b>	<b>500</b>
<b>TOTAL ASSETS</b>		<b>4,494</b>	<b>558</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	1,065	8,504
Borrowings	13	175	9,581
Provisions	14	-	1,997
Other liability	15	-	5,948
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,240</b>	<b>26,030</b>
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables	12	2,205	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>2,205</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>3,445</b>	<b>26,030</b>
<b>NET ASSETS/ (LIABILITIES)</b>		<b>1,049</b>	<b>(25,472)</b>
<b>EQUITY</b>			
Issued capital	16	91,051	78,619
Reserves	17	2,574	918
Accumulated losses		(92,576)	(105,009)
<b>TOTAL EQUITY/ (DEFICIENCY)</b>		<b>1,049</b>	<b>(25,472)</b>

Notes to the consolidated financial statements are included on pages 15 to 49.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Issued Capital \$'000s	Share Based Payment Reserve \$'000s	Foreign Currency Translation Reserve \$'000s	Accumulated Losses \$'000s	Total Equity \$'000s
<b>Balance as at 31 December 2015</b>	<b>78,619</b>	<b>2,822</b>	<b>(3,245)</b>	<b>(104,062)</b>	<b>(25,866)</b>
Loss for the year	-	-	-	(947)	(947)
Other comprehensive income for the year, net of income tax	-	-	1,341	-	1,341
Total comprehensive Loss for the year	-	-	<b>1,341</b>	<b>(947)</b>	<b>394</b>
Issue of shares	-	-	-	-	-
<b>Balance as at 31 December 2016</b>	<b>78,619</b>	<b>2,822</b>	<b>(1,904)</b>	<b>(105,009)</b>	<b>(25,472)</b>
Loss for the year	-	-	-	12,433	12,433
Other comprehensive income for the year, net of income tax	-	-	1,652	-	1,652
Total comprehensive income for the year	-	-	<b>1,652</b>	<b>12,433</b>	<b>14,085</b>
Issue of shares under the public offer	6,000	-	-	-	6,000
Issue of shares under the employee offer	700	-	-	-	700
Issue of shares under the broker offer	3,160	-	-	-	3,160
Issue of shares under the SilverStream offer	3,500	-	-	-	3,500
Issue of shares under the unsecured creditor offer	540	-	-	-	540
Issue of shares under the Andina offer	2,350	-	-	-	2,350
Issue of Performance Rights	(3,818)	4	-	-	4
Capital Raising costs	-	-	-	-	(3,818)
<b>Balance at 31 December 2017</b>	<b>91,051</b>	<b>2,826</b>	<b>(252)</b>	<b>(92,576)</b>	<b>1,049</b>

Notes to the consolidated financial statements are included on pages 15 to 49.

**TITAN MINERALS LIMITED – YEAR ENDED 31 DECEMBER 2017**

**Consolidated Cash Flow Statement**

**For the year ended 31 December 2017**

	Note	Consolidated Year ended	
		31-Dec-17 \$'000s	31-Dec-16 \$'000s
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from operating activities		713	1,365
Administration expenses		(3,797)	(2,472)
Finance costs		(1)	(8)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	22 b)	<b>(3,085)</b>	<b>(1,115)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for property, plant & equipment		-	-
Payments of exploration and evaluation costs		-	-
Payment for mine assets		-	-
Loans provided to third party		(191)	-
Interest received		-	-
<b>NET CASH PROVIDED BY / (USED IN) INVESTING ACTIVITIES</b>		<b>(191)</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares (net of costs)		5,343	-
Proceeds from borrowings		810	-
Repayment of borrowings		-	-
Finance costs		-	-
Return of escrow on San Santiago investment		-	-
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>		<b>6,153</b>	<b>-</b>
Net increase/(decrease) in cash and cash equivalents		2,877	(1,115)
Cash and cash equivalents at the beginning of the year		58	52
Effects of exchange rate changes on the balance of cash held in foreign currencies		(3)	1,121
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	22 a)	<b>2,932</b>	<b>58</b>

Notes to the consolidated financial statements are included on pages 15 to 49.



# Notes to the Consolidated Financial Statements

## 1. GENERAL INFORMATION

### Corporate Information

The consolidated financial statements of Titan Minerals Limited (“Parent Entity” or “Company”) and its controlled entities (collectively as “Consolidated Entity” or “the Group”) for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 29 March 2018. The Parent Entity is a for-profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The Group’s principal activities during the course of the financial year were exploration of copper and gold exploration concessions and development and production of a portfolio of medium sized gold projects in South America, with a primary focus on Peru. In addition the Company was the owner and operator of a gold and copper toll processing plant in Peru (San Santiago).

Further information on nature of the operations and principal activities of the Group is provided in the directors’ report. Information on the Group’s structure and other related party relationships are provided in notes 18 and 25.

The Group’s registered office is in Suite 7, 295 Rokeby Road, Subiaco, WA 6008 Australia.

## 2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

### a) Statement of compliance

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (“AASB”) and the Corporations Act 2001, to the maximum extent possible given the points raised below in 2b). Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. The financial statements and notes also comply with International Financial Reporting Standards as issued by the International Accounting Standard Board (IASB) to the maximum extent possible given the points raised below in 2b). Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial statements were authorised for issue by the Directors’ on 29 March 2018.

### b) Incomplete Records

a) The financial report for the year ended 31 December 2017 has been prepared by Directors who received custodianship of the operations of the Group upon effectuation of the Deed of Company Arrangement and resignation of the Administrator on or after 4 October 2017. As such, the Directors did not have control of the company until control was transferred to them on the effectuation of the deed of company arrangement on 4 October 2017.

b) Prior to 4 October 2017, the current Directors did not have oversight or control over the Company’s financial reporting systems including but not limited to being able to obtain access to complete accounting records of the Company. To prepare the financial reports for the year ended 31 December 2017, the Directors have reconstructed the financial records of the company for the period 1 January 2017 to 4 October 2017 using data extracted from the Company’s accounting system. However, there may have been information that the current Directors were not able to obtain, the impact of which may or may not have been material on the financial performance for the year ended 31 December 2017.

c) The current Directors have not been able to source books and records of the Company’s subsidiaries up to 4 October 2017 when the ownership of the subsidiaries was transferred to the creditors’ trust.

Consequently, although the Directors have prepared this financial report for the year ended 31 December 2017 to the best of their knowledge based on the information made available to them, they were of the opinion that it was not possible to state that these financial reports have been prepared in accordance with Australian Accounting Standards including Australian interpretations, other authoritative pronouncements of the Australian Accounting Standard Board and the *Corporations Act 2001*, nor was it possible to state

# Notes to the Consolidated Financial Statements

these financial reports give a true and fair view of the Group's financial performance for the year ended 31 December 2017.

It should be noted that the matters referred to in items (a) to (c) above were also relevant for the year ended 31 December 2016 which are presented as comparative figures in this report.

## c) Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian Dollars unless otherwise noted. The Company is a company of the kind referred to in ASIC Instrument 2016/191 and in accordance with that Legislative Instrument, amounts are rounded off to the nearest thousand dollars, unless otherwise indicated.

The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

## d) Critical accounting judgements and key sources of estimation uncertainty

In the application of AIFRS management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Refer to Note 3 for a discussion of critical judgements in applying the entity's accounting policies and key sources of estimation uncertainty.

## e) New and Revised Standards that are effective for these Financial Statements

The AASB has issued a number of new and revised Accounting Standards and Interpretations are effective for annual periods beginning or after 1 January 2017. These new and revised standards are:

Reference	Title
AASB 2016-1	Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses
AASB 2016-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107
AASB 2017-2	Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle

The Company has adopted each of the above new and amended standards. The application of these standards did not have a material impact on the results of the Group for the reporting year. Refer to Note 2(i) (ix) which details the joint arrangements policy of the Group.

## f) Standards issued but not yet effective and not early adopted by the Company

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting period, some of which are relevant to the Company. The new and amended standards that are relevant to the Company are listed below:

Reference	Title	Summary	Application date of standard
AASB 9	<i>Financial Instruments</i>	AASB 9 replaces AASB 139 <i>Financial Instruments: Recognition and Measurement</i> .	1 January 2018

# Notes to the Consolidated Financial Statements

Reference	Title	Summary	Application date of standard
		<p>Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs.</p> <p>Debt instruments are subsequently measured at FVTPL, amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held.</p> <p>There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch.</p> <p>Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss.</p> <p>For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss.</p> <p>All other AASB 139 classification and measurement requirements for financial liabilities have been carried forward into AASB 9, including the embedded derivative separation rules and the criteria for using the FVO.</p> <p>The incurred credit loss model in AASB 139 has been replaced with an expected credit loss model in AASB 9.</p> <p>The requirements for hedge accounting have been amended to more closely align hedge accounting with risk management, establish a more principle-based approach to hedge accounting and address inconsistencies in the hedge accounting model in AASB 139.</p>	
AASB 15	Revenue from Contracts with Customers	<p>AASB 15 replaces all existing revenue requirements in Australian Accounting Standards (AASB 111 <i>Construction Contracts</i>, AASB 118 <i>Revenue</i>, AASB Interpretation 13 <i>Customer Loyalty Programmes</i>, AASB Interpretation 15 <i>Agreements for the Construction of Real Estate</i>, AASB Interpretation 18 <i>Transfers of</i></p>	1 January 2018

# Notes to the Consolidated Financial Statements

Reference	Title	Summary	Application date of standard
		<p><i>Assets from Customers</i> and AASB Interpretation 131 <i>Revenue – Barter Transactions Involving Advertising Services</i>) and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as AASB 117 <i>Leases</i> (or AASB 16 <i>Leases</i>, once applied).</p> <p>The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:</p> <ul style="list-style-type: none"> <li>▶ Step 1: Identify the contract(s) with a customer</li> <li>▶ Step 2: Identify the performance obligations in the contract</li> <li>▶ Step 3: Determine the transaction price</li> <li>▶ Step 4: Allocate the transaction price to the performance obligations in the contract</li> <li>▶ Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.</li> </ul>	
AASB 2016-5	<i>Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions</i>	<p>This Standard amends AASB 2 <i>Share-based Payment</i>, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for:</p> <ul style="list-style-type: none"> <li>▶ The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments</li> <li>▶ Share-based payment transactions with a net settlement feature for withholding tax obligations</li> <li>▶ A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.</li> </ul>	1 January 2018
AASB 2017-1	<i>Amendments to Australian Accounting Standards – Transfers of Investments Property, Annual Improvements 2014-2016 Cycle and Other Amendments</i>	<p>The amendments clarify certain requirements in:</p> <p>AASB 1 <i>First-time Adoption of Australian Accounting Standards</i> – deletion of exemptions for first-time adopters and addition of an exemption arising from AASB Interpretation 22</p> <p><i>Foreign Currency Transactions and Advance Consideration</i></p> <ul style="list-style-type: none"> <li>▶ AASB 12 <i>Disclosure of Interests in Other Entities</i> – clarification of scope</li> <li>▶ AASB 128 <i>Investments in Associates and Joint Ventures</i> – measuring an associate or joint venture at fair value</li> <li>▶ AASB 140 <i>Investment Property</i> – change in use.</li> </ul>	1 January 2018
AASB Interpretation 22	<i>Foreign Currency Transactions and</i>	<p>The Interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary</p>	1 January 2018

# Notes to the Consolidated Financial Statements

Reference	Title	Summary	Application date of standard
	<i>Advance Consideration</i>	liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transaction for each payment or receipt of advance consideration.	
AASB 16	<i>Leases</i>	<p>AASB 16 requires lessees to account for all leases under a single balance sheet model in a similar way to finance leases under AASB 117 <i>Leases</i>. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less).</p> <p>At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).</p> <p>Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.</p> <p>Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.</p> <p>Lessor accounting is substantially unchanged from today's accounting under AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.</p>	1 January 2019
AASB 2017-7	<i>Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures</i>	This Standard amends AASB 128 <i>Investments in Associates and Joint Ventures</i> to clarify that an entity is required to account for long-term interests in an Associate or joint venture, which in substance form part of the net investment in the associate or joint venture but to which the equity method is not applied, using AASB 9 <i>Financial Instruments</i> before applying the loss allocation and impairment requirements in AASB 128.	1 January 2019
Not yet issued by the AASB	Annual Improvements to IFRS Standards 2015–2017 Cycle	<p>The amendments clarify certain requirements in:</p> <ul style="list-style-type: none"> <li>▶ IFRS 3 <i>Business Combinations</i> and IFRS 11 <i>Joint Arrangements</i> - previously held interest in a joint operation</li> <li>▶ IAS 12 <i>Income Taxes</i> - income tax consequences of payments on financial instruments classified as equity</li> <li>▶ IAS 23 <i>Borrowing Costs</i> - borrowing costs eligible for capitalisation.</li> </ul>	1 January 2019

# Notes to the Consolidated Financial Statements

The Company has not elected to early adopt any new standards or amendments that are issued but not yet effective. New standards and amendments will be adopted when they become effective.

When adopted, the above standards are not expected to have a material impact to the financial statements. For AASB 9, it will have no impact on the Group's results accounting for financial assets as it does not have any available for sale assets. There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. For the AASB 15, the Group has made an initial assessment and does not expect to significantly impact the revenue recognition based on the existing revenue sources

## **g) Going Concern**

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity, realisation of assets and the settlement of liabilities in the normal course of business. The Consolidated Entity incurred a net profit before income tax of \$14,269,000 (2016: net loss \$947,000), paid a net operating cash outflow of \$3,085,000 (2016: \$1,115,000) and expended a net investing cash outflow of \$191,000 (2016: \$Nil) for the year to 31 December 2017.

The Consolidated Entity is currently in a positive net current asset position, including cash of \$2,932,000 (2016: \$58,000). The Directors are confident that the Group has sufficient cash to fund its activities within the next 12 months from the date the financial statements are approved and will be able to meet existing commitments as they fall due. The Directors will also continue to carefully manage discretionary expenditure in line with the Group's cash flow.

## **h) Principles of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect those returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

# Notes to the Consolidated Financial Statements

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary as the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

## **i) Significant Accounting Policies**

The following significant policies have been adopted in the preparation of the Financial Report:

### **i. Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

#### *Sale of goods*

Revenue from sales of mineral production and toll treatment is recognised when there has been a passing of the significant risks and rewards of ownership, which means the following:

- The product is in a form suitable for delivery and no further processing is required by or on behalf of the consolidated entity;
- The quantity and quality (grade) of the product can be determined with reasonable accuracy;
- The product has been despatched to the customer and is no longer under the physical control of the consolidated entity;
- The selling price can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the consolidated entity; and
- The costs incurred, or expected to be incurred, in respect of the transaction can be measured reliably.

### **ii. Interest revenue**

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

### **iii. Cash and cash equivalents**

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at the date of acquisition.

Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

### **iv. Inventory**

Inventories are valued at the lower of cost and net realisable value. Cost includes expenditure incurred in acquiring and bringing the inventories to their existing condition and location but excludes overheads. Cost is accounted for as follows:

- *Bullion* - average fixed direct costs and variable direct costs.
- *Gold in circuit* - average cost.
- *Stores* - purchase cost on a first in first out cost method.
- *Ore stockpiles* - cost of mining on an average cost method.
- *Work in progress* - cost of mining and processing at an average cost method.

# Notes to the Consolidated Financial Statements

## v. Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value commencing from the date the asset is available for use. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

Depreciation on assets utilised in exploration, evaluation and mine development during the pre-production phase is included in the carrying value of Deferred Exploration Expenditure and Mine Assets reflected on the balance sheet. On commencement of production, depreciation is expensed to the Income Statement.

The following estimated useful lives are used in the calculation of depreciation:

Plant and equipment – mine site	life of mine
Plant and equipment – processing plant	10 years
Plant and equipment – other	2-5 years

## vi. Mine assets

Expenditure on mine properties in production or under development are accumulated and brought to account at cost less accumulated amortisation in respect of each identifiable area of interest. Amortisation of capitalised costs is provided on a production output basis, proportional to the depletion of the mineral resource of each area of interest expected to be ultimately economically recoverable.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Should the carrying value of expenditure not yet amortised exceed its estimated recoverable amount in any period, the excess is written off to the income statement.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which it belongs.

Pre-production revenue from gold sales derived from mine development ore is netted off against capitalised mine development expenditure.

## vii. Impairment of assets

At each reporting date, the Consolidated Entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Consolidated Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.



# Notes to the Consolidated Financial Statements

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

## **viii. Deferred exploration expenditure**

Exploration and evaluation expenditure for each area of interest is carried forward as an asset provided that one of the following conditions is met:

- Such costs are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or
- Exploration activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing.

Exploration and evaluation expenditure, which fails to meet at least one of the conditions outlined above, is written off.

Identifiable exploration assets acquired from another mining company are carried as assets at their cost of acquisition. Exploration assets acquired are reassessed on a regular basis and these costs are carried forward provided that at least one of the conditions outlined above are met. Exploration and evaluation expenditure incurred subsequent to acquisition in respect of an exploration asset acquired, is accounted for in accordance with the policy outlined above for exploration incurred by or on behalf of the entity. Exploration and evaluation expenditure assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.

The recoverable amount of the exploration and evaluation asset is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years. Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to mine assets.

## **ix. Investments in associates and joint ventures**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except with the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with AASB 5. Under the equity method, an investment in an associate or joint venture is initially recognised in the consolidated statements of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture, the Group discontinue recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

# Notes to the Consolidated Financial Statements

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interest in the associate or joint venture that are not related to the Group.

## **x. Business combinations**

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 112 'Income Taxes' and AASB 119 'Employee Benefits' respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 'Share-based Payment' at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations' are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified

# Notes to the Consolidated Financial Statements

as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 139 'Financial Instruments: Recognition and Measurement; or AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

## **xi. Royalties**

Royalty expenditure is recognised on an accrual basis in accordance with the substance of the relevant agreement (provided that it is probable that settlement will be required and the amount of expense can be measured reliably). Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

## **xii. Trade and other payables**

Trade payables and other accounts payable are recognised when the Consolidated Entity becomes obliged to make future payments resulting from the purchase of goods and services.

## **xiii. Provisions**

Provisions are recognised when the Consolidated Entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

### Provision for restoration and rehabilitation

A provision for restoration and rehabilitation is recognised when there is a present obligation as a result of exploration, development, production, transportation or storage activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount of the provision can be measured reliably.

The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation as at the reporting date. Future restoration costs are reviewed annually and any change in the estimates are reflected in the present value of the restoration provision at reporting date.

The initial estimate of the restoration and rehabilitation provision relating to exploration, development and production facilities is capitalised into the cost of the related asset and amortised on the same basis as the related asset, unless the present value arises from the production of inventory in the period, in which case the amount is included in the cost of production for the period. Changes in the estimate of the provision for restoration and rehabilitation are treated in the same manner, except that the unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the cost of the related asset.

# Notes to the Consolidated Financial Statements

## xiv. Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled wholly within twelve months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within twelve months are measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

### Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when incurred.

## xv. Financial assets

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity investments', 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The Group's "other financial Assets" held during the year comprise solely of assets classified as "loans and receivables".

### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'.

### Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

### Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables. For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows

# Notes to the Consolidated Financial Statements

discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

## **xvi. Financial Liabilities**

Borrowings and other financial liabilities (including trade payables but excluding derivative liabilities) are recognised initially at fair value, net of transaction costs incurred and are subsequently stated at amortised cost. Any difference between the amounts originally received for borrowings and other financial liabilities (net of transaction costs) and the redemption value is recognised in the income statement over the period to maturity using the effective interest method.

### Fair value

Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties. Where relevant market prices are available, these have been used to determine fair values. In other cases, fair values have been calculated using quotations from independent financial institutions, or by using valuation techniques consistent with general market practice applicable to the instrument.

- (a) The fair values of cash, short-term borrowings and loans to joint ventures and associates approximate to their carrying values, as a result of their short maturity or because they carry floating rates of interest.
- (b) The fair values of medium and long-term borrowings are calculated as the present value of the estimated future cash flows using quoted prices in active markets or an appropriate market based yield curve. The carrying value of the borrowings is amortised cost.

### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash outflows through the expected life of the financial liability, or, where appropriate, a shorter period.

An expense is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'.

## **xvii. Issued Capital**

Ordinary share capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

## **xviii. Foreign currency**

### *Foreign currency transactions*

The individual financial statements of each group entity are presented in its functional currency being the currency of the primary economic environment in which the entity operates. For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in

# Notes to the Consolidated Financial Statements

Australian dollars, which is the functional currency of Titan Minerals Limited and the presentation currency for the consolidated financial statements.

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Exchange differences are recognised in profit or loss in the year in which they arise except that exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur, which form part of the net investment in a foreign operation, are recognised in the foreign currency translation reserve in the consolidated financial statements and recognised in consolidated profit or loss on disposal of the net investment.

## *Foreign operations*

On consolidation, the assets and liabilities of the Consolidated Entity's overseas operations are translated at exchange rates prevailing at the yearend closing rate. Income and expense items are translated at the average exchange rates for the year unless exchange rates fluctuate significantly. Exchange differences arising, if any, are recognised in the foreign currency translation reserve, and recognised in profit or loss on disposal of the foreign operation.

## **xix. Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- (i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- (ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

## **xx. Share-based payments**

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

## **xxi. Income tax**

Income tax expense represents the sum of the tax currently payable and deferred tax.

### Current tax

Current tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or

# Notes to the Consolidated Financial Statements

expense that are taxable or deductible in other periods and items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting year.

## Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

## Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

## **xxii. Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

## **3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

The following are the key estimates that management has made in the process of applying the Group's accounting policies and that have the most significant effects on the amounts recognised in the financial statements.

# Notes to the Consolidated Financial Statements

## *(a) Determination of mineral resources and ore reserves*

The Group estimates its mineral resources and ore reserves in accordance with the Australian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code"). The information on mineral resources and ore reserves is prepared by or under the supervision of Competent Persons as defined in the JORC Code. The amounts presented are based on the mineral resources and ore reserves determined under the JORC Code.

There are numerous uncertainties inherent in estimating mineral resources and ore reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated. Such changes in reserves could impact on depreciation and amortisation rates, asset carrying values and provisions for restoration and rehabilitation.

## *(b) Estimation for the provision for restoration and rehabilitation*

Provision for rehabilitation and dismantling property, plant and equipment is estimated taking into consideration facts and circumstances available at the balance sheet date. This estimate is based on the expenditure required to undertake the rehabilitation and dismantling, taking into consideration the time value of money.

## *(c) Impairment of property, plant and equipment*

The Group reviews for impairment of property, plant and equipment, in accordance with its accounting policy. The recoverable amount of these assets has been determined based on the higher of the assets' fair value less costs to sell and value in use. These calculations require the use of estimates and judgements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. The Group may engage the assistance of third parties to establish the appropriate valuation techniques and inputs to the valuation model.

## *(d) Impairment of capitalised mine assets and deferred exploration expenditure*

The future expected recoverability of capitalised mine development expenditure is dependent on a number of factors, including the level of proved, probable and inferred mineral resources, future technological changes which could impact the cost of mining, future legal changes (including changes to environment restoration obligations) and changes to commodity prices.

To the extent that capitalised mine development expenditure is determined not to be recoverable in the future, this will reduce profits and net assets in the year in which this determination is made.

## **4. SEGMENT INFORMATION**

### **Identification of Reportable Segments**

The Company has identified its operating segments based on the internal reports that are reviewed and used by the Board (the chief operating decision-maker) in assessing performance and in determining the allocation of resources. The operating segments are identified by the Board based on reporting lines and the nature of services provided. Discrete financial information about each of these operating segments is reported to the Board on a monthly basis. The Company operates predominately in Peru. The reportable segments are based on aggregated operating segments determined by the similarity of the services provided and other factors.



# Notes to the Consolidated Financial Statements

## Segments

The Group has two reportable operating segments which are the same as its geographical segments, these are Peru and the USA. The information is further analysed based on the mineral sold within the region.

Segment result represents the profit or loss earned by each segment without allocation of corporate administration costs, investment revenue and finance costs or income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

## Holding Company

Holding Company costs (or unallocated costs, assets and liabilities) are those costs which are managed on a Group basis and not allocated to business segments. They include costs associated with executive management, strategic planning and compliance costs.

## Accounting Policies

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries, share of profits of associates, gain recognised on disposal of interest in former associate, investment income, gains and losses, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

## Intersegment Transfers

There have been no intersegment sales during the year.

The following is an analysis of the Group's revenue and results by reportable operating segment for the year under review:

	Revenue		Segment Result	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
	\$'000s	\$'000s	\$'000s	\$'000s
<b>Continuing operations</b>				
Segment result before income tax – Peru Gold	639	*	3,054	*
Segment result before income tax – Peru Copper	-	*	-	*
Segment result before income tax – USA	-	-	47	*
	<b>639</b>	<b>1,365</b>	<b>3,101</b>	<b>1,365</b>
Other revenue			3	-
SilverStream gold streaming income			-	-
Central administration costs and director salaries			(603)	(1,891)
Foreign exchange costs			(16)	247
Finance costs			-	(6)
Loan forgiveness			13,139	-
Reversal of provision of impairment of property, plant & equipment			1,000	-
DOCA Expenses			(2,350)	-
Share Based Payments			(5)	-
Loss before income tax expense			14,269	(285)
Income tax expense			-	-
<b>Profit/(Loss) for the year from continuing operations</b>			<b>14,269</b>	<b>(285)</b>

The revenue reported above represents revenue generated from processed gold sales, toll treatment revenues and concentrate sales to external customers.

# Notes to the Consolidated Financial Statements

The following is an analysis of the Group's assets by reportable operating segment:

<b>Assets</b>	<b>31 Dec 2017</b> <b>\$'000s</b>	<b>31 Dec 2016</b> <b>\$'000s</b>
Peru gold business	1,272	*
Peru copper business	-	*
United States of America	-	*
Unallocated assets	3,222	*
<b>Consolidated total assets</b>	<b>4,494</b>	<b>558</b>

The following is an analysis of the Group's liabilities by reportable operating segment:

<b>Liabilities</b>	<b>31 Dec 2017</b> <b>\$'000s</b>	<b>31 Dec 2016</b> <b>\$'000s</b>
Peru gold business	(3,347)	*
Peru copper business	-	*
United States of America	-	*
Unallocated liabilities	(98)	*
<b>Consolidated total liabilities</b>	<b>(3,445)</b>	<b>26,030</b>

\* The Company was under External administration from 25 August 2015 to 4 October 2017, consequently the Company did not have sufficient information to allow the level of disclosure required for the year ended 31 December 2016 and 31 December 2017.

## 5. REVENUE AND EXPENSES

The following is an analysis of the Group's revenue for the year from continuing operations:

<b>Note</b>	<b>Consolidated</b>	
	<b>31-Dec-17</b> <b>\$'000s</b>	<b>31-Dec-16</b> <b>\$'000s</b>
<b>(a) Revenue</b>		
Revenue from the sale of gold	-	*
Revenue from toll processing	639	*
Revenue from selling concentrate	-	*
Revenue for continuing operations	639	
Interest revenue – bank deposits	-	*
Other income	3	*
Other revenue	3	
	642	1,365
<b>(b) Expenses</b>		
<i>(i) Employee benefits expense:</i>		
Other employee benefits	-	*
<i>(ii) Depreciation and amortisation:</i>		
Plant and equipment	(213)	(109)
Mine assets	-	-
	(213)	(109)
<i>(iii) Operating lease rental expenses included in occupancy costs:</i>		
Minimum lease payments	-	*

# Notes to the Consolidated Financial Statements

Note	Consolidated	
	31-Dec- \$'000s	31-Dec- \$'000s
<i>(iv) Finance costs:</i>		
Interest on finance facilities	-	*
Interest on convertible notes	-	*
Bank fees	-	*
Finance costs	-	*
	-	(6)
<i>(v) Loan Forgiveness:</i>		
Cash settlements	(1,379)	*
Equity settlements	(4,740)	*
Book value of loans forgiven	23,873	*
	17,754	*

\* The Company was under External administration from 25 August 2015 to 4 October 2017, consequently the Company did not have sufficient information to allow the level of disclosure required for the year ended 31 December 2016 and 31 December 2017.

## 6. INCOME TAXES

Income tax recognised in profit or loss	Consolidated	
	31-Dec-17 \$'000s	31-Dec-16 \$'000s
Tax expense comprises:		
Deferred tax expense	-	*
Total tax expense	-	*
The prima facie income tax expense on pre-tax accounting loss from continuing operations reconciles to the income tax expense in the financial statements as follows:		
Profit / (Loss) from continuing operations	14,269	(285)
Income tax calculated at 27.5% (2016: 30%)	3,924	(86)
Expenses that are not deductible / (income that is exempt) in determining taxable profit	-	-
Adjustments for deferred tax of prior year	-	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	-	-
Tax benefit not recognised as recovery not probable	(3,924)	86
	-	-

The tax rate used in the above reconciliation is the tax rate of 27.5% (2016: 30%) payable by Australian corporate entities on taxable profits under Australian tax law.

### Deferred tax assets

Amounts recognised in profit and loss:		
Tax losses – revenue	(31,503)	*
Share issue costs recognised in equity	*	*
Provisions & other	*	*
Deferred tax assets used to offset deferred tax liabilities	*	*
Deferred tax assets not recognised	31,503	*
	-	-

# Notes to the Consolidated Financial Statements

## Deferred tax liabilities

Amounts recognised in profit and loss:

Mineral rights	-	*
Deferred tax assets used to offset deferred tax liabilities	-	*
	-	-
<b>Movements:</b>		
Opening balance at 1 January	-	*
Exchange differences	-	*
	-	-

## Tax consolidation

The parent entity is the only Australian entity in the Consolidated Entity, hence a tax consolidated group has not been formed.

**\* The Company was under External administration from 25 August 2015 to 4 October 2017, consequently the Company did not have sufficient information to allow the level of disclosure required for the year ended 31 December 2016 and 31 December 2017.**

## 7. TRADE AND OTHER RECEIVABLES

	31-Dec-17 \$'000s	31-Dec-16 \$'000s
<b>Current</b>		
Tax receivable <sup>(1)</sup>	99	-
Other receivables <sup>(2)</sup>	191	-
	290	-

At the reporting date \$0 of the trade receivables were past due but not impaired.

(1) Local tax receivables relate to goods and services taxes refundable in the prior year.

(2) Other receivables include amounts receivable from sales prior to year-end and advances due for repayment.

## 8. INVENTORIES

	31-Dec-17 \$'000s	31-Dec-16 \$'000s
Stores and spares	-	*
In process ore	-	*
Impairment	-	*
	-	-

**\* The Company was under External administration from 25 August 2015 to 4 October 2017, consequently the Company did not have sufficient information to allow the level of disclosure required for the year ended 31 December 2016 and 31 December 2017.**

# Notes to the Consolidated Financial Statements

## 9. PROPERTY, PLANT AND EQUIPMENT

	Property, plant and equipment \$'000s
<b>Assets at Cost</b>	
<b>Balance at 31 December 2015</b>	-
Additions	-
Eliminated on disposal of assets	-
Impairment	-
Impact of foreign exchange	-
<b>Balance at 31 December 2016</b>	-
Additions	-
Eliminated on disposal of assets	-
Property, Plant & Equipment *	1,000
Impact of foreign exchange	-
<b>Balance at 31 December 2017</b>	1,000
<b>Accumulated depreciation and impairment</b>	
<b>Balance at 31 December 2015</b>	-
Depreciation expense	-
Eliminated on disposal of assets	-
Impairment	-
Impact of foreign exchange	-
<b>Balance at 31 December 2016</b>	-
Eliminated on disposal of assets	-
Depreciation expense	-
Impact of foreign exchange	-
<b>Balance at 31 December 2017</b>	-
<b>Net book value</b>	
As at 31 December 2016	-
<b>As at 31 December 2017</b>	<b>1,000</b>

\* When the directors resumed custodianship of the Company it was noted that the San Santiago plant has a provision for impairment that brought the book value to 0. The directors obtained a third-party valuation report on the San Santiago plant from Primero Group Pty Ltd to ascertain what the fair value of the plant should be now that the Company was out of administration. The valuator used an order of magnitude valuation estimate and arrived at a fair value of US\$1,302,500. The directors approved a conservative approach to reverse the provision for impairment back to an ascribed fair value of AU\$1,000,000 for the San Santiago plant.

**\* The Company was under External administration from 25 August 2015 to 4 October 2017, consequently the Company did not have sufficient information to allow the level of disclosure required for the year ended 31 December 2016 and 31 December 2017.**

# Notes to the Consolidated Financial Statements

## 10. MINE ASSETS

	Consolidated	
	31-Dec-17	31-Dec-16
	\$'000s	\$'000s
Mine assets at cost	173	500
Accumulated amortisation	-	-
Impairment	-	-
Net book value	<u>173</u>	<u>500</u>

Reconciliation of the carrying amounts of mine assets at the beginning and end of the current financial year:

Carrying amount at beginning of the year	500	500
- fair value adjustment on disposal	(327)	-
- mine development expenditure	-	*
- impact of foreign exchange	-	*
- amortisation expense	-	*
- impairment	-	-
	<u>173</u>	<u>500</u>

\* The Company was under External administration from 25 August 2015 to 4 October 2017, consequently the Company did not have sufficient information to allow the level of disclosure required for the year ended 31 December 2016.

## 11. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	31-Dec-17	31-Dec-16
	\$'000s	\$'000s
Deferred exploration expenditure	-	-

Reconciliation of the carrying amounts of mine assets at the beginning and end of the current financial year:

Carrying amount at beginning of the year	-	-
- acquisitions through business combination	-	-
- impact of foreign exchange	-	*
- impairment	-	-
	<u>-</u>	<u>-</u>

\* The Company was under External administration from 25 August 2015 to 4 October 2017, consequently the Company did not have sufficient information to allow the level of disclosure required for the year ended 31 December 2016 and 31 December 2017.

# Notes to the Consolidated Financial Statements

## 12. TRADE AND OTHER PAYABLES

	Consolidated	
	31-Dec-17 \$'000s	31-Dec-16 \$'000s
<b>Current Liabilities</b>		
Trade and other payables	341	1,800
Employee benefits	724	-
Tax liabilities	-	475
Other Liabilities	-	4,309
Creditors' claims under administration*	-	1,920
	<b>1,065</b>	<b>8,504</b>
<b>Non- Current Liabilities*</b>		
Trade and other payables	1,802	-
Tax liabilities	403	-
	<b>2,205</b>	<b>-</b>

\* When the directors resumed custodianship of the Company it was noted that a large portion of the payables in the subsidiaries related to debts owed from the period 2010-2016. Some of which pre-dated the Company's acquisition of the subsidiaries. It is directors expectation that the Company will not settle these outstanding liabilities within the next 12 months as the validity of the liabilities cannot be confirmed, and therefore have classified these liabilities as non-current.

\* The Company was under External administration from 25 August 2015 to 4 October 2017, consequently the Company did not have sufficient information to allow the level of disclosure required for the year ended 31 December 2016 and 31 December 2017.

## 13. BORROWINGS

	Consolidated	
	31-Dec-17 \$'000s	31-Dec-16 \$'000s
<b>CURRENT</b>		
<i>Unsecured at amortised cost</i>		
Loans	175	2,832
Convertible notes	-	6,532
<i>Secured at amortised cost</i>		
Loans	-	217
	<b>175</b>	<b>9,581</b>
<b>NON CURRENT</b>		
<i>Unsecured at amortised cost</i>		
Loans	-	-
<i>Secured at amortised cost</i>		
Convertible note	-	-
	<b>-</b>	<b>-</b>
<b>TOTAL BORROWINGS</b>	<b>175</b>	<b>9,581</b>

# Notes to the Consolidated Financial Statements

## A. Loans

### (a) Andina Resources Limited loan

As at 31 December 2017, the Group owed Andina Resources Limited (a director related entity with Mr Matthew Carr) a total of \$174,637. The terms of the loan are that the loan is payable on demand, is unsecured and has a 0% interest rate.

As per the terms of the Deed of Company Arrangement (DOCA) all prior borrowings that were owed by the Company were cleared upon effectuation of the DOCA.

**\* The Company was under External administration from 25 August 2015 to 4 October 2017, consequently the Company did not have sufficient information to allow the level of disclosure required for the year ended 31 December 2016 and 31 December 2017.**

## 14. PROVISIONS

	Consolidated	
	31-Dec-17 \$'000s	31-Dec-16 \$'000s
<b>Current</b>		
Annual leave	-	1,668
Provision for mine closure <sup>(1)</sup>	-	329
<b>Total Current</b>	-	1,997
<b>Non-current</b>		
Provision for mine closure	-	-
<b>Total Non –Current</b>	-	-
<b>TOTAL</b>	-	1,997
<i>Provision for mine closure</i>		
Opening balance	329	329
- decrease in the provision	(329)	*
- impact of foreign exchange	-	*
Closing balance	-	329

- (1) The provision for mine closure is an environmental management instrument used to evaluate and plan necessary measures before, during and after the closure of operations to eliminate, mitigate and control adverse effects on the area used or disturbed by the mining activity, in order to be considered as a compatible ecosystem with a healthy environment, appropriate for the biological development and landscape preservation. This Environmental Impact Statement has been approved by the Regional Government of Arequipa.

**\* The Company was under External administration from 25 August 2015 to 4 October 2017, consequently the Company did not have sufficient information to allow the level of disclosure required for the year ended 31 December 2016 and 31 December 2017.**



# Notes to the Consolidated Financial Statements

## 15. OTHER LIABILITIES

	Consolidated	
	31-Dec-17	31-Dec-16
	\$'000s	\$'000s
Gold purchase agreement liability <sup>(1)</sup>	-	*
Silver purchase agreement liability <sup>(2)</sup>	-	*
	-	5,948
Reduction in liability for ore sold under contract during the year	-	*
Reduction in liability for ore sold under contract during the year -	-	
Foreign exchange loss on liability revaluation	-	*
<i>Fair value finance charge</i>	-	*
<i>Balance due to SilverStream SEZC under the GPA and SPA</i>	-	5,948
<b>Current</b>		
Gold purchase agreement liability	-	*
Silver purchase agreement liability	-	*
	-	5,948
<b>Non-current</b>		
Gold purchase agreement liability	-	-
Silver purchase agreement liability	-	-
	-	-

As per the terms of the Deed of Company Arrangement Silverstream SEZC removed the Gold Purchase Agreement (GPA) and the Silver Purchase Agreement (SPA) with the Group.

**\* The Company was under External administration from 25 August 2015 to 4 October 2017, consequently the Company did not have sufficient information to allow the level of disclosure required for the year ended 31 December 2016 and 31 December 2017.**

# Notes to the Consolidated Financial Statements

## 16. ISSUED CAPITAL

### (a) Issued capital reconciliation

Issued capital	31 December 2017		31 December 2016	
	Number	\$'000s	Number	\$'000s
Ordinary shares fully paid	<b>1,635,381,023</b>	<b>91,051</b>	<b>3,633,823,438</b>	<b>78,619</b>
<b>Movements in shares on issue</b>				
Balance at the beginning of the financial year	3,633,823,438	78,619	3,633,823,438	78,619
Consolidation on a 350:1 basis	(3,623,442,415)	-	-	-
Shares issued 5 October 2017, at \$0.01, under the Public Offer	600,000,000	6,000	-	-
Shares issued 5 October 2017, at \$0.01, under the Employee Offer	70,000,000	700	-	-
Shares issued 5 October 2017, at \$0.01, under the Broker Offer	316,032,382	3,160	-	-
Shares issued 5 October 2017, at \$0.01, under the SilverStream Offer	350,000,000	3,500	-	-
Shares issued 5 October 2017, at \$0.01, under the Unsecured Creditor Offer	53,967,618	540	-	-
Shares issued 5 October 2017, at \$0.01, under the Andina Offer	235,000,000	2,350	-	-
Capital Raising Costs	-	(3,818)	-	-
<b>Balance at end of financial year</b>	<b>1,635,381,023</b>	<b>91,051</b>	<b>3,633,823,438</b>	<b>78,619</b>

\* The Company was under External administration from 25 August 2015 to 4 October 2017, consequently the Company did not have sufficient information to allow the level of disclosure required for the year ended 31 December 2016 and 31 December 2017.

### Terms and conditions of contributed equity

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

### (b) Shares under option - unlisted

Recipient	Number of shares under option	Class of shares	Exercise price	Expiry date	Vested
Anglo Pacific	209,357	Ordinary	\$2.10	8 Feb 2018	100%

As at 31 December 2017, there are 209,357 unlisted share options issued to financial and corporate advisors. These options expired post year end on 8 February 2018 and were not exercised.

Unquoted share options granted carry no rights to dividends and no voting rights and details of the movement in unissued shares or interests under option as at the date of this report are:

# Notes to the Consolidated Financial Statements

	Number of Options (Unlisted) <sup>(1)</sup>	Number of Options MIZOA (ASX listed) <sup>(3)</sup>
Balance at 1 January 2016	104,775,000*	432,539,584
Share options issued during the year	*	-
Share options lapsed	(22,500,000)*	(432,539,584)*
<b>Total number of options outstanding as at 31 December 2016</b>	<b>82,275,000*</b>	<b>-</b>
Consolidation on a 350:1 basis	(82,039,929)	-
Share options lapsed	(25,714)	-
<b>Total number of options outstanding as at 31 December 2017</b>	<b>209,357</b>	<b>-</b>

\* The Company was under External administration from 25 August 2015 to 4 October 2017, consequently the Company did not have sufficient information to allow the level of disclosure required for the year ended 31 December 2016 and 31 December 2017.

No options were exercised during the year.

## 17. RESERVES

	Consolidated	
	31-Dec-17	31-Dec-16
	\$'000s	\$'000s
Equity settled employee benefits reserve <sup>(1)</sup>	2,826	2,822
Foreign currency translation reserve <sup>(2)</sup>	(252)	(1,904)
	<b>2,574</b>	<b>918</b>

## 18. LOSS PER SHARE

	Consolidated	
	31-Dec-17	31-Dec-16
	Cents	Cents
Basic and diluted loss per share from continuing operations	3.59	(2.7)
	<b>\$'000s</b>	<b>\$'000s</b>
Loss from Continuing Operations Attributable to Equity Holders of	14,269	(285)
	<b>No.</b>	<b>No.</b>
Weighted average number of ordinary shares used in the	397,709,790	10,382,352
Potential ordinary shares not considered to be dilutive at year end	-	-
	Consolidated	
	31-Dec-17	31-Dec-16
	Cents	Cents
Basic and diluted loss per share from discontinued operations	(0.46)	(6.4)
	<b>\$'000s</b>	<b>\$'000s</b>
Loss from Discontinued Operations Attributable to Equity Holders	(1,836)	(662)
	<b>No.</b>	<b>No.</b>
Weighted average number of ordinary shares used in the	397,709,790	10,382,352
Potential ordinary shares not considered to be dilutive at year end	-	-

As the Group made a loss for the year, diluted earnings per share is the same as basic earnings per share. The impact of dilution would be to reduce the loss per share.

# Notes to the Consolidated Financial Statements

## 19. SUBSIDIARIES

Name of entity	Country of incorporation	Ownership interest 2017	Ownership interest 2016*	Principal Activity
Mundo Minerals USA	USA	100%	100%	Administrative holding company
Mundo Peru Gold SAC	Peru	0%	100%	Gold production and exploration
Mundo Minerales SAC	Peru	0%	100%	Gold production and exploration
Golden Empire SAC	Peru	0%	100%	Gold exploration
Compania Minera Cobrepampa	Peru	100%	100%	Copper exploration
Empresa Miner Cobrepampa	Peru	100%	100%	Copper exploration
Grupo Cobrepampa	Peru	100%	100%	Copper exploration
Korisumaq SAC	Peru	100%	100%	Copper exploration
Derivados Y Concentrados SAC	Peru	100%	100%	Processing plant operator
Hogans Heros S.A.C	Peru	100%	0%	Administrative holding company

\* The Company was under External administration from 25 August 2015 to 4 October 2017, consequently the Company did not have sufficient information to allow the level of disclosure required for the year ended 31 December 2016 and 31 December 2017.

## 20. DISCONTINUED OPERATIONS

On 4 October 2017 the shares in the entities that made up the MPG group of companies were transferred to the Minera Gold Limited Creditors Trust.

### (a) Financial performance and cash flow information

	31 Dec 2017 \$'000s	31 Dec 2016 \$'000s
<b>Loss for the year from discontinued operations</b>		
Revenue - rendering of services	3	-
Other income	-	-
	3	-
Expenses	(1,511)	(662)
<b>Loss for the year from discontinued operations until date of disposal</b>	<b>(1,508)</b>	<b>(662)</b>
Loss on disposal	(b) (328)	-
<b>Loss before income tax</b>	<b>(1,836)</b>	<b>(662)</b>
Attributable income tax expense	-	-
<b>Loss for the year from discontinued operations (attributable to owners of the company)</b>	<b>(1,836)</b>	<b>(662)</b>
<b>Cash flows from discontinued operations</b>		
Net cash outflow from operating activities	(364)	-
Net cash inflow from investing activities	-	-
<b>Net cash inflows from discontinued operations</b>	<b>(364)</b>	

# Notes to the Consolidated Financial Statements

## (b) Details of the sale of the MPG Group

	<u>4-Oct-17</u>
	\$
Consideration received or receivable:	
Cash	-
<b>Total disposal consideration</b>	<u>-</u>
Carrying amount of net assets sold	4,742
Foreign Currency Translation reclassified from reserve to profit or loss on disposal	<u>(5,070)</u>
<b>Loss on disposal</b>	<b>(328)</b>

The carrying amounts of assets and liabilities as at the date of sale (4 October 2017) were:

	<u>4-Oct-17</u>
	\$
Cash and cash equivalents	-
Other current assets	488
Property, plant and equipment	630
Other non-current assets	<u>10,199</u>
<b>Total assets</b>	<b><u>11,317</u></b>
Trade and other payables	(3,320)
Other non-current assets	<u>(3,255)</u>
<b>Total liabilities</b>	<b><u>(6,575)</u></b>
<b>Net assets</b>	<b><u>4,742</u></b>

\* The Company was under External administration from 25 August 2015 to 4 October 2017, consequently the Company did not have sufficient information to allow the level of disclosure required for the year ended 31 December 2016 and 31 December 2017.

## 21. CONTINGENCIES AND COMMITMENTS

The Group has no contingent liabilities as at 31 December 2017.

\* The Company was under External administration from 25 August 2015 to 4 October 2017, consequently the Company did not have sufficient information to allow the level of disclosure required for the year ended 31 December 2016 and 31 December 2017.

# Notes to the Consolidated Financial Statements

## 22. NOTES TO THE CASH FLOW STATEMENT

### (a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money markets instruments. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

	Consolidated	
	31-Dec-17 \$'000s	31-Dec-16 \$'000s
Cash at bank and deposits at call	2,932	58

### (b) Reconciliation of loss for the year to net cash flows used in operating

Loss for the year	12,433	(947)
Adjustments for:		
Depreciation and amortisation of non-current assets	213	-
Equity-settled share based payments	4	-
Foreign exchange	16	(247)
Loan forgiveness	(17,754)	-
DOCA expenses	2,350	-
Provision expense	22	-
Non cash financing activities:	-	-
Reversal of provision of impairment of property, plant & equipment	(1,000)	-
<i>Changes in net assets and liabilities:</i>		
<i>(Increase)/decrease in assets:</i>		
Trade and other receivables	289	18
<i>Increase/(decrease) in liabilities:</i>		
Trade and other payables	342	-
Taxation liabilities	-	-
Provisions	-	61
Net cash used in operating activities	<u>(3,085)</u>	<u>(1,115)</u>

### (c) Non-cash financing activities

The following non-cash financing activities occurred during the year:

Offer	Date issued	No of shares	\$ '000
Shares issued under the Employee Offer	5 October 2017	70,000,000	700
Shares issued under the Broker Offer	5 October 2017	316,032,382	3,160
Shares issued under the SilverStream Offer	5 October 2017	350,000,000	3,500
Shares issued under the Unsecured Creditor Offer	5 October 2017	53,967,618	540
Shares issued under the Andina Offer	5 October 2017	235,000,000	2,350
Total		<u>1,025,000,000</u>	<u>10,250</u>

All cash balance contained in the above table was available for use by the Group as at 31 December 2017.

**\* The Company was under External administration from 25 August 2015 to 4 October 2017, consequently the Company did not have sufficient information to allow the level of disclosure required for the year ended 31 December 2016 and 31 December 2017.**

# Notes to the Consolidated Financial Statements

## 23. EVENTS AFTER THE REPORTING PERIOD

There has not been any matter or circumstance that have arisen since the end of the financial year, that has significantly affected or may significantly affect, the operations of the Group, the results of the operations, or the state of the affairs of the Group in the future financial years, other than:

On the 8 February 2018, 209,357 unlisted options expired.

On the 26 March 2018 Titan Minerals Limited entered into a bid implementation agreement (BIA) with Andina Resources Limited, by which Titan will acquire all of the issued share capital in Andina via an off-market takeover bid. Andina is a Peru focussed unlisted public company incorporated in Australia. Under the bid, Andina shareholders will receive 1 fully paid ordinary share in the capital of Titan for every 1.18 Andina shares held (for a total of 561,656,385 Titan shares to be issued should 100% of Andina shareholders accept the bid).

## 24. KEY MANAGEMENT PERSONNEL

Refer to the Remuneration Report on pages 5-7 of the Directors Report.

## 25. RELATED PARTY TRANSACTIONS

### a) Subsidiaries

The ultimate parent entity of the group is Titan Minerals Limited. Details of the ownership of ordinary shares held in subsidiaries are disclosed in Note 18 to the Financial Statements. Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in the Note. Details of transactions between the Group and other related parties, if any, are disclosed below.

Transactions and balances between the Company and its subsidiaries were eliminated in the preparation of consolidated financial statements of the Group.

As at 31 December 2017 the Group had unsecured loans with Andina Resources Limited, a director related entity with Mr Matthew Carr, of a payable position \$174,637 and Vista Gold SAC (a subsidiary of Andina Resources Limited, in a receivable position \$98,340).

# Notes to the Consolidated Financial Statements

## b) Parent entity

The ultimate parent entity of the Group is Titan Minerals Limited.

The Statement of Comprehensive Income and Financial position on the parent entity are summarised below:

<i>Statement of Financial Position</i>	Parent	
	31-Dec-17	31-Dec-16
	\$ '000	\$ '000
Current assets	3,009	1
Non-current assets	-	21,771
<b>Total assets</b>	<b>3,009</b>	<b>21,772</b>
Current liabilities	112	19,255
Non-current liabilities	-	-
<b>Total liabilities</b>	<b>112</b>	<b>19,255</b>
<b>Net Assets</b>	<b>2,897</b>	<b>2,517</b>
Issued capital	91,051	78,619
Reserves	2,826	2,821
Accumulated losses	(90,980)	(78,923)
<b>Shareholder Equity</b>	<b>2,897</b>	<b>2,517</b>

<i>Statement of Comprehensive Income</i>	31-Dec-17	31-Dec-16
	\$ '000	\$ '000
Loss after tax	(12,057)	22
<b>Total comprehensive loss</b>	<b>(12,057)</b>	<b>22</b>

## c) Expenditure commitments by the parent entity:

	31-Dec-17	31-Dec-16
	\$ '000	\$ '000
Not longer than 1 year	-	*
Longer than 1 year and not longer than 5 years	-	-
	-	*

\* The Company was under External administration from 25 August 2015 to 4 October 2017, consequently the Company did not have sufficient information to allow the level of disclosure required for the year ended 31 December 2016 and 31 December 2017.

## 26. FINANCIAL INSTRUMENTS

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, price and foreign exchange risks and ageing analysis for credit and liquidity risk.

Risk management is carried out by senior management under direction of the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas. The consolidated entity is not materially exposed to changes in interest rates in its activities.

The material financial instruments to which the Group has exposure include:

- (i) Cash and short-term deposits;
- (ii) Financial assets at fair value through profit and loss;
- (iii) Receivables; and
- (iv) Accounts payable.



# Notes to the Consolidated Financial Statements

The carrying values of the Group's financial instruments are as follows:

	31-Dec-17	31-Dec-16
	\$ '000	\$ '000
<b>Financial Assets</b>		
Cash and Cash Equivalents	2,932	58
Trade and Other Receivables	389	-
<b>Total Financial Assets</b>	<b>3,321</b>	<b>58</b>
<b>Financial Liabilities</b>		
Trade and other payables	3,270	8,504
Other liability	-	5,948
Borrowings	175	9,581
Provisions	-	1,997
<b>Total Financial Liabilities</b>	<b>3,445</b>	<b>26,030</b>
<b>Net Exposure</b>	<b>(124)</b>	<b>(25,972)</b>

## (a) Market Risk

### Foreign Exchange Risk

The Group operates internationally and is exposed to foreign exchange risk arising primarily from its subsidiaries, primarily with respect to the US dollar.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency.

The carrying amounts of the Group's foreign currency denominated assets and monetary liabilities at the end of the reporting year are as follows:

	Assets		Liabilities	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
	\$'000	\$'000	\$'000	\$'000
US dollars	284	*	2,462	*

### Interest Rate Risk

All the consolidated entity's financial instruments that are exposed to interest rate risk are either non-interest bearing, bear interest at commercial interest rates or at fixed rates. The weighted average interest rate on cash and short-term deposits at 31 December 2017 was 0.5% (31 December 2016: -%). All receivables, other financial assets and payables are non-interest bearing.

### (b) Credit Risk

Financial instruments, which potentially subject the consolidated entity to credit risk, consist primarily of cash and short-term deposits. Credit risk on cash, short term deposits and trade receivables is largely minimised by dealing with companies with acceptable credit ratings.

The consolidated entity has no reason to believe credit losses will arise from any of the above financial instruments. However, the maximum amount of loss, which may possibly be realised, is the carrying amount of the financial instrument.

Cash in Australia is held with National Australia Bank Limited which is an appropriate financial institution with an external credit rating of AA-. Cash in the US was held with First Republic Bank which is considered to be an appropriate financial institution with an external credit rating of A.

# Notes to the Consolidated Financial Statements

## (c) Liquidity Risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. Management monitors the rolling forecasts of the Group's cash and fair value assets based on expected cash flows. This is generally carried out at a local level in the operating companies of the Group in accordance with the practise and limits set by the Group.

## (d) Capital Risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to maintain a suitable capital structure and fulfil the objectives of the Group.

**\* The Company was under External administration from 25 August 2015 to 4 October 2017, consequently the Company did not have sufficient information to allow the level of disclosure required for the year ended 31 December 2016 and 31 December 2017.**

## 27. SHARE-BASED PAYMENTS

### Ordinary Shares

As part of the Prospectus dated 18 August 2017, Titan Minerals Limited issued the following shares as part of the various offers noted in the disclosure document:

Offer	No of shares	\$ '000
Shares issued under the Employee Offer	70,000,000	700
Shares issued under the Broker Offer	316,032,382	3,160
Shares issued under the SilverStream Offer	350,000,000	3,500
Shares issued under the Unsecured Creditor Offer	53,967,618	540
Shares issued under the Andina Offer	235,000,000	2,350
Total	<u>1,025,000,000</u>	<u>10,250</u>

### Performance Rights

At the General Meeting held on 18 December 2016, shareholders approved to grant 80,500,000 performance rights as remuneration (Class A, B, C). The rights entitled the directors and company secretary to shares in Titan Minerals Limited on achievement of market conditions. Under the plan, the participant was granted performance rights which only vest if certain market conditions are met.

The amount of rights that will vest depends on the achievement of three market-based conditions. The three conditions are market-based condition related to achieving a 10-day volume weighted average price of shares on the ASX of greater than \$0.05, \$0.06 and \$0.07 respectively.

Performance rights convert to shares on the date of vesting with no exercise price or share issue price being payable.

Set out below is the summary of rights granted and approved by shareholders. Management have assessed the likelihood of the rights vesting and have estimated that Class A, B and C market conditions are expected to be achieved prior to expiry.

#### (i) Fair value of performance rights granted

Set out below is the assessed fair value at grant date of performance rights granted during the year ended 31 December 2017.

# Notes to the Consolidated Financial Statements

Performance rights:

	Fair value at grant date
Class A – market	\$0.032
Class B – market	\$0.032
Class C – market	\$0.032

## Expenses Arising from Share-based Payment Transactions

Total expenses arising from share-based payment transactions recognised during the year were as follows:

	31-Dec-17	31-Dec-16
	\$ '000	\$ '000
Shares Issued under the Employee Offer	(700)	-
Shares Issued under the Broker Offer	(3,160)	-
Shares Issued under the SilverStream Offer	(3,500)	-
Shares Issued under the Unsecured Creditor Offer	(540)	-
Shares Issued under the Andina Offer	(2,350)	-
Performance Rights issued to directors and staff	(5)	-
<b>Total share-based payments</b>	<b>(10,255)</b>	<b>-</b>

## 28. REMUNERATION OF AUDITORS

	Consolidated	
	31-Dec-17	31-Dec-16
	\$ '000	\$ '000
<i>Auditor of the parent entity</i>		
Audit or review of the financial report	67	40
Tax services	45	*
	<u>112</u>	<u>40</u>
<i>Other auditors – associate firms of the auditor of the parent entity in Brazil, USA and Peru</i>		
Audit or review of the financial report	<u>-</u>	<u>*</u>

The auditor of Titan Minerals Limited for the financial year ended 31 December 2016 and 2017 was Stantons International.

**\* The Company was under External administration from 25 August 2015 to 4 October 2017, consequently the Company did not have sufficient information to allow the level of disclosure required for the year ended 31 December 2016 and 31 December 2017.**

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
TITAN MINERALS LIMITED**

**Report on the Audit of the Financial Report**

***Disclaimer of Opinion***

We were engaged to audit the financial report of Titan Minerals Limited (formerly known as Minera Gold Limited), the Company and its subsidiaries ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

Because of the significance of the matters described in the Basis of Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an Audit Opinion on the financial report. Accordingly, we do not express an opinion on the financial report for the year ended 31 December 2017.

***Basis for Disclaimer of Opinion***

During the period 1 January 2017 to 4 October 2017, the Company was subject to a Deed of Company Arrangement ("DOCA") and therefore under external administration. On 4 October 2017 the recapitalisation of the Company was completed and the DOCA was fully effectuated. Accordingly, on 4 October 2017 the Company exited external administration and the control of the Company was passed to the Company directors.

As disclosed in Note 2 to the financial statements, the directors of the Company did not have control of the company until control was transferred to them on the effectuation of the DOCA on 4 October 2017. Consequently, the financial information relating to the period from 1 January 2017 to 4 October 2017 was not subject to the same accounting and internal control processes, which includes the implementation and maintenance of internal controls that are relevant to the preparation and fair presentation of the financial report, Whilst the books and records of the Group have been reconstructed to the maximum extent possible, we were unable to satisfy ourselves as to the completeness of the general ledger and financial records as well as the relevant disclosures in the financial report.

***Responsibilities of Management and Those Charged with Governance for the Financial Report***

Management is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and for such internal control as management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In preparing the financial report, management is responsible for assessing the ability of the Group to continue as a going concern, disclosing, as

applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the financial reporting process of the Group.

***Auditor's Responsibilities for the Audit of the Financial Report***

Our responsibility is to conduct an audit of the financial report in accordance with Australian Auditing Standards and to issue an auditor's report. However, because of the matter described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

***Report on the Remuneration Report***

*Disclaimer of Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 5 to 7 of the directors' report for the year ended 31 December 2017.

Because of the existence of the limitation on the scope of our work, as described in the Basis of Disclaimer of Opinion, and the effects of such adjustments, if any, as might have been determined to be necessary had the limitation not existed, we are unable to, and do not express, an opinion on the remuneration report of Titan Minerals Limited for the year ended 31 December 2017 and whether it complies with Section 300A of the *Corporations Act 2001*.

*Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**  
**(Trading as Stantons International)**  
**(An Authorised Audit Company)**

*Stantons International Audit & Consulting Pty Ltd*



**Martin Michalik**  
Director

West Perth, Western Australia  
29 March 2018

**ANALYSIS OF HOLDINGS OF LISTED SHARES AND OPTIONS IN THE COMPANY**

	<b>Ordinary Shares</b>
1 — 1,000	2,060
1,001 — 5,000	339
5,001 — 10,000	75
10,001 — 100,000	241
100,001 — and over	419
Total number of holders	<u>3,134</u>
Holdings of less than a marketable parcel	<u>2,474</u>

**REGISTERED OFFICE OF THE COMPANY**

Suite 7, 295 Rokeby Road  
Subiaco Western Australia 6005

Tel: +61 (8) 6555 2950  
Fax: +61 (8) 6166 0261

**STOCK EXCHANGE LISTING**

Quotation has been granted for 1,635,381,023 ordinary shares and on the Australian Stock Exchange Ltd. The State Office of the Australian Stock Exchange Ltd in Perth, Western Australia has been designated the Home Branch of Titan Minerals Limited.

There are no current on-market buy-back arrangements for the Company.

**Voting Rights**

For all ordinary shares, voting rights are one vote per member on a show of hands and one vote per share in a poll.

**SHARE REGISTRY**

The registers of shares and options of the Company are maintained by:-

Security Transfer Australia Pty Limited  
770 Canning Hwy  
Applecross WA 6153

Telephone (within Australia): 1300 992 916  
Telephone (outside Australia): +61 3 9315 2333

**COMPANY SECRETARY**

The name of the Company Secretary is Zane Lewis.

**TAXATION STATUS**

Titan Minerals Limited is taxed as a public company.

**TWENTY LARGEST HOLDERS OF ORDINARY SHARES**

Rank	Holder Name	Designation	Securities	%
1	JP MORGAN NOM AUST LTD	CASH INCOME A/C	127,896,378	7.82%
2	TAZGA TWO PL	TAZGA TWO A/C	84,500,000	5.17%
3	ROCKFORD INV FUND PL	ROCKFORD INV A/C	80,000,000	4.89%
4	SEZC SILVERSTREAM		75,036,834	4.59%
5	J STIMPSON PL	HOEK A/C	75,000,000	4.59%
6	BUSWELL REEGAN	HAS BEEN INV A/C	75,000,000	4.59%
7	ANDINA RES LTD		65,000,000	3.97%
8	K-CRAFT NOM PL	K-CRAFT INV A/C	63,532,382	3.88%
9	WEXFORD RISE PL	WEXFORD RISE PENSI	60,000,000	3.67%
10	UBS NOM PL		54,198,459	3.31%
11	CITICORP NOM PL		51,428,681	3.14%
12	BAFFIGO GIORGIO RAMON A		40,500,000	2.48%
13	FISKE NOM LTD		40,000,000	2.45%
14	VONROSS NOM PL	VONROSS FAM A/C	30,000,000	1.83%
15	TEXBRIDGE HLDGS PL	M & B MCCARTHY FAM	27,950,000	1.71%
16	RANGWELL BOYS PL	RANGA FAM A/C	25,000,000	1.53%
17	MATYSEK PAUL		23,800,000	1.46%
18	CRANLEY CONS PL	CRANLEY CONS A/C	22,300,000	1.36%
19	ROVON INV PL		20,900,000	1.28%
20	IONA RES LTD		20,000,000	1.22%
	ALL OTHER SHAREHOLDERS		573,338,289	35.06
	TOTAL		1,635,381,023	100%

**SUBSTANTIAL SHAREHOLDERS**

Date Announced	Holder Name	Designation	Securities
19/10/2017	TAZGA TWO PL	TAZGA TWO A/C	84,500,000

**Consistency with business objectives - ASX Listing Rule 4.10.19**

In accordance with Listing Rule 4.10.19, the Group states that it has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives. The business objective is primarily exploration for natural resources and acquisition of resource based projects. The Group believes it has used its cash in a consistent manner to which was disclosed under the Prospectus dated 18 August 2017.

**TENEMENTS**

Code	Concession name	Has.	Concession Holder
P540000110	San Santiago De Acari (Beneficiation Concession)	23.6207	Derivados Y Concentrados S.A.C.
010226104	Virgen Del Carmen 2004 P	99.7012	Derivados Y Concentrados S.A.C.
010227907	Don Ivan 31N-1	10.1777	Derivados Y Concentrados S.A.C.
010485706	Don Tomasito De Acari	891.4900	Derivados Y Concentrados S.A.C.
540002311	Camila VII	900.0000	Derivados Y Concentrados S.A.C.
10102504	Virgen Del Carmen I 2004	116.6853	Korisumaq S.A.C.
10139104	Virgen Del Carmen 2004 A	800.001	Korisumaq S.A.C.
10164804	Virgen Del Carmen 2004 H	0.8911	Korisumaq S.A.C.
10164004	Virgen Del Carmen 2004 L	9.9867	Korisumaq S.A.C.
10163804	Virgen Del Carmen 2004 M	6.0000	Korisumaq S.A.C.
10163904	Virgen Del Carmen 2004 N	9.4151	Korisumaq S.A.C.
10277904	Virgen Del Carmen 2004 S	9.9856	Korisumaq S.A.C.
10277804	Virgen Del Carmen 2004 T	43.863	Korisumaq S.A.C.
10199506	Virgen Del Carmen 2006 A	998.7285	Korisumaq S.A.C.
10164704	Virgen Del Carmen 2004 J	4.9936	Grupo Cobrepampa Sac
10278004	Virgen Del Carmen 2004 R	21.2957	Grupo Cobrepampa Sac
10164204	Virgen Del Carmen 2004 Q	27.6826	Grupo Cobrepampa Sac
10087805	Virgen Del Carmen 2005a	88.7535	Grupo Cobrepampa Sac
10142605	Virgen Del Carmen 2005 B	75.9339	Grupo Cobrepampa Sac
10000226y01	Acari Trigesimo	579.2593	Grupo Cobrepampa Sac
O10341005	Virgen Del Carmen 2005 C	399.4930	Compañía Minera Cobrepampa S.A.C.
O10138807	Virgen Del Carmen 2007 A	251.0145	Compañía Minera Cobrepampa S.A.C.

**CORPORATE GOVERNANCE STATEMENT**

The directors of Titan Minerals support and adhere to the principles of corporate governance, recognising the need for the highest standard of corporate behaviour and accountability. Please refer to the corporate governance statement and the appendix 4G released to ASX and posted on the Company website at [www.titanminerals.com.au](http://www.titanminerals.com.au).

The directors are focused on fulfilling their responsibilities individually, and as a Board, for the benefit of all the Company's stakeholders. That involves recognition of, and a need to adopt, principles of good corporate governance. The Board supports the guidelines on the "Principles of Good Corporate Governance and Recommendations – 3<sup>rd</sup> Edition" established by the ASX Corporate Governance Council.

Given the size and structure of the Company, the nature of its business activities, the stage of its development and the cost of strict and detailed compliance with all of the recommendations, it has adopted a range of modified systems, procedures and practices which enables it to meet the principles of good corporate governance.

The Company's practices are mainly consistent with those of the guidelines and where they do not correlate with the recommendations in the guidelines the Company considers that its adopted practices are appropriate to it.



**Minera Gold Limited**  
**ACN 117 790 897**

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**Annual Report**  
**for the year ended 31 December 2016**

## Corporate Directory

### Administrators

Martin Jones (appointed on 25 August 2015)

Wayne Rushton (appointed on 30 June 2016)

### Registered Office & Principal Place of Business

c/- Ferrier Hodgson  
Level 28, 108 St Georges Terrace  
Perth  
Western Australia 6000

Telephone: +61 8 9214 1444  
Facsimile: +61 8 9214 1400

### Share Registry

Security Transfer Registrars Pty Limited  
770 Canning Highway  
Applecross  
Western Australia 6151  
Telephone +61 8 9315 2333

### Auditors

Stantons International  
Level 2, 1 Walker Avenue  
West Perth  
Western Australia 6005

### ASX Code

MIZ  
MIZOA

### Australian Company Number

ACN 117 790 897

### Australian Business Number

ABN 97 117 790 897

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## Deed Administrators' Report

The Deed Administrators of Minera Gold Limited (Subject to Deed of Company Arrangement) (the Company) present their report together with the financial report of the Company and of the Group (being the Company and its subsidiaries) for the financial year ended 31 December 2016 and the auditor's report. The use of the words Company and Group are interchangeable for the purposes of this report and the financial report.

Messrs Martin Jones and Darren Weaver were appointed as voluntary administrators of the Company on 25 August 2015 pursuant to section 436A of the Corporations Act 2001 (Cth). Please note that the appointment as voluntary administrators is to the Company only and does not extend to the Peruvian subsidiaries.

On 8 October 2015, the creditors of the Company resolved to enter into a deed of company arrangement (DOCA) to give effect to a proposed restructure and recapitalisation. Martin Jones and Darren Weaver were appointed joint and several deed administrators upon execution of the DOCA on 15 October 2015. On or about 19 November 2015 the DOCA failed to be implemented.

On or about 18 December 2015 Darren Weaver retired as deed administrator.

Following further negotiations with the DOCA proponent, Andina Resources Limited (Andina), creditors resolved to vary the DOCA executed on 15 October 2015 at a meeting of creditors held pursuant to section 445F of the Act on 9 June 2016. At this meeting, creditors also resolved to appoint Wayne Rushton as a joint and several deed administrator.

The varied DOCA was executed on 30 June 2016 and Messrs Wayne Rushton and Martin Jones were appointed joint and several deed administrators.

### 1. Directors' Information

The directors and company secretary of the Company at any time during or since the appointment of administrators were as follows:

#### 1.1. Directors and Company Secretary

**Matthew Carr** – appointed as director on 3 February 2017, current.

**Nicholas Rowley** – appointed as a director on 9 August 2016, current.

**Tim Morrison** – appointed as a director on 10 August 2016, current.

**Zane Lewis** – appointed as company secretary on 11 August 2016, current.

**Ismael Benavides** – appointed as a director on 28 May 2015, resigned as a director on 15 August 2016.

**Ashley Pattison** – appointed as a director on 28 May 2015, resigned as a director on 26 October 2015.

**Angeline Hicks** – appointed as company secretary on 2 April 2012 and as a director on 8 April 2015, resigned as director and company secretary on 26 October 2015.

**Bradley Valiukas** – appointed as a director on 9 November 2015, resigned as a director on 10 December 2015.

#### 1.2. Directors' Meetings

No meeting of the directors of the Company have been held since the appointment of administrators.

#### 1.3. Corporate Governance

On 25 August 2015 Martin Jones and Darren Weaver were appointed as voluntary administrators as the directors formed the view that the Company could not meet its obligations as they fell due.

The Company's previous Board was not able to perform a formal review of its process and procedures for 2015 onwards and it is not possible for the Company to produce a Corporate Governance Statement relating to that period.

## **2. Principal Activities**

The Group's principal activities during the course of the financial year were owner and operator of a gold and copper toll processing plant in Peru (San Santiago), including the ownership of copper and gold exploration concessions and development and production of a portfolio of medium sized gold projects in South America, with a primary focus on Peru.

Since the appointment of administrators, the in-country secured lenders of the Company's Peruvian subsidiaries have provided direct interim funding to the Peruvian subsidiaries where required. The San Santiago processing plant has been processing third party ore and has been operating at breakeven cash position. Given the Administrators unfunded position, the administrators continue not to exercise any direct control over the Peruvian subsidiaries.

## **3. Operating and Financial Review**

The loss of the Group for the year ended 31 December 2016 amounted to \$947,000 (31 December 2015: loss \$30.716 million).

## **4. Share Options**

As at the date of appointment of administrators, the Company had 82,275,000 options on issue. It is proposed under the DOCA executed on 30 June 2016 that the number of options on issue be reorganised in accordance with ASX Listing Rule 7.22; i.e. the options will be consolidated on a 350:1 ratio as the ordinary capital of the Company is proposed to be, and the exercise price must be amended in inverse proportion to that ratio.

## **5. Indemnification and Insurance of Officers**

No indemnities have been given during or since the appointment of administrators for any person who is or has been an officer or auditor of the Group. No insurance premiums have been paid since the appointment of administrators in respect of any directors' and officers' insurance.

## **6. Events Subsequent to Reporting Date**

Subsequent to period end, the following matters have arisen which significantly affect, the operations of the Group, the results of the operations, or the state of the affairs of the Group in the future financial years.

### **In-Country Funding**

The Deed Administrators are appointed to the Company only and not its Peruvian subsidiaries. The Deed Administrators are also unfunded and are reliant upon support from external parties to continue operations in Peru for the benefit of the Company. In this regard, the Deed Administrators have recently entered into a funding arrangements with external third parties to support the Peruvian working capital requirements through to completion of the varied DOCA which is intended to complete by 31 March 2017. The Deed Administrators do not have direct control over the amounts advance. The amounts advanced under the funding agreement are to be repaid from the proceeds of the proposed capital raising under the varied DOCA.

### **Shareholders' Meeting**

Following the appointment of Voluntary Administrators to the Company, on 8 October 2015, the creditors of the Company resolved to enter into a deed of company arrangement (DOCA) to give effect to a proposed restructure and recapitalisation. Martin Jones and Darren Weaver were appointed joint and several deed administrators upon execution of the DOCA on 15 October 2015. On or about 19 November 2015 the DOCA failed to be implemented.

On or about 18 December 2015, Darren Weaver retired as deed administrator.

Following further negotiations with the DOCA proponent, Andina Resources Limited (Andina), creditors resolved to vary the DOCA executed on 15 October 2015 at a meeting of creditors held pursuant to section 445F of the Act on 9 June 2016. At this meeting, creditors also resolved to appoint Wayne Rushton as joint and several deed administrator.

The varied DOCA was executed on 30 June 2016 and Messrs Wayne Rushton and Martin Jones were appointed joint and several deed administrators.

The DOCA variation had the following terms:

- The DYC entities and the underlying San Santiago assets to be retained in the Group.
- MPG entities to be transferred to Andina or its nominee.
- Upon transfer of the MPG entities and the Torrecillas mine, Andina and its nominee will assume the associated gold and silver stream liabilities to SilverStream.
- \$360k Deed Fund to cover the costs of the administration and the payment of priority employee entitlements.
- 3.3% of the total ordinary shares of the Company to be distributed to unsecured creditors of the Company.
- New capital raising of at least \$5.25M to fund transaction costs and working capital requirements.
- Interests held by existing shareholders are to be consolidated on a 350:1 basis.

At a general meeting to be held in March 2017, the shareholders of the Company will vote upon:

- (a) Consolidation of capital on a 1:350 basis;
- (b) Confirm the appointment of the nominee directors;
- (c) Authorise the placement of SilverStream shares via the Disclosure document;
- (d) Authorise the new placement shares pursuant to the capital raising via the disclosure document;
- (e) Authorise placement shares for Andina and Unsecured creditors to the Deed Administrators via the Disclosure document.
- (f) Such other resolutions as may be reasonably necessary to implement the proposal.

The varied DOCA is set to be effectuated on or before 31 March 2017.

## **7. Business Risks and Uncertainties**

There are a number of risks that may have a material and adverse impact on the future operating and financial performance of the Company. These include the risks discussed in Note 26 of the consolidated financial statements, along with risks that are widespread and associated with any form of business and specific risks associated with the Company's business and its involvement in the exploration and mining industry generally and in Peru in particular. While most risk factors are largely beyond the control of the Company, the Company will seek to mitigate the risks where possible.

### **Company Restructure / Recapitalisation**

There can be no assurance that the Company will be successful with the proposed recapitalisation contemplated under the varied DOCA.

The proposed recapitalisation includes a number of conditions precedent to become effectuated, including (but not limited to):

- The Company's shareholders approving all the resolutions required to effect the restructuring proposal.
- Confirmation to the satisfaction of the ASX that the Company retains its interest in the San Santiago Plant and has full and unfettered access to and can operate the San Santiago Plant.
- A legal opinion, from a reputable independent law firm attesting (to the satisfaction of the ASX) to the legal ownership by the Company of the DYC entities which comprise the San Santiago plant.
- Confirmation in a form acceptable to the ASX that the Company has received cleared funds for the complete amount of the issue price of every security allotted and issued to every successful applicant for securities under the Capital Raising under the Prospectus.

**8. Incomplete Records**

As this report has been prepared after the Company entered into voluntary administration, the financial information relating to the 31 December 2016 full year financial report was not subject to the same accounting and internal control processes, which include the implementation and maintenance of internal controls that are relevant to the preparation and fair presentation of the financial report.

To prepare the financial report, the Administrators have reconstructed the financial records of the Group using data extracted from the Group's accounting systems and the record of receipts and payments made available by the Administrator of the Company and its subsidiaries for the period from their appointment.

Consequently, although the Administrators have prepared this financial report to the best of their knowledge based on the information made available to them, they are of the opinion that it is not possible to state that this financial report has been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001, nor is it possible to state this financial report gives a true and fair view of the Group's financial position.

**9. Rounding**

The Company is of a kind referred to in ASIC Instrument 2016/91 dated 24 March 2016 and in accordance with that Class Order, amounts in the financial report and the Deed Administrators' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

**10. Lead Auditor's Independence Declaration**

The Lead Auditor's Independence Declaration is set out on page 6 and forms part of the Deed Administrators' Report for the financial year ended 31 December 2016.

Dated at Perth this 1<sup>st</sup> day of March 2017

Signed by Wayne Rushton in his capacity as Joint and Several Deed Administrator



Wayne Rushton

**Competent Person's Statement**

The information in this report that relates to Mining and Mineral Exploration Results and Resources at Torrecillas and Tumi Projects is based on information compiled and reviewed by Dr Alex Losada-Calderon, a Competent Person who is a Member of the Australasian Institute of Mining and Metallurgy. Dr Losada-Calderon is employed by TAE Resources Pty Ltd, who acts as consulting geologist to Minera Gold Limited. Dr Losada-Calderon has sufficient experience which is relevant to the style of mineralisation and the type of deposits under consideration and to the activity which he is undertaking to qualify 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 Losada-Calderon consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

**Forward Looking Statements**

This document (Document) is provided on the basis that neither of Minera Gold Limited ACN 117 790 897 (Minera Gold) nor its respective officers, shareholders, related bodies corporate, partners, affiliates, employees, representatives and advisers make any representation or warranty (express or implied) as to the origin, validity, accuracy, reliability, relevance, currency or completeness of the material contained in the Document and no responsibility is taken for any errors or omissions. Nothing contained in the Document is, or may be relied upon as, a promise, representation or warranty, whether as to the past or the future. Minera Gold excludes all warranties (including implied warranties) and all liability that can be excluded by law for any loss, claim, damage, cost or expense of any nature arising out of the Document (or any accompanying or other information) whatsoever, nor by reason of any reliance upon it. Minera Gold does not accept any responsibility to update any person regarding any inaccuracy, omission or change in information in this Document or any other information made available to a person nor any obligation to furnish the person with any further information, other than to the extent required by law.

The Document may contain prospective financial material which is predictive in nature and based on certain assumptions. Accordingly, actual financial results may be affected by assumptions which prove to be inaccurate or by known or unknown risks and uncertainties, and are likely to differ, possibly materially, from results ultimately achieved. The Document may contain "forward-looking statements". All statements other than those of historical facts included in the Document are forward-looking statements including, without limitation, (i) estimates of future earnings, and the sensitivity of earnings to the gold and other metals prices; (ii) estimates of future gold and other metals production and sales; (iii) estimates of future cash costs; (iv) estimates of future cash flows, and the sensitivity of cash flows to gold and other metals prices; (v) estimates of future capital expenditures; and (vi) estimates of reserves, and statements regarding future exploration results and the replacement of reserves. Where Minera Gold expresses or implies an expectation or belief as to future events or results, such expectation or belief is expressed in good faith and believed to have a reasonable basis. However, forward-looking statements are subject to risks, uncertainties and other factors, which could cause actual results to differ materially from future results expressed, projected or implied by such forward-looking statements. Such risks include, but are not limited to, gold and other metals price volatility, currency fluctuations, increased production costs and variances in ore grade, recovery rates or other matters from those assumed in mining plans, as well as political and operational risks and governmental regulation and judicial outcomes. Minera Gold does not undertake any obligation to release publicly any revisions to any "forward-looking statement" to reflect events or circumstances after the date of the Document, or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.



1 March 2017

The Deed Administrators  
Minera Gold Limited (Subject to a Deed of company Arrangement)  
c/- Ferrier Hodgson  
Level 28, 108 St Georges Terrace  
Perth, WA 6000

Dear Sirs

**RE: MINERA GOLD LIMITED (SUBJECT TO A DEED OF COMPANY ARRANGEMENT)**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the deed administrators of Minera Gold Limited (Subject to a Deed of Company Arrangement).

As Audit Director for the audit of the financial statements of Minera Gold Limited (Subject to a Deed of Company Arrangement) for the year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully,

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LIMITED**  
(Trading as Stantons International)  
(An Authorised Audit Company)



**Martin Michalik**  
Director

For personal use only

## Deed Administrators' Declaration

On 25 August 2015, the Company entered voluntary administration and on and from that date the Administrators have not been able to perform a formal review of its accounting process and procedures. By necessity the Administrators have had to rely upon the books and records of Minera Gold Limited (Subject to Deed of Company Arrangement) and its subsidiaries, its staff and external service providers in this Report and the financial accounts. All due care has been taken in preparing the Report and financial information however the Administrators cannot give any warranties in relation to the information in this Report.

Subject to the previous paragraph and as set out in Note 2 to the consolidated financial statements, in the opinion of the Administrators of Minera Gold Limited:

- (a) Although the Administrators have taken all due care in preparing the Report and the financial statements to the best of their knowledge based on the information given to them, they are of the opinion that it is not possible to state that the consolidated financial statements, notes thereto, are in accordance with the Corporations Act 2001, including as to whether the Report:
  - (i) gives a true and fair view of the financial position of the Company and the Consolidated Entity as at 31 December 2016 and of their financial performance for the year ended on that date; and
  - (ii) complies with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001.
- (b) As at the date of this Report, the Administrators do not have reasonable grounds to believe that the Company can pay its debts as and when they become due and payable, subject to the successful implementation of the Deed of Company Arrangement. That is, should the Deed of Company Arrangement be effectuated, there is a likelihood that the Company may be in a position to pay its debts as and when they become due and payable.

This report is made in accordance with a resolution of the Deed Administrators of Minera Gold Limited (Subject to Deed of Company Arrangement).

Dated at Perth this 1<sup>st</sup> day of March 2017

Signed by Wayne Rushton in his capacity as Joint and Several Deed Administrator



Wayne Rushton

## Condensed Consolidated Statement of Profit and Loss and Other Comprehensive Income

For the year ended 31 December 2016

	Note	Consolidated Year ended	
		31 December 2016 \$'000s	31 December 2015 \$'000s
<b>CONTINUING OPERATIONS</b>			
Revenue	5a	1,365	1,438
SilverStream gold streaming fee		-	-
Cost of sales		(1,567)	(1,880)
Gross loss		(202)	(442)
Other revenue		-	93
Occupancy expenses		-	(14)
Employee benefits expense	5b	-	(545)
Depreciation and amortisation charges	5b	(109)	(111)
Administration expenses		(647)	(5,804)
Foreign Exchange		247	(842)
Finance costs	5b	(8)	(1,629)
Other expenses		(228)	(21,422)
<b>LOSS BEFORE INCOME TAX EXPENSE</b>		<b>(947)</b>	<b>(30,716)</b>
Income tax expense / (benefit)	6	-	-
<b>LOSS FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>		<b>(947)</b>	<b>(30,716)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Items that may not be reclassified subsequently to profit or loss</i>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign operations		1,341	(2,640)
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX</b>		<b>1,341</b>	<b>(2,640)</b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>		<b>394</b>	<b>(33,356)</b>
<b>EARNINGS PER SHARE</b>			
<b>Basic earnings per share</b>			
From continuing operations	18	(0.026)	(0.98)
<b>Diluted earnings per share</b>			
From continuing operations	18	(0.026)	(0.98)

Notes to the condensed consolidated financial statements are included on pages 12 to 50.

# Condensed Consolidated Statement of Financial Position

As at 31 December 2016

	Note	Consolidated	
		31 December 2016 \$'000s	31 December 2015 \$'000s
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	22(a)	58	52
Trade and other receivables	7	-	18
Prepayments		-	-
Inventories	8	-	-
<b>TOTAL CURRENT ASSETS</b>		<b>58</b>	<b>70</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	-	-
Mine assets	10	500	500
Deferred exploration and evaluation expenditure	11	-	-
Investment in joint venture	19	-	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>500</b>	<b>500</b>
<b>TOTAL ASSETS</b>		<b>558</b>	<b>570</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	8,504	8,971
Other liability	15	5,948	5,948
Borrowings	13	9,581	9,581
Provisions	14	1,997	1,936
<b>TOTAL CURRENT LIABILITIES</b>		<b>26,030</b>	<b>26,436</b>
<b>NON-CURRENT LIABILITIES</b>			
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>26,030</b>	<b>26,436</b>
<b>NET ASSETS</b>		<b>(25,472)</b>	<b>(25,866)</b>
<b>EQUITY</b>			
Issued capital	16	78,619	78,619
Reserves	17	918	(423)
Accumulated losses		(105,009)	(104,062)
<b>TOTAL EQUITY</b>		<b>(25,472)</b>	<b>(25,866)</b>

Notes to the condensed consolidated financial statements are included on pages 12 to 50.

# Condensed Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Issued Capital \$'000s	Other Reserve \$'000s	Share Based Payment Reserve \$'000s	Foreign Currency Translation Reserve \$'000s	Accumulated Losses \$'000s	Total Equity \$'000s
<b>Balance as at 31 December 2014</b>	<b>77,554</b>	-	<b>2,668</b>	<b>(605)</b>	<b>(73,346)</b>	<b>6,271</b>
Loss for the period	-	-	-	-	(30,716)	(30,716)
Other comprehensive income for the period, net of income tax	-	-	-	(2,640)	-	(2,640)
<b>Total comprehensive Loss for the period</b>	-	-	-	<b>(2,640)</b>	<b>(30,716)</b>	<b>(33,356)</b>
Issue of quoted options to financiers and brokers	-	-	154	-	-	154
Issue of shares on conversion of convertible loan	583	-	-	-	-	583
Issue of shares in lieu of cash payment	482	-	-	-	-	482
<b>Balance as at 31 December 2015</b>	<b>78,619</b>	-	<b>2,822</b>	<b>(3,245)</b>	<b>(104,062)</b>	<b>(25,866)</b>
Loss for the period	-	-	-	-	(947)	(947)
Other comprehensive income for the period, net of income tax	-	-	-	1,341	-	1,341
<b>Total comprehensive income for the period</b>	-	-	-	<b>1,341</b>	<b>(947)</b>	<b>394</b>
Capital raising costs	-	-	-	-	-	-
Issue of shares on conversion of convertible note principal	-	-	-	-	-	-
Issue of shares on conversion of convertible note interest	-	-	-	-	-	-
Issue of shares in lieu of cash payment	-	-	-	-	-	-
Issue of quoted options to financiers and brokers	-	-	-	-	-	-
<b>Balance as at 31 December 2016</b>	<b>78,619</b>	-	<b>2,822</b>	<b>(1,904)</b>	<b>(105,009)</b>	<b>(25,472)</b>

Notes to the condensed consolidated financial statements are included on pages 12 to 50.

# Notes to the Condensed Consolidated Financial Statements

## Condensed Consolidated Cash Flow Statement

For the year ended 31 December 2016

	Note	Consolidated Year ended	
		31 December 2016 \$'000s	31 December 2015 \$'000s
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from operating activities		1,365	1,530
Administration expenses		(2,472)	(5,236)
Finance costs		(8)	1
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	22	<b>(1,115)</b>	<b>(3,705)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for property, plant & equipment		-	-
Payments of exploration and evaluation costs		-	-
Payment for mine assets		-	-
Interest received		-	-
<b>NET CASH PROVIDED BY / (USED IN) INVESTING ACTIVITIES</b>		<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		-	1,065
Proceeds from borrowings		-	2,278
Repayment of borrowings		-	-
Finance costs		-	-
Return of escrow on San Santiago investment		-	-
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>		<b>-</b>	<b>3,343</b>
Net increase/(decrease) in cash and cash equivalents		(1,115)	(362)
Cash and cash equivalents at the beginning of the period		52	414
Effects of exchange rate changes on the balance of cash held in foreign currencies		1,121	-
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>58</b>	<b>52</b>

Notes to the condensed consolidated financial statements are included on pages 12 to 50.

# Notes to the Condensed Consolidated Financial Statements

## 1. GENERAL INFORMATION

Minera Gold Limited is a for-profit listed public company, incorporated in Australia and operates in Australia (corporate office) and in South America. The registered office is located at c/- Ferrier Hodgson, Level 28, 108 St Georges Terrace, Perth, 6000, Western Australia.

## 2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

### Statement of compliance

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. The financial statements and notes also comply with International Financial Reporting Standards as issued by the International Accounting Standard Board (IASB). Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial statements were authorised for issue by the Deed Administrators on 1 March 2017.

### Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian Dollars unless otherwise noted. The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts are rounded off to the nearest thousand dollars, unless otherwise indicated.

The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

### Critical accounting judgements and key sources of estimation uncertainty

In the application of AIFRS management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Refer to Note 3 for a discussion of critical judgements in applying the entity's accounting policies and key sources of estimation uncertainty.

### Adoption of new and revised accounting standards

The financial statements have been prepared in accordance with the same accounting policies adopted in the Group's last annual financial statements for the year end 31 December 2015. The accounting policies have been applied consistently throughout the Group for the purposes of preparing these financial statements.

### Incomplete Records

As this report has been prepared after the company entered into voluntary administration, the financial information relating to the 31 December 2016 full year financial report was not subject to the same accounting and internal control processes, which include the implementation and maintenance of internal controls that are relevant to the preparation and fair presentation of the financial report.

To prepare the financial report, the Administrators have reconstructed the financial records of Minera Gold Limited using data extracted from the Group's accounting systems and the record of receipts and payments made available by the Administrator of the Company and relied on information provided by in-country management of its subsidiaries for the period from their appointment.

Consequently, although the Administrators have prepared this financial report to the best of their knowledge based on the information made available to them, they are of the opinion that it is not possible to state that this financial report has been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001, nor is it possible to state this financial report gives a true and fair view of the Group's financial position.

# Notes to the Condensed Consolidated Financial Statements

## Going Concern

The Administrators have prepared the financial report of the consolidated entity on a liquidation basis which contemplates the continuity of normal business activity and realisation of assets and settlement of liabilities in the normal course of business.

The Company was suspended from trading on the ASX on 25 August 2015 at its request. On 25 August 2015, Martin Jones and Darren Weaver of Ferrier Hodgson were appointed as joint and several Administrators of the Company and assumed control of the Company and its business, property and affairs. At the creditors' meeting on 8 October 2015, the creditors resolved the Company (MIZ) executes a Deed of Company Arrangement ("DOCA") as proposed by Andina Resources Limited ("Andina") under Part 5.3A of the Corporations Act. The DOCA was subsequently executed on 15 October 2015.

On or about 19 November 2015 the DOCA failed to be implemented.

On or about 18 December 2015 Darren Weaver retired as deed administrator.

Following further negotiations with the DOCA proponent, Andina Resources Limited (Andina), creditors resolved to vary the DOCA executed on 15 October 2015 at a meeting of creditors held pursuant to section 445F of the Act on 9 June 2016. At this meeting, creditors also resolved to appoint Wayne Rushton as a joint and several deed administrator.

The varied DOCA was executed on 30 June 2016 and Messrs Wayne Rushton and Martin Jones were appointed joint and several deed administrators.

There can be no assurance that the Company will be successful with the proposed recapitalisation contemplated under the varied DOCA executed on 30 June 2016.

The proposed recapitalisation includes a number of conditions precedent to become effectuated, including (but not limited to):

- The Company's shareholders approving all the resolutions required to effect the restructuring proposal.
- Confirmation to the satisfaction of the ASX that the Company retains its interest in the San Santiago Plant and has full and unfettered access to and can operate the San Santiago Plant.
- A legal opinion, from a reputable independent law firm attesting (to the satisfaction of the ASX) to the legal ownership by the Company of the DYC entities which comprise the San Santiago plant.
- Confirmation in a form acceptable to the ASX that the Company has received cleared funds for the complete amount of the issue price of every security allotted and issued to every successful applicant for securities under the Capital Raising under the Prospectus.

## Business Risks and Uncertainties

There can be no assurance that the Company will be successful and continue as a going concern with the proposed recapitalisation contemplated under the varied DOCA.

There are a number of risks that may have a material and adverse impact on the future operating and financial performance of the Company. These include the risks discussed in Note 26 of the consolidated financial statements, along with risks that are widespread and associated with any form of business and specific risks associated with the Company's business and its involvement in the exploration and mining industry generally and in Peru in particular. While most risk factors are largely beyond the control of the Company, the Company will seek to mitigate the risks where possible.

## Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect those returns.



# Notes to the Condensed Consolidated Financial Statements

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary as the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

## Significant Accounting Policies

The following significant policies have been adopted in the preparation of the Financial Report:

### (a) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

#### *Sale of goods*

Revenue from sales of mineral production and toll treatment is recognised when there has been a passing of the significant risks and rewards of ownership, which means the following:

- The product is in a form suitable for delivery and no further processing is required by or on behalf of the consolidated entity;
- The quantity and quality (grade) of the product can be determined with reasonable accuracy;
- The product has been despatched to the customer and is no longer under the physical control of the consolidated entity;
- The selling price can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the consolidated entity; and
- The costs incurred, or expected to be incurred, in respect of the transaction can be measured reliably.

### (b) Interest revenue

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

### (c) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at the date of acquisition.

Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

# Notes to the Condensed Consolidated Financial Statements

## (d) Inventory

Inventories are valued at the lower of cost and net realisable value. Cost includes expenditure incurred in acquiring and bringing the inventories to their existing condition and location but excludes overheads. Cost is accounted for as follows:

- *Bullion* - average fixed direct costs and variable direct costs.
- *Gold in circuit* - average cost.
- *Stores* - purchase cost on a first in first out cost method.
- *Ore stockpiles* - cost of mining on an average cost method.
- *Work in progress* - cost of mining and processing at an average cost method.

## (e) Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value commencing from the date the asset is available for use. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

Depreciation on assets utilised in exploration, evaluation and mine development during the pre-production phase is included in the carrying value of Deferred Exploration Expenditure and Mine Assets reflected on the balance sheet. On commencement of production, depreciation is expensed to the Income Statement.

The following estimated useful lives are used in the calculation of depreciation:

Plant and equipment – mine site	life of mine
Plant and equipment – processing plant	10 years
Plant and equipment – other	2-5 years

## (f) Mine assets

Expenditure on mine properties in production or under development are accumulated and brought to account at cost less accumulated amortisation in respect of each identifiable area of interest. Amortisation of capitalised costs is provided on a production output basis, proportional to the depletion of the mineral resource of each area of interest expected to be ultimately economically recoverable.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Should the carrying value of expenditure not yet amortised exceed its estimated recoverable amount in any period, the excess is written off to the income statement.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which it belongs.

Pre-production revenue from gold sales derived from mine development ore is netted off against capitalised mine development expenditure.

## (g) Impairment of assets

At each reporting date, the Consolidated Entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Consolidated Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

# Notes to the Condensed Consolidated Financial Statements

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

## (h) Deferred exploration expenditure

Exploration and evaluation expenditure for each area of interest is carried forward as an asset provided that one of the following conditions is met:

- Such costs are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or
- Exploration activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing.

Exploration and evaluation expenditure, which fails to meet at least one of the conditions outlined above, is written off.

Identifiable exploration assets acquired from another mining company are carried as assets at their cost of acquisition. Exploration assets acquired are reassessed on a regular basis and these costs are carried forward provided that at least one of the conditions outlined above are met. Exploration and evaluation expenditure incurred subsequent to acquisition in respect of an exploration asset acquired, is accounted for in accordance with the policy outlined above for exploration incurred by or on behalf of the entity. Exploration and evaluation expenditure assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.

The recoverable amount of the exploration and evaluation asset is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years. Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to mine assets.

## (i) Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except with the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with AASB 5. Under the equity method, an investment in an associate or joint venture is initially recognised in the consolidated statements of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale.

# Notes to the Condensed Consolidated Financial Statements

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interest in the associate or joint venture that are not related to the Group.

## **(j) Business combinations**

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 112 'Income Taxes' and AASB 119 'Employee Benefits' respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 'Share-based Payment' at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations' are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 139 'Financial Instruments: Recognition and Measurement'; or AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

## **(k) Royalties**

Royalty expenditure is recognised on an accrual basis in accordance with the substance of the relevant agreement (provided that it is probable that settlement will be required and the amount of expense can be measured reliably). Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

# Notes to the Condensed Consolidated Financial Statements

## **(l) Trade and other payables**

Trade payables and other accounts payable are recognised when the Consolidated Entity becomes obliged to make future payments resulting from the purchase of goods and services.

## **(m) Provisions**

Provisions are recognised when the Consolidated Entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

### Provision for restoration and rehabilitation

A provision for restoration and rehabilitation is recognised when there is a present obligation as a result of exploration, development, production, transportation or storage activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount of the provision can be measured reliably.

The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation as at the reporting date. Future restoration costs are reviewed annually and any change in the estimates are reflected in the present value of the restoration provision at reporting date.

The initial estimate of the restoration and rehabilitation provision relating to exploration, development and production facilities is capitalised into the cost of the related asset and amortised on the same basis as the related asset, unless the present value arises from the production of inventory in the period, in which case the amount is included in the cost of production for the period. Changes in the estimate of the provision for restoration and rehabilitation are treated in the same manner, except that the unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the cost of the related asset.

## **(n) Employee benefits**

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled wholly within twelve months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within twelve months are measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

### Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when incurred.

## **(o) Financial assets**

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity investments', 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The Group's "other financial Assets" held during the period comprise solely of assets classified as "loans and receivables".

### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'.

### Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

# Notes to the Condensed Consolidated Financial Statements

## Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables. For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

## **(p) Financial Liabilities**

Borrowings and other financial liabilities (including trade payables but excluding derivative liabilities) are recognised initially at fair value, net of transaction costs incurred and are subsequently stated at amortised cost. Any difference between the amounts originally received for borrowings and other financial liabilities (net of transaction costs) and the redemption value is recognised in the income statement over the period to maturity using the effective interest method.

## Fair value

Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties. Where relevant market prices are available, these have been used to determine fair values. In other cases, fair values have been calculated using quotations from independent financial institutions, or by using valuation techniques consistent with general market practice applicable to the instrument.

- (a) The fair values of cash, short-term borrowings and loans to joint ventures and associates approximate to their carrying values, as a result of their short maturity or because they carry floating rates of interest.
- (b) The fair values of medium and long-term borrowings are calculated as the present value of the estimated future cash flows using quoted prices in active markets or an appropriate market based yield curve. The carrying value of the borrowings is amortised cost.

## Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash outflows through the expected life of the financial liability, or, where appropriate, a shorter period.

An expense is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'.

## **(q) Issued Capital**

Ordinary share capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

# Notes to the Condensed Consolidated Financial Statements

## (r) Foreign currency

### *Foreign currency transactions*

The individual financial statements of each group entity are presented in its functional currency being the currency of the primary economic environment in which the entity operates. For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Australian dollars, which is the functional currency of Minera Gold Limited and the presentation currency for the consolidated financial statements.

All foreign currency transactions during the financial period are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Exchange differences are recognised in profit or loss in the period in which they arise except that exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur, which form part of the net investment in a foreign operation, are recognised in the foreign currency translation reserve in the consolidated financial statements and recognised in consolidated profit or loss on disposal of the net investment.

### *Foreign operations*

On consolidation, the assets and liabilities of the Consolidated Entity's overseas operations are translated at exchange rates prevailing at the yearend closing rate. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are recognised in the foreign currency translation reserve, and recognised in profit or loss on disposal of the foreign operation.

## (s) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- (i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- (ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

## (t) Share-based payments

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

## (u) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

### Current tax

Current tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other periods and items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

# Notes to the Condensed Consolidated Financial Statements

## Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

## Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

## **(v) Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

## **3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

The following are the key estimates that management has made in the process of applying the Group's accounting policies and that have the most significant effects on the amounts recognised in the financial statements.

### **(a) *Determination of mineral resources and ore reserves***

The Group estimates its mineral resources and ore reserves in accordance with the Australian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code"). The information on mineral resources and ore reserves is prepared by or under the supervision of Competent Persons as defined in the JORC Code. The amounts presented are based on the mineral resources and ore reserves determined under the JORC Code.

There are numerous uncertainties inherent in estimating mineral resources and ore reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated. Such changes in reserves could impact on depreciation and amortisation rates, asset carrying values and provisions for restoration and rehabilitation.



# Notes to the Condensed Consolidated Financial Statements

(b) *Estimation for the provision for restoration and rehabilitation*

Provision for rehabilitation and dismantling property, plant and equipment is estimated taking into consideration facts and circumstances available at the balance sheet date. This estimate is based on the expenditure required to undertake the rehabilitation and dismantling, taking into consideration the time value of money.

(c) *Impairment of property, plant and equipment*

The Group reviews for impairment of property, plant and equipment, in accordance with its accounting policy. The recoverable amount of these assets has been determined based on the higher of the assets' fair value less costs to sell and value in use. These calculations require the use of estimates and judgements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. The Group may engage the assistance of third parties to establish the appropriate valuation techniques and inputs to the valuation model.

(d) *Impairment of capitalised mine assets and deferred exploration expenditure*

The future expected recoverability of capitalised mine development expenditure is dependent on a number of factors, including the level of proved, probable and inferred mineral resources, future technological changes which could impact the cost of mining, future legal changes (including changes to environment restoration obligations) and changes to commodity prices.

The Company's impairment model includes cash flows derived from the mining of measured and indicated resources at Torrecillas and as such includes the estimated capital cost of accessing and extracting these resources. Further, the model assumes the company will meet the production and cost targets.

To the extent that capitalised mine development expenditure is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made.

(e) *Valuation of liability owed to SilverStream SEZC*

As disclosed in note 15 of the financial statements, SilverStream SEZC ("SilverStream") holds guarantee security over monies provided to Minera Gold Ltd under the gold streaming and silver streaming agreements. The total value of these guarantees is reduced based on physical delivery, whether purchased on-market, or delivered from physical production from the Group's operations based on the spot rate for the relevant commodity on the last day of the month less SilverStream's contribution to production costs. The carrying value of the liability is therefore amortised based on the delivery profile. The reduction in this liability in future periods is therefore based on the amount delivered into the facility. At balance date, the carrying value reflects the value that would become due and payable to SilverStream should a default event occur and SilverStream call for repayment of amounts forwarded to the group under the respective agreements. The finance cost relating to these agreements represents the effective interest rate on the liabilities.

# Notes to the Condensed Consolidated Financial Statements

## 4. SEGMENT INFORMATION

### Identification of Reportable Segments

The Company has identified its operating segments based on the internal reports that are reviewed and used by the Board (the chief operating decision-maker) in assessing performance and in determining the allocation of resources. The operating segments are identified by the Board based on reporting lines and the nature of services provided. Discrete financial information about each of these operating segments is reported to the Board on a monthly basis. The Company operates predominately in Peru. The reportable segments are based on aggregated operating segments determined by the similarity of the services provided and other factors.

### Segments

The Group has two reportable operating segments which are the same as its geographical segments, these are Peru and the USA. The information is further analysed based on the mineral sold within the region.

Segment result represents the profit or loss earned by each segment without allocation of corporate administration costs, investment revenue and finance costs or income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

### Holding Company

Holding Company costs (or unallocated costs, assets and liabilities) are those costs which are managed on a Group basis and not allocated to business segments. They include costs associated with executive management, strategic planning and compliance costs.

### Accounting Policies

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries, share of profits of associates, gain recognised on disposal of interest in former associate, investment income, gains and losses, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

### Intersegment Transfers

There have been no intersegment sales during the year.

The following is an analysis of the Group's revenue and results by reportable operating segment for the year under review:

	Revenue		Segment Result	
	Year ended		Year ended	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
	\$'000s	\$'000s	\$'000s	\$'000s
<b>Continuing operations</b>				
Segment result before income tax – Peru Gold	*	*	*	*
Segment result before income tax – Peru Copper	*	*	*	*
Segment result before income tax – USA	-	-	*	*
	<b>1,365</b>	<b>1,438</b>	<b>1,365</b>	<b>1,438</b>
Other revenue			-	93
SilverStream gold streaming income			-	(8,354)
Central administration costs and director salaries			(2,551)	(21,422)
Foreign exchange costs			247	(842)
Finance costs			(8)	(1,629)
Loss before income tax expense			<b>(947)</b>	<b>(30,716)</b>
Income tax expense			-	-
<b>Profit/(Loss) for the period from continuing operations</b>			<b>(947)</b>	<b>(30,716)</b>

# Notes to the Condensed Consolidated Financial Statements

The revenue reported above represents revenue generated from processed gold sales, toll treatment revenues and concentrate sales to external customers.

In Peru, 100% of the gold sales in the twelve months to 31 December 2016 of A\$\*, were sold to local Peruvian gold buyers (30 June 2015: A\$0.2 million). All gold sold was owned by the Company and sourced from either the purchase of legal ore from local formalised miners (90%) or its wholly owned Torrecillas operation.

In Peru, 100% of the copper concentrate sales in the period from 1 January 2016 to 31 December 2016, of A\$\* (30 June 2015: A\$0.4 million), were sold under a short term spot off-take agreement with Andina Trade SAC, a subsidiary of MRI Trading AG (97%) and to a local mining company, Minería Corporativa S.A.C. (3%).

The following is an analysis of the Group's assets by reportable operating segment:

<b>Assets</b>	<b>31 Dec 2016</b> <b>\$'000s</b>	<b>31 Dec 2015</b> <b>\$'000s</b>
Peru gold business	*	*
Peru copper business	*	*
United States of America	*	*
Unallocated assets	*	*
<b>Consolidated total assets</b>	<b>558</b>	<b>570</b>

The following is an analysis of the Group's liabilities by reportable operating segment:

<b>Liabilities</b>	<b>31 Dec 2016</b> <b>\$'000s</b>	<b>31 Dec 2015</b> <b>\$'000s</b>
Peru gold business	*	*
Peru copper business	*	*
United States of America	*	*
Unallocated liabilities	*	*
<b>Consolidated total liabilities</b>	<b>26,030</b>	<b>26,436</b>

\* The Company was under External administration from 25 August 2015 and attempted to obtain further information in respect of its Peruvian subsidiaries however it has not received sufficient information from Peruvian management, consequently the Company does not have sufficient information to allow the level of disclosure required for the year ended 31 December 2016.

# Notes to the Condensed Consolidated Financial Statements

## 5. REVENUE AND EXPENSES

The following is an analysis of the Group's revenue for the year from continuing operations:

	Note	Consolidated	
		31 December 2016 \$'000s	31 December 2015 \$'000s
<b>(a) Revenue</b>			
Revenue from the sale of gold		*	120
Revenue from toll processing		*	983
Revenue from selling concentrate		*	335
Revenue for continuing operations			1,438
Interest revenue – bank deposits		*	1
Other income		*	92
Other revenue			93
		1,365	1,531
<b>(b) Expenses</b>			
<i>(i) Employee benefits expense:</i>			
Other employee benefits			(545)
		*	(545)
<i>(ii) Depreciation and amortisation:</i>			
Plant and equipment		(109)	(111)
Mine assets		-	-
		(109)	(111)
<i>(iii) Operating lease rental expenses included in occupancy costs:</i>			
Minimum lease payments		*	*
<i>(iv) Finance costs:</i>			
Interest on finance facilities		*	(828)
Interest on convertible notes		*	-
Bank fees		*	-
Finance costs		*	(801)
		(8)	(1,629)

\* The Company was under External administration from 25 August 2015 and attempted to obtain further information in respect of its Peruvian subsidiaries however it has not received sufficient information from Peruvian management, consequently the Company does not have sufficient information to allow the level of disclosure required for the year ended 31 December 2016.

# Notes to the Condensed Consolidated Financial Statements

## 6. INCOME TAXES

Income tax recognised in profit or loss	Consolidated	
	31 December 2016	31 December 2015
	\$'000s	\$'000s
Tax expense comprises:		
Deferred tax expense	*	*
Total tax expense	*	*
The prima facie income tax expense on pre-tax accounting loss from continuing operations reconciles to the income tax expense in the financial statements as follows:		
Loss from continuing operations	(947)	(30,716)
Income tax calculated at 30%	(284)	(9,214)
Expenses that are not deductible/ (income that is exempt) in determining taxable profit	-	-
Adjustments for deferred tax of prior period	-	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	-	-
Tax benefit not recognised as recovery not probable	284	9,214
	-	-
The tax rate used in the above reconciliation is the tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.		
<b>Deferred tax assets</b>		
Amounts recognised in profit and loss:		
Tax losses – revenue	*	*
Share issue costs recognised in equity	*	*
Provisions & other	*	*
Deferred tax assets used to offset deferred tax liabilities	*	*
Deferred tax assets not recognised	*	*
	-	-
<b>Deferred tax liabilities</b>		
Amounts recognised in profit and loss:		
Mineral rights	*	*
Deferred tax assets used to offset deferred tax liabilities	*	*
	-	-
<b>Movements:</b>		
Opening balance at 1 July	*	2,223
Exchange differences	*	*
	-	-

### Tax consolidation

The parent entity is the only Australian entity in the Consolidated Entity, hence a tax consolidated group has not been formed.

**\* The Company was under External administration from 25 August 2015 and attempted to obtain further information in respect of its Peruvian subsidiaries however it has not received sufficient information from Peruvian management, consequently the Company does not have sufficient information to allow the level of disclosure required for the year ended 31 December 2016.**

# Notes to the Condensed Consolidated Financial Statements

## 7. TRADE AND OTHER RECEIVABLES

	31 December 2016	31 December 2015
	\$'000s	\$'000s
<b>Current</b>		
Tax receivable <sup>(1)</sup>	-	-
Other receivables <sup>(2)</sup>	-	18
	<hr/>	<hr/>
	-	18

(1) Local tax receivables relate to goods and services taxes refundable in the prior year.

(2) Other receivables include amounts receivable from sales prior to year-end and advances due for repayment.

## 8. INVENTORIES

	31 December 2016	31 December 2015
	\$'000s	\$'000s
Stores and spares	*	464
In process ore	*	*
Impairment	*	(464)
	<hr/>	<hr/>
	-	-

The cost of inventories recognised as an expense during the year in respect of continuing operations was \$\* (31 December 2015: \*).

**\* The Company was under External administration from 25 August 2015 and attempted to obtain further information in respect of its Peruvian subsidiaries however it has not received sufficient information from Peruvian management, consequently the Company does not have sufficient information to allow the level of disclosure required for the year ended 31 December 2016.**

# Notes to the Condensed Consolidated Financial Statements

## 9. PROPERTY, PLANT AND EQUIPMENT

	Property, plant and equipment \$'000s
<b>Assets at Cost</b>	
Balance at 31 December 2014	4,024
Additions	-
Eliminated on disposal of assets	-
Impairment	(4,024)
Impact of foreign exchange	*
<b>Balance at 31 December 2015</b>	<b>-</b>
Additions	-
Eliminated on disposal of assets	-
Impairment	-
Impact of foreign exchange	-
<b>Balance at 31 December 2016</b>	<b>-</b>
<b>Accumulated depreciation and impairment</b>	
Balance at 31 December 2014	(1,155)
Depreciation expense	(111)
Eliminated on disposal of assets	-
Impairment	(2,758)
Impact of foreign exchange	*
<b>Balance at 31 December 2015</b>	<b>(4,024)</b>
Eliminated on disposal of assets	-
Depreciation expense	-
Impact of foreign exchange	-
<b>Balance at 31 December 2016</b>	<b>-</b>
<b>Net book value</b>	
As at 31 December 2015	-
As at 31 December 2016	-

Outstanding monies due to SilverStream SEZC are secured by first ranking mortgage over the San Santiago de Acari and mining concessions.

Other than the afore-mentioned that there are no other assets pledged as security.

**\* The Company was under External administration from 25 August 2015 and attempted to obtain further information in respect of its Peruvian subsidiaries however it has not received sufficient information from Peruvian management, consequently the Company does not have sufficient information to allow the level of disclosure required for the year ended 31 December 2016.**

# Notes to the Condensed Consolidated Financial Statements

## 10. MINE ASSETS

	Consolidated	
	31 December 2016	31 December 2015
	\$'000s	\$'000s
Mine assets at cost	500	22,577
Accumulated amortisation	-	-
Impairment	-	(22,077)
Net book value	500	500

Reconciliation of the carrying amounts of mine assets at the beginning and end of the current financial year:

Carrying amount at beginning of the period	500	22,577
- fair value adjustment on acquisition	-	-
- mine development expenditure	*	*
- impact of foreign exchange	*	*
- amortisation expense	*	*
- impairment	-	(22,077)
	500	500

SilverStream SEZC has rights to a first-ranking lien interest over the Torrecillas mining concessions in accordance with the Gold Purchase Agreement announced on 8 April 2014.

**\* The Company was under External administration from 25 August 2015 and attempted to obtain further information in respect of its Peruvian subsidiaries however it has not received sufficient information from Peruvian management, consequently the Company does not have sufficient information to allow the level of disclosure required for the year ended 31 December 2016.**

An impairment charge has been recorded in the prior year against mine assets to reflect the approximate written down value.

## 11. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	31 December 2016	31 December 2015
	\$'000s	\$'000s
Deferred exploration expenditure	-	-

Reconciliation of the carrying amounts of mine assets at the beginning and end of the current financial year:

Carrying amount at beginning of the period	-	741
- acquisitions through business combination	*	-
- impact of foreign exchange	*	*
- impairment	-	(741)
	-	-

**\* The Company was under External administration from 25 August 2015 and attempted to obtain further information in respect of its Peruvian subsidiaries however it has not received sufficient information from Peruvian management, consequently the Company does not have sufficient information to allow the level of disclosure required for the year ended 31 December 2016.**

An impairment charge has been recorded in the prior year against deferred exploration and evaluation expenditure to reflect the approximate written down value.



# Notes to the Condensed Consolidated Financial Statements

## 12. TRADE AND OTHER PAYABLES

	Consolidated	
	31 December 2016	31 December 2015
	\$'000s	\$'000s
Trade and other payables	1,800	1,800
Tax liabilities	475	247
Other Liabilities	4,309	5,004
Creditors' claims under administration*	1,920	1,920
	<u>8,504</u>	<u>8,971</u>

\* The Company was under External administration from 25 August 2015 and attempted to obtain further information in respect of its Peruvian subsidiaries however it has not received sufficient information from Peruvian management, consequently the Company has received a number of claims in respect of contractual damages and other debts.

## 13. BORROWINGS

	Consolidated Year ended	
	31 December 2016 \$'000s	31 December 2015 \$'000s
<b>CURRENT</b>		
<i>Unsecured at amortised cost</i>		
Loans <sup>(1)</sup>	2,832	2,832
Convertible notes <sup>(2)</sup>	6,532	6,532
<i>Secured at amortised cost</i>		
Loans	217	217
	<u>9,581</u>	<u>9,581</u>
<b>NON CURRENT</b>		
<i>Unsecured at amortised cost</i>		
Loans <sup>(1)</sup>	-	-
<i>Secured at amortised cost</i>		
Convertible note <sup>(2)</sup>	-	-
	<u>-</u>	<u>-</u>
<b>TOTAL BORROWINGS</b>	<u>9,581</u>	<u>9,581</u>

# Notes to the Condensed Consolidated Financial Statements

## A. Loans

### (a) Anglo Pacific loan

As at 31 December 2016, the fair value of the loan facility was determined based on its face value of \$1.7 million\* (31 December 2015: \$1.7 million\*).

In accordance with the ninth amendment to the standstill and forbearance deed with Anglo Pacific Group PLC (APG), signed on 16 December 2014, the final repayment of the debt owing has been deferred until 31 December 2015.

The remaining balance of the loan is payable in the following instalments:

- (i) a repayment of \$250,051.80 which was due on 31 March 2015 (representing \$182,000 of the Principal and \$68,051.80 of interest), and
- (ii) by 30 June 2015 a repayment of \$400,149.12 (representing \$355,000 of the Principal and \$45,149.12 of interest), and
- (iii) by 30 September 2015 a repayment of \$482,526 (representing \$450,000 of the Principal and \$32,526 of interest), and
- (iv) the remainder of the outstanding balance on or before 31 December 2015.

The payments due on 31<sup>st</sup> March and 30 June 2015 were not met and in accordance with the terms of the Ninth Deed of Amendment, Minera have incurred a facility fee of \$50,000 for each missed payment to ensure that the Ninth Amendment to the Standstill and Forbearance Deed is kept in good standing. This amount has been capitalised to the cost of the loan.

On 29 January 2015, Minera repaid \$150,000 of the outstanding loan balance in cash. This loan is unsecured.

### (b) Short term loan – Alignment Capital Pty Ltd

On 14 October 2014 the Company received a short term loan of \$120,000 which was due for repayment on 14 November 2014. On 6 February 2015, this loan was rolled into a convertible note which was repayable on 30 June 2015.

### (c) Short term loan - Falknis Wealth Management AG

On 15 October 2014 Minera Gold signed a debt mandate with Falknis Wealth Management AG for the provision of up to \$US500,000 in loan funds. As at 30 June 2015, the loan balance was US\$500,000 (31 December 2014: \$US150,000). During the half year an additional US\$350,000 was received.

The loan is due for repayment on the 27 January 2017. The loan is unsecured and interest accrues at 12% per annum which is calculated daily and paid in cash quarterly.

## B. Convertible notes

### (a) Short term facilities

On 2 October 2013 the Company announced the terms of an unsecured convertible loan. Interest on this facility was payable at between 18% and 23.25% per annum and to be paid quarterly in cash or shares at the note holder's election. This facility expired on 30 September 2014 and most of the participants rolled the balance of their convertible notes into a new facility expiring on 30 June 2015.

The convertible notes referred to at the September 2013 series, the March 2014 Series and the January 2015 Series have all passed their repayment dates, being 30 June 2015, and hence the notes are currently in technical default. In accordance with the terms of the Convertible Notes a lender may issue a written default notice to Minera to declare all monies owing due and payable immediately. No such notices have been received and it is expected that these Convertible Notes that have expired, will be rolled into a new Convertible Note facility.

All principal and interest amounts payable are convertible at the discretion of the Company at the lower of either a price set by the Company (between A\$0.008 and \$0.003), or an issue price equal to 80% of the volume weighted average price of the borrower's share traded on ASX during the ten days prior to a conversion notice being issued.

The following table illustrates the conversion price applicable to outstanding convertible notes as at 31 December 2016 and the applicable interest rates:

# Notes to the Condensed Consolidated Financial Statements

Expiry date of convertible facility	Loan currency denomination	Number of Holders	Loan Series	Interest rate per annum	Balance of convertible (AUD) \$'000s	Maximum Conversion price per share	
30-Jun-15	AUD	19	Sep-13	18.00% <sup>(2)</sup>	1,229	0.008	*
30-Sep-14	AUD	2	Sep-13	23.25% <sup>(1)</sup>	210	0.008	*
30-Jun-15	USA	1	Mar-14	18.00% <sup>(2)</sup>	543	0.006	*
30-Jun-15	AUD	5	Jan-15	18.00% <sup>(2)</sup>	304	0.003	*
31-Mar-16	USA	4	Mar-15	18.00%	467	0.0025	*
31-Mar-16	AUD	9	Mar-15	18.00%	1,506	0.0025	*

1. The interest rate being applied is the default interest rate, pursuant to the Convertible Note Agreement
2. From 1 July 2015 the default interest rate of 23.25% will apply as the repayment date as per the Convertible Note agreement was 30 June 2015. These 25 notes are currently in technical default and are in the process of being renegotiated/extended.

\* The Company was under External administration from 25 August 2015 and attempted to obtain further information in respect of its Peruvian subsidiaries however it has not received sufficient information from Peruvian management, consequently the Company does not have sufficient information to allow the level of disclosure required for the period ended 31 December 2016.

During the financial year, the Company received \$xxx million\* (2013:\*) in new loans from sophisticated and professional investors on substantially the same terms and conditions as noted above. The Company has also rolled into the convertible notes, amounts previously recorded through trade payables in lieu of a cash settlement.

The following table summarises the movement in the convertible note debt for the year:

	Consolidated	
	12 months to 31 December 2016	12 months to 31 December 2015
	\$'000s	\$'000s
<i>Opening balance</i>	6,532	2327
Proceeds received	*	*
Creditors rolled in	*	*
Short term loan rolled into convertible note	*	*
Interest accrued	*	*
Principal paid in shares via conversion	*	*
Interest paid in cash	*	*
Interest paid in shares via conversion	*	*
Foreign exchange revaluation	*	*
<b>Closing balance</b>	<b>6,532</b>	<b>6,532</b>

All borrowings will be transferred to the Creditors' Trust upon effectuation of the Deed of Company Arrangement.

## (b) Long term facility

On 11 September 2014, the Group signed a convertible debt facility with DCF Capital LLC (DCF) for \$1.38 million (US\$1.25 million). The facility has a maturity date of 30 September 2016 and it is convertible at the election of DCF Capital LLC.

Interest accrues at 18% per annum and a default interest at the rate of 23.25% will accrue on any outstanding monies.

DCF may at any time elect to convert the whole of the outstanding balance on the facility into ordinary shares in Minera Gold Limited at a conversion price equal to the lesser of \$0.004 and 80% of the volume weighted average price of

# Notes to the Condensed Consolidated Financial Statements

shares traded on ASX in the 10 trading days prior to a conversion notice being issued. Minera may elect to repay the balance of the outstanding monies on the repayment date by way of shares at the conversion price or by cash payment.

## (c) Convertible Loan Agreement entered into since 1 July 2015

Subsequent to year end, a further \$0.4 million was received by the Company from sophisticated and professional investors. The terms of these new convertible notes were substantially the same as the existing short term convertible loans on issue. The repayment date for these new loans vary between \* (\$0.2 million) and 31 March 2016 (\$1.4 million) The principal and interest amounts payable are convertible at the discretion of the Company at the lower of either A\$0.003 or \$0.0025 (dependent on the execution date) or an issue price equal to 80% of the volume weighted average price of the borrower's share traded on ASX during the ten days prior to a conversion notice being issued.

**\* The Company was under External administration from 25 August 2015 and attempted to obtain further information in respect of its Peruvian subsidiaries however it has not received sufficient information from Peruvian management, consequently the Company does not have sufficient information to allow the level of disclosure required for the period ended 31 December 2016.**

## 14. PROVISIONS

	Consolidated	
	31 December 2016	31 December 2015
	\$'000s	\$'000s
<b>Current</b>		
Annual leave	1,668	1,610
Provision for mine closure <sup>(1)</sup>	329	326
<b>Total Current</b>	<b>1,997</b>	<b>1,936</b>
<b>Non-current</b>		
Provision for mine closure	-	-
<b>Total Non -Current</b>	<b>-</b>	<b>-</b>
<b>TOTAL</b>	<b>1,997</b>	<b>1,936</b>
<i>Provision for mine closure</i>		
Opening balance	326	292
- decrease in the provision	*	*
- impact of foreign exchange	*	*
Closing balance	329	326

- (1) The provision for mine closure is an environmental management instrument used to evaluate and plan necessary measures before, during and after the closure of operations to eliminate, mitigate and control adverse effects on the area used or disturbed by the mining activity, in order to be considered as a compatible ecosystem with a healthy environment, appropriate for the biological development and landscape preservation. This Environmental Impact Statement has been approved by the Regional Government of Arequipa.

**\* The Company was under External administration from 25 August 2015 and attempted to obtain further information in respect of its Peruvian subsidiaries however it has not received sufficient information from Peruvian management, consequently the Company does not have sufficient information to allow the level of disclosure required for the year ended 31 December 2015.**

# Notes to the Condensed Consolidated Financial Statements

## 15. OTHER LIABILITIES

	Consolidated	
	31 December 2016 \$'000s	31 December 2015 \$'000s
Gold purchase agreement liability <sup>(1)</sup>	*	*
Silver purchase agreement liability <sup>(2)</sup>	*	*
	5,948	5,948
Reduction in liability for ore sold under contract during the period	*	*
Reduction in liability for ore sold under contract during the period - CN	*	
Foreign exchange loss on liability revaluation	*	*
<i>Fair value finance charge</i>	*	*
<i>Balance due to SilverStream SEZC under the GPA and SPA</i>	5,948	5,948
<b>Current</b>		
Gold purchase agreement liability	*	*
Silver purchase agreement liability	*	*
	5,948	5,948
<b>Non-current</b>		
Gold purchase agreement liability	*	-
Silver purchase agreement liability	*	-
	*	-

(1) Under the Gold Purchase Agreement, SilverStream advanced Minera Gold US\$3 million.

(2) Under the Silver Purchase Agreement, SilverStream advanced Minera Gold US\$3 million.

**\* The Company was under External administration from 25 August 2015 and attempted to obtain further information in respect of its Peruvian subsidiaries however it has not received sufficient information from Peruvian management, consequently the Company does not have sufficient information to allow the level of disclosure required for the period ended 31 December 2016.**

### Gold purchase agreement liability (GPA)

On 8 April 2014, the Company announced that it had entered into a Gold Purchase Agreement (GPA) with SilverStream SEZC, whereby US\$5 million in four instalments will be provided for the right to purchase the greater of either, 10% of the production from Torrecillas for the life of mine, or 70 oz of gold per month at a purchase price of the lower of US\$400.00 per ounce or 80% of the prevailing spot price at the time.

Up to 31 December 2014 Minera received US\$3 million as follows;

- US\$1.6 million upon the signing of the agreement in April and a further US\$1.4 million in September 2014 following execution of a contract variation.

A further US\$2 million is receivable under the terms of the contract as follows;

- a. US\$1.0 million on achieving three consecutive 1,600 ounces per month or more of production at a cash cost of less than US\$1,300 per ounce; and
- b. US\$1.0 million on achieving three consecutive months of 2,000 ounces per month or more of production at a cash cost of less than US\$1,300 per ounce.

These milestones are not met, therefore not recorded as received.

The liability is secured by way of first-ranking lien interest in the Mining Properties by way of mortgage. The mortgage will cease to have effect upon SilverStream having received refined gold when Minera have met the release milestones, as indicated in the contract.

### Silver purchase agreement liability (SPA)

On 5 August 2014, the Company entered into a Silver Purchase Agreement (SPA) with SilverStream pursuant to which Minera obtained funding of up to US\$4.5 million in instalments and granted SilverStream SEZC certain silver streaming rights whereby they are entitled to purchase a minimum of 4,000 ozs of silver per month and up to a maximum of

# Notes to the Condensed Consolidated Financial Statements

90,000 ozs of silver per annum at a purchase price of US\$6 per ounce for the next 15 years. For amounts over 90,000 ozs per annum, SilverStream will be entitled to purchase 50% of the additional ounces at the purchase price of US\$6 per ounce.

Up to 31 December 2014, US\$3.0m had been received. Minera Gold received US\$250,000 in August 2014 upon entering into the Silver Purchase Agreement and a further instalment of US\$2,750,000 was received upon successful completion of the San Santiago asset purchase in September 2014.

Failure by Minera to deliver the minimum silver credits for more than two months will trigger a royalty condition whereby SilverStream will be entitled to 2% of the net smelter return on the San Santiago project\*.

The remaining US\$1,500,000 will be received on satisfaction of further milestones in relation to the issue of security to SilverStream and modifications to the processing plant\*.

The liability is secured by way of first-ranking lien interest in the San Santiago de Acari by way of mortgage. The mortgage will cease to have effect upon SilverStream having received refined silver when Minera have met the release milestones, as indicated in the contract.

**\* The Company was under External administration from 25 August 2015 and attempted to obtain further information in respect of its Peruvian subsidiaries however it has not received sufficient information from Peruvian management, consequently the Company does not have sufficient information to allow the level of disclosure required for the period ended 31 December 2016.**

# Notes to the Condensed Consolidated Financial Statements

## 16. ISSUED CAPITAL

### (a) Issued capital reconciliation

Issued capital	31 December 2016		31 December 2015	
	Number	\$'000s	Number	\$'000s
Ordinary shares fully paid	3,633,823,438	78,619	3,633,823,438	78,619
<b>Movements in shares on Issue</b>				
Balance at the beginning of the financial year	3,633,823,438	78,619	2,772,585,979	77,554
Unknown*				7
Share issue costs incurred	-	-	-	(120)
Share issue costs written off	-	-	-	-
<u>Shares issued upon conversion in accordance with Lind funding facility</u>				
- 28 January 2014 convert \$50,000 at VWAP \$0.004, market price \$0.006	-	-	-	-
- 5 March 2014 convert \$53,750 at VWAP \$0.003, market price \$0.005	-	-	-	-
- 17 July 2014 convert \$62,500 at VWAP \$0.002, market price \$0.004	-	-	-	-
<u>Shares issued as loan variation and extension fees</u>				
- Issued 18 December 2014, deemed issue price \$0.0035	-	-	-	-
- Issued 18 December 2014, deemed Issue price \$0.0035	-	-	-	-
<u>Shares issued to Anglo Pacific Group as principal repayment</u>				
- Issued December 2014, deemed issue price \$0.035	-	-	-	-
<u>Shares issued in lieu of cash payment</u>				
- Issued 10 August 2015	-	-	42,909,640	-
- Issued 10 August 2015	-	-	122,087,140	-
- Issued 8 June 2015 deemed issue price \$0.0015	-	-	13,091,933	20
- Issued 8 June 2015 deemed issue price \$0.0015	-	-	49,139,733	74
- Issued 8 June 2015 deemed issue price \$0.0020	-	-	8,250,000	16
- Issued 31 March 2015 deemed issue price \$0.0020	-	-	25,139,790	50
- Issued 9 March 2015 deemed issue price \$0.0030	-	-	18,667,700	56
- Issued 10 February 2015 deemed issue price \$0.0030	-	-	23,866,666	123
- Issued 10 February 2015 deemed issue price \$0.0035	-	-	40,860,410	143
- Issued 3 February 2014 deemed issue price \$0.0061	-	-	-	-
- Issued 2 July 2014 deemed issue price \$0.003	-	-	-	-
- Issued 16 July 2014 deemed issue price \$0.003	-	-	-	-
- Issued 18 September 2014 deemed issue price \$0.005	-	-	-	-
- Issued 18 September 2014 deemed issue price \$0.006	-	-	-	-
- Issued 18 September 2014 deemed issue price \$0.004	-	-	-	-
- Issued 16 October 2014 deemed issue price \$0.005	-	-	-	-
- Issued 18 December 2014 deemed issue price \$0.0035	-	-	-	-
<u>Capital raising via placement</u>				
- Shares issued December 2014, at \$0.0035, by placement				
<u>Conversion of convertible note - principal</u>				
- Issued 30 June 2015 at conversion price \$0.0008	-	-	275,000,000	275

# Notes to the Condensed Consolidated Financial Statements

	31 December 2016		31 December 2015	
	Number	\$'000s	Number	\$'000s
Issued capital				
- Issued 8 June 2015 at conversion price \$0.0011	-	-	27,272,727	41
- Issued 31 March 2015 at conversion price \$0.0016	-	-	93,750,000	187
- Issued 9 March 2015 at conversion price \$0.0017	-	-	30,030,030	60
- Issued 2 March 2015 at conversion price \$0.0018	-	-	13,797,298	41
- Issued 10 February 2015 at conversion price \$0.0024	-	-	20,675,739	41
- Principal at various conversion and market prices <sup>(3)</sup>	-	-	-	-
<u>Conversion of convertible note - Interest</u>				
- Issued 30 June 2015 at conversion price \$0.0009	-	-	25,606,588	26
- Issued 8 June 2015 at conversion price \$0.0013	-	-	4,977,664	7
- Issued 2 March 2015 at conversion price \$0.0018	-	-	768,551	2
- Issued 31 March 2015 at conversion price \$0.0016	-	-	3,786,049	7
- Issued 10 February 2015 at conversion price \$0.0027	-	-	4,401,468	9
- Interest at various conversion and market prices <sup>(3)</sup>	-	-	-	-
MIZ Commission on Debt funding	-	-	17,158,333	-
Exercise of MIZO options on 29 April 2014 at \$0.18	-	-	-	-
<b>Balance at end of financial year</b>	<b>3,633,823,438</b>	<b>78,619</b>	<b>3,633,823,438</b>	<b>78,619</b>

1. VWAP is the volume weighted average price of the shares traded in the ordinary course of business on the ASX on that trading day.
2. Creditors settled in shares at fair value.

**\* The Company was under External administration from 25 August 2015 and attempted to obtain further information in respect of its Peruvian subsidiaries however it has not received sufficient information from Peruvian management, consequently the Company does not have sufficient information to allow the level of disclosure required for the period ended 31 December 2016.**

## Terms and conditions of contributed equity

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998, therefore, the Company does not have a limited amount of authorised share capital and issued shares do not have a par value.



# Notes to the Condensed Consolidated Financial Statements

## (b) Issued Capital Movement – Convertible Notes

	31 December 2015			
	Conversion price <sup>(1)</sup>	Deemed Issue price per share	Number of shares issued	\$'000s
Principal conversion on 24 April 2014 - \$1,294,444	\$0.0032	\$0.0035	404,513,633	1,416
Interest conversion on 24 April 2014 - \$124,192	\$0.0036	\$0.0035	32,617,612	114
Principal conversion on 12 May 2014 - \$50,000	\$0.0036	\$0.005	13,888,889	86
Principal conversion on 12 May 2014 - \$100,000	\$0.0039	\$0.005	25,641,026	159
Interest conversion on 12 May 2014 - \$5,441	\$0.0040	\$0.005	1,359,975	8
Interest conversion on 12 May 2014 - \$1,874	\$0.0044	\$0.005	425,903	3
Principal conversion on 15 May 2014 - \$100,000	\$0.0038	\$0.005	26,315,789	113
Interest conversion on 15 May 2014 - \$1,892	\$0.0043	\$0.005	439,934	2
Principal conversion on 29 May 2014 - \$250,000	\$0.0039	\$0.005	64,102,564	321
Interest conversion on 29 May 2014 - \$6,041	\$0.0040	\$0.005	1,510,274	8
Principal conversion on 12 June 2014 - \$170,601	\$0.0032	\$0.003	53,313,012	160
Principal conversion on 12 June 2014 - \$150,000	\$0.0036	\$0.003	41,666,667	125
Principal conversion on 12 June 2014 - \$20,000	\$0.0039	\$0.003	5,128,205	15
Interest conversion on 12 June 2014 - \$4,769	\$0.0036	\$0.003	1,324,711	4
Interest conversion on 12 June 2014 - \$187	\$0.0044	\$0.003	42,590	-
Principal conversion on 16 June 2014 - \$97,396	\$0.0032	\$0.003	30,435,894	91
Interest conversion on 16 June 2014 - \$1,656	\$0.0036	\$0.003	460,136	1
Principal conversion on 30 June 2014 - \$132,000	\$0.0026	\$0.003	50,769,233	152
Interest conversion on 30 June 2014 - \$10,428	\$0.0029	\$0.003	3,595,773	10
Principal conversion on 2 July 2014 - \$81,330.63	\$0.0026	\$0.003	31,281,013	94
Interest conversion on 2 July 2014 - \$1,444.97	\$0.0029	\$0.003	498,266	2
Principal conversion on 4 July 2014 - \$170,000	\$0.0026	\$0.003	65,384,615	196
Interest conversion on 4 July 2014 - \$4,033.86	\$0.0029	\$0.003	1,390,558	4
Principal conversion on 16 July 2014 - \$435,440.12	\$0.0024	\$0.003	181,433,388	544
Principal conversion on 16 July 2014 - \$100,000	\$0.0025	\$0.003	40,000,000	120
Principal conversion on 16 July 2014 - \$50,000	\$0.0027	\$0.003	18,518,519	56
Interest conversion on 16 July 2014 - \$12,332.27	\$0.0027	\$0.003	4,567,512	14
Principal conversion on 28 July 2014 - \$654,973.56	\$0.0025	\$0.004	261,989,424	1,048
Principal conversion on 28 July 2014 - \$215,440.12	\$0.0031	\$0.004	69,496,815	278
Principal conversion on 28 July 2014 - \$35,940.67	\$0.0027	\$0.004	13,311,360	53
Interest conversion on 28 July 2014 - \$10,243.46	\$0.0027	\$0.004	3,793,875	15
Interest conversion on 28 July 2014 - \$39,156.47	\$0.0028	\$0.004	13,984,459	56
Interest conversion on 28 July 2014 - \$12,487.93	\$0.0035	\$0.004	3,567,980	14
Principal conversion on 18 August 2014 - \$270,649.10	\$0.0037	\$0.005	73,148,408	366
Principal conversion on 18 August 2014 - \$400,000	\$0.0039	\$0.005	102,564,104	513
Interest conversion on 18 August 2014 - \$16,811.45	\$0.0041	\$0.005	4,100,354	21

# Notes to the Condensed Consolidated Financial Statements

31 December 2015

	Conversion price <sup>(1)</sup>	Deemed issue price per share	Number of shares issued	\$'000s
Interest conversion on 18 August 2014 - \$24,115.93	\$0.0044	\$0.005	5,480,895	28
Principal conversion on 18 September 2014 - \$160,000	\$0.0036	\$0.007	44,444,445	311
Principal conversion on 18 September 2014 - \$165,000	\$0.0040	\$0.007	41,250,000	289
Principal conversion on 18 September 2014 - \$20,000	\$0.0042	\$0.007	4,761,906	33
Principal conversion on 18 September 2014 - \$50,000	\$0.0047	\$0.007	10,638,298	74
Interest conversion on 18 September 2014 - \$13,704.31	\$0.0040	\$0.007	3,426,078	24
Interest conversion on 18 September 2014 - \$15,539.33	\$0.0045	\$0.007	3,453,186	24
Interest conversion on 18 September 2014 - \$947.65	\$0.0048	\$0.007	203,053	2
Interest conversion on 18 September 2014 - \$9,780.85	\$0.0052	\$0.007	1,880,932	13
Principal conversion on 16 October 2014 - \$15,000	\$0.0047	\$0.005	3,191,490	15
Interest conversion on 16 October 2014 - \$1,286.04	\$0.0037	\$0.005	347,580	1
Principal conversion on 10 February 2015	\$0.0024	\$0.002	20,675,739	41
Interest conversion on 10 February 2015	\$0.0027	\$0.002	4,401,468	9
Principal conversion on 2 March 2015	\$0.0018	\$0.003	13,797,298	41
Interest conversion on 2 March 2015	\$0.0018	\$0.003	768,551	2
Principal conversion on 9 March 2015	\$0.0017	\$0.002	30,030,030	60
Principal conversion on 31 March 2015	\$0.0016	\$0.002	93,750,000	187
Interest conversion on 31 March 2015	\$0.0016	\$0.002	3,786,049	7
Principal conversion on 8 June 2015	\$0.0011	\$0.0015	27,272,727	41
Interest conversion on 8 June 2015	\$0.0013	\$0.0015	4,977,664	7
Principal conversion on 30 June 2015	\$0.0008	\$0.0010	275,000,000	275
Interest conversion on 30 June 2015	\$0.0009	\$0.0010	25,606,588	26
<b>Total shares issued</b>			<b>2,265,726,447</b>	<b>7,692</b>

- In accordance with the terms of the convertible notes the conversion price is calculated as an issue price equal to 80% of the volume weighted average price of the borrower's share traded on ASX during the ten (10) days prior to a conversion notice being issued.

\* The Company was under External administration from 25 August 2015 and attempted to obtain further information in respect of its Peruvian subsidiaries however it has not received sufficient information from Peruvian management, consequently the Company does not have sufficient information to allow the level of disclosure required for the year ended 31 December 2016.

## Terms and conditions of contributed equity

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

# Notes to the Condensed Consolidated Financial Statements

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998, therefore, the Company does not have a limited amount of authorised share capital and issued shares do not have a par value.

## (c) Shares under option - unlisted

Recipient	Number of shares under option	Class of shares	Exercise price	Expiry date	Vested
Directors	4,500,000	Ordinary	9.0 cents	13 Sep 2017	100%
Directors	4,500,000	Ordinary	15.0 cents	13 Sep 2017	100%
Anglo Pacific	73,275,000	Ordinary	0.06 cents	8 Feb 2018	100%

In accordance with the provisions of the employee share option plan, as at 31 December 2016, directors have options over 9,000,000 shares.

As at 31 December 2016, there are 73,275,000 unlisted share options issued to financial and corporate advisors. These options expire at 8 February 2018 and are exercisable at 0.06 cents per share.

Unquoted share options granted carry no rights to dividends and no voting rights and details of the movement in unissued shares or interests under option as at the date of this report are:

	Number of Options (Unlisted) <sup>(1)</sup>	Number of Options MIZOA (ASX listed) <sup>(3)</sup>
Balance at the beginning of the period	104,775,000*	432,539,584
Share options issued during the period	*	-
Share options lapsed from 1 January 2016 to 31 December 2016	(22,500,000)*	(432,539,584)*
<b>Total number of options outstanding as at the date of this report</b>	<b>82,275,000*</b>	<b>-</b>

\* The Company was under External administration from 25 August 2015 and attempted to obtain further information in respect of its Peruvian subsidiaries however it has not received sufficient information from Peruvian management, consequently the Company does not have sufficient information to allow the level of disclosure required for the period ended 31 December 2016.

No options were exercised during the period.

## 17. RESERVES

	Consolidated	
	31 December 2016	31 December 2015
	\$'000s	\$'000s
Equity settled employee benefits reserve <sup>(1)</sup>	2,822	2,822
Foreign currency translation reserve <sup>(2)</sup>	(1,904)	(3,245)
	918	(423)

Movements in reserves are set out in the Statement of Changes in Equity:

- (1) The equity settled employee benefits reserve arises on the grant of share options to employees under the Employee Share Option Plan. Amounts are transferred out of the reserve into issued capital when the options are exercised.
- (2) This foreign currency translation reserve presents the foreign exchange gain/loss on the translation of subsidiaries from their functional currency (US Dollars for Peru) to the presentation currency (AUD).

# Notes to the Condensed Consolidated Financial Statements

## 18. LOSS PER SHARE

	Consolidated	
	31 December 2016	31 December 2015
	Cents	Cents
Basic and diluted loss per share from continuing operations	(0.026)	(0.98)
	\$'000s	\$'000s
Loss used in the calculation of basic and diluted loss per share	(947)	(30,716)
	No.	No.
Weighted average number of ordinary shares used in the calculation of basic EPS	3,633,823,979	3,122,368,751
Potential ordinary shares not considered to be dilutive at year end	-	2,689,829,167

As the Group made a loss for the year, diluted earnings per share is the same as basic earnings per share. The impact of dilution would be to reduce the loss per share.

## 19. JOINT VENTURE

On 31 May 2013, a binding share subscription agreement was signed between Mineralis Limited and Minera Gold's wholly-owned Brazilian subsidiary, Mundo Mineração Ltda and Minera Gold Limited.

Under the subscription agreement, Mineralis Ltd was to subscribe for shares in Mundo Mineração Ltda, which was to become an incorporated joint venture vehicle in respect of the Engenho gold project.

The Investor was to acquire the Subscription Shares by way of four tranche subscriptions and payments over a 12 month period (Tranches). The agreement sees the staged injection of A\$4,500,000 into Mundo Mineração Ltda to pay 100% of the creditor obligations under the court supervised creditor plan during over the next 12 months and to also provide additional working capital to fund exploration on the Olhos project and administration costs.

Minera Gold Limited received payment of the first tranche of \$970,000 from Mineralis Limited however there is an ongoing dispute as to whether the corresponding shares were transferred to Mineralis Limited.

On and from 25 August 2015, the date of appointment of Administrators, Minera Gold Limited has not exercised any rights it may have over Mundo Mineração Ltda or its operations.

**\* The Company was under External administration from 25 August 2015 and attempted to obtain further information in respect of its Peruvian subsidiaries however it has not received sufficient information from Peruvian management, consequently the Company does not have sufficient information to allow the level of disclosure required for the period ended 31 December 2016.**

# Notes to the Condensed Consolidated Financial Statements

## 20. SUBSIDIARIES

Name of entity	Country of incorporation	Ownership interest 2015	Ownership Interest 2014	Principal Activity
Mundo Minerals USA Inc	USA	100%	100%	Administrative holding company
Mundo Peru Gold SAC	Peru	100%	100%	Gold production and exploration
Mundo Minerales SAC	Peru	100%	100%	Gold production and exploration
Golden Empire SAC	Peru	100%	100%	Gold exploration
Compania Minera	Peru	100%	100%	Copper exploration
Empresa Miner Cobrepampa	Peru	100%	100%	Copper exploration
Grupo Cobrepampa	Peru	100%	100%	Copper exploration
Korisumaq SAC	Peru	100%	100%	Copper exploration
Derivados Y Concentrados	Peru	100%	100%	Processing plant operator

**\* The Company was under External administration from 25 August 2015 and attempted to obtain further information in respect of its Peruvian subsidiaries however it has not received sufficient information from Peruvian management, the Company does not have sufficient information to allow the level of disclosure required for the year ended 31 December 2016.**

## 21. CONTINGENCIES AND COMMITMENTS

There were no material changes to contingent liabilities or commitments of the consolidated entity since the last annual reporting date.

**\* The Company was under External administration from 25 August 2015 and attempted to obtain further information in respect of its Peruvian subsidiaries however it has not received sufficient information from Peruvian management, consequently the Company does not have sufficient information to allow the level of disclosure required for the period ended 31 December 2016.**

# Notes to the Condensed Consolidated Financial Statements

## 22. NOTES TO THE CASH FLOW STATEMENT

### (a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money markets instruments. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

	Consolidated	
	Dec 2016 \$'000s	Dec 2015 \$'000s
Cash at bank and deposits at call	58	52
<b>(b) Reconciliation of loss for the year to net cash flows used in operating activities</b>		
Loss for the year	(947)	(30,716)
Adjustments for:		
Depreciation and amortisation of non-current assets		111
Equity-settled share based payments		154
Foreign exchange	(247)	(842)
Non cash financing activities	-	-
Impairments and write offs	-	22,350
Inventory adjustment	-	-
Interest and dividend revenue transferred to investing activities	-	-
Invoices rolled into convertible note	-	-
Interest accrued, not paid	-	-
<i>Changes in net assets and liabilities:</i>		
<i>(Increase)/decrease in assets:</i>		
Trade and other receivables	18	2,087
Prepayments	-	-
Inventories	-	-
<i>Increase/(decrease) in liabilities:</i>		
Trade and other payables		1,445
Taxation liabilities	-	-
Provisions	61	1,706
Net cash used in operating activities	(1,115)	(3,705)

**All cash balance contained in the above table was available for use by the Group as at 31 December 2016.**

# Notes to the Condensed Consolidated Financial Statements

## 23. EVENTS AFTER THE REPORTING PERIOD

### In-Country Funding

The Deed Administrators are appointed to the Company only and not its Peruvian subsidiaries. The Deed Administrators are also unfunded and are reliant upon support from external parties to continue operations in Peru for the benefit of the Company. In this regard, the Deed Administrators have recently entered into a funding arrangements with external third parties to support the Peruvian working capital requirements through to completion of the varied DOCA which is intended to complete by 31 March 2017. The Deed Administrators do not have direct control over the amounts advance. The amounts advanced under the funding agreement are to be repaid from the proceeds of the proposed capital raising under the varied DOCA.

### Shareholders' Meeting

As discussed on page 2, the varied DOCA was executed on 30 June 2016 and Messrs Wayne Rushton and Martin Jones were appointed joint and several deed administrators.

The DOCA variation had the following terms:

- The DYC entities and the underlying San Santiago assets to be retained in the Group.
- MPG entities to be transferred to Andina or its nominee.
- Upon transfer of the MPG entities and the Torrecillas mine, Andina and its nominee will assume the associated gold and silver stream liabilities to SilverStream.
- \$360k Deed Fund to cover the costs of the administration and the payment of priority employee entitlements.
- 3.3% of the total ordinary shares of the Company to be distributed to unsecured creditors of the Company.
- New capital raising of at least \$5.25M to fund transaction costs and working capital requirements.
- Interests held by existing shareholders are to be consolidated on a 350:1 basis.

At a general meeting held to be held in March 2017, the shareholders of the Company will vote upon:

- (a) Consolidation of capital on a 1:350 basis;
- (b) Confirm the appointment of the nominee directors;
- (c) Authorise the placement of Silverstream shares via the Disclosure document;
- (d) Authorise the new placement shares pursuant to the capital raising via the disclosure document;
- (e) Authorise placement shares for Andina and Unsecured creditors to the Deed Administrators via the Disclosure document;
- (f) Such other resolutions as may be reasonably necessary to implement the proposal.

The varied DOCA is set to be effectuated on or before the 31 March 2017.

### Changes in key management personnel

Due to the company being placed into voluntary administration on the 25 August 2015, all directors and key management personnel had resigned at this date.

Current directors that are appointed are as noted in the administrators' report.

Other than the above, there has not been any other matter or circumstance occurring subsequent to the end of the financial year that has significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in the future financial years.

on 25 August 2015, the company entered into voluntary administration. The balances, whilst represented in this full year financial report have been presented as at that date (31 December 2016), have changed significantly upon the company entering into voluntary administration. Accordingly, assets and liabilities as stated in the balance sheet have been restated on a liquidation basis as at 31 December 2016, and differ significantly to the balances presented in this financial report

The Company was under External administration from 25 August 2015, consequently the Company does not have sufficient information to allow the level of disclosure required for the period ended 31 December 2016.

# Notes to the Condensed Consolidated Financial Statements

## 24. KEY MANAGEMENT PERSONNEL

The Company was under external administration from 25 August 2015, consequently the Company does not have sufficient information to allow the level of disclosure in relation to the remuneration of key management personnel as required for the year ended 31 December 2016.

## 25. RELATED PARTY TRANSACTIONS

### (a) Subsidiaries

The ultimate parent entity of the group is Minera Gold Limited (Subject to Deed of Company Arrangement). Details of the ownership of ordinary shares held in subsidiaries are disclosed in Note 20 to the Financial Statements. Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in the Note. Details of transactions between the Group and other related parties, if any, are disclosed below.

Transactions and balances between the Company and its subsidiaries were eliminated in the preparation of consolidated financial statements of the Group.

### (b) Parent entity

The ultimate parent entity of the Group is Minera Gold Limited (Subject to Deed of Company Arrangement).

The Statement of Comprehensive Income and Financial position on the parent entity are summarised below:

	Parent	
	31 December 2016	31 December 2015
	\$ '000	\$ '000
<i>Statement of Financial Position</i>		
Current assets	1	21
Non-current assets	21,771	21,555
<b>Total assets</b>	<b>21,772</b>	<b>21,576</b>
Current liabilities	19,255	19,036
Non-current liabilities	-	-
<b>Total liabilities</b>	<b>19,255</b>	<b>19,036</b>
<b>Net Assets</b>	<b>2,517</b>	<b>2,540</b>
Issued capital	78,619	78,619
Reserves	2,821	2,821
Accumulated losses	(78,923)	(78,900)
<b>Shareholder Equity</b>	<b>2,517</b>	<b>2,540</b>
<i>Statement of Comprehensive Income</i>		
	31 December 2016	31 Dec. 2014
	\$ '000	\$ '000
Loss after tax	22	5,106
<b>Total comprehensive loss</b>	<b>22</b>	<b>5,106</b>



# Notes to the Condensed Consolidated Financial Statements

(c) Expenditure commitments by the parent entity:

	31 December 2016	31 December 2015
	\$ '000	\$ '000
Not longer than 1 year	*	*
Longer than 1 year and not longer than 5 years	-	-
	*	*

\* The Company was under External administration from 25 August 2015 and attempted to obtain further information in respect of its Peruvian subsidiaries however it has not received sufficient information from Peruvian management, consequently the Company does not have sufficient information to allow the level of disclosure required for the year ended 31 December 2016.

## 26. FINANCIAL INSTRUMENTS

### (l) Capital management

The capital management note below reflects the capital management policies that were adopted by the directors of the Company who were in office prior to the company entering administration. These policies applied until the Company entered voluntary administration on 25 August 2015. On entering administration, the Administrators were responsible for the corporate governance of the Company.

The directors who are in office at the date of this report had no involvement in adopting, implementing or complying with these capital management policies. These policies may or may not have been in place during the financial period.

If the recapitalisation proposal is successful, the directors who are in office at the date of this report will adopt a new capital management policy.

The capital structure of the Group consists of net debt (borrowings as detailed in Note 15 offset by cash and bank balances) and equity attributable to equity holders of the Company (comprising issued capital, reserves and accumulated losses, as detailed in Notes 16 and 17. The Group operates through companies in Peru, Brazil and USA. None of the Group's entities are subject to externally imposed capital requirements. Operating cash flows are used to develop and expand the Group's production and exploration activities and to fund corporate costs of the Company.

The gearing ratio at end of the reporting period was as follows:

	31 Dec 2016 \$'000s	31 Dec 2015 \$'000s
Debt – continuing operations <sup>(1)</sup>	*	*
Cash and bank balances	*	*
Net debt	*	*
Equity <sup>(2)</sup>	*	*
Net debt to equity ratio	*	*

(1) Debt is classified as at 31 December 2015 as current borrowings.

(2) Equity includes all capital and reserves of the Group that are managed as capital.

\* The above ratio was not prepared for the year ended 31 December 2015 or 31 December 2016 as there is insufficient information to be able to prepare this ratio accurately.

# Notes to the Condensed Consolidated Financial Statements

## 26. FINANCIAL INSTRUMENTS (cont)

### Categories of financial instruments

The categories of financial instruments except for borrowings are as disclosed on the face of the balance sheet. Borrowings include a convertible debenture designated at face value.

#### (ii) Financial risk management objectives

The Group is exposed to financial risks through the normal course of its business operations. The key risks impacting the Group's financial instruments are considered to be foreign currency risk, interest rate risk, commodity risk and credit risk. The Group's financial instruments exposed to these risks are cash and short-term deposits, receivables and trade payables.

The Group's CEO and local finance managers monitor the Group's risks on an ongoing basis and report to the Board. The Group does not use derivative financial instruments as part of its risk management process.

#### (iii) Foreign currency and commodity risk management

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. As the Group operates predominantly in South America, the functional currency of the Brazilian subsidiaries, being Brazilian Reals and the Peruvian subsidiaries, being US dollars, differs from the functional currency of the Parent entity and the Consolidated Entity's financial statements, which are in Australian dollars.

The revenue derived through the sale of gold and copper exposes the potential income of the Company to gold and copper price and exchange rate risks. Gold and copper prices are affected by macroeconomic factors such as expectations regarding inflation, interest rates and global and regional demand for, and supply of, gold and copper. The international price of gold is denominated

in United States dollars, whereas the income and expenditure of the Company are and will be taken into account in Australian and South American currencies, exposing the Company to the fluctuations and volatility of the rates of exchange between the United States dollar and the Australian dollar which may have an adverse effect on current or future earnings.

The risk can be measured by performing a sensitivity analysis that quantifies the impact of different assumed exchange rates on the Group's forecast cash flows.

Commodity price exposures are managed within approved policy parameters. During the year, no forward contracts were entered into (31 December 2014: Nil).

The carrying amounts of the Group's foreign currency denominated assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	Dec 2016 \$'000	Dec 2015 \$'000	Dec 2016 \$'000	Dec 2014 \$'000
US dollars	*	*	*	*

\* The Company was under External administration from 25 August 2015 and attempted to obtain further information in respect of its Peruvian subsidiaries however it has not received sufficient information from Peruvian management, consequently the Company does not have sufficient information to allow the level of disclosure required for the year ended 31 December 2016.

#### Foreign currency sensitivity analysis

The Group is mainly exposed to movements in the US dollar against the Australian dollar.

The following table details the Group's sensitivity to a 10% increase and decrease in the Australian dollar against the US dollar. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only

# Notes to the Condensed Consolidated Financial Statements

## 26. FINANCIAL INSTRUMENTS (cont)

outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower.

A positive number below indicates an increase in profit or equity where the Australian dollar strengthens 10% against the relevant currency.

For a 10% weakening of the Australian dollar against the relevant currency, there would be a comparable and opposite impact on the profit or equity.

	US Dollar impact	
	Dec 2016 \$'000	Dec 2015 \$'000
Profit or (loss)	*	*
Equity	*	*

\* The Company was under External administration from 25 August 2015 and attempted to obtain further information in respect of its Peruvian subsidiaries however it has not received sufficient information from Peruvian management, consequently the Company does not have sufficient information to allow the level of disclosure required for the year ended 31 December 2016

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period does not reflect the exposure during the period.

### (iv) Interest rate risk management

Fluctuations in interest rates impact on the value of short-term cash investments and financing activities, giving rise to interest rate risk. In the ordinary course of business, the group receives cash from the proceeds of mineral sales and toll processing and is required to fund working capital requirements. This cash is managed to ensure surplus funds are invested in a manner to achieve market-related returns while minimising risks.

The Group and the Company are exposed to interest rate risk as entities in the Group deposit funds at both fixed and floating rates of interest and have interest-bearing liabilities. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings

The Group and the Company's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

#### *Interest rate sensitivity*

A change in interest rates would not have a material impact on the carrying value of the Group or the Company's financial instruments as at the current or prior year end.

### (v) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

#### *Liquidity and interest risk tables*

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables below have been drawn up based on undiscounted cash flows (including both interest and principal cash flows expected) using contractual maturities of financial assets and the earliest date on which the Group and the Company can be required to pay financial liabilities.

Amounts for financial assets and financial liabilities include interest except where it is anticipated the cash flow will occur in a different period.

# Notes to the Condensed Consolidated Financial Statements

## 26. FINANCIAL INSTRUMENTS (cont)

### Liquidity and interest risk tables

\* The Company was under External administration from 25 August 2015 and attempted to obtain further information in respect of its Peruvian subsidiaries however it has not received sufficient information from Peruvian management, consequently the Company does not have sufficient information to allow the level of disclosure required for the year ended 31 December 2016

The liabilities will be considered under the DOCA.

#### (vi) Credit risk management

Credit risk on unrecognised financial instruments refers to the potential financial loss to the Group or the Company that may result from counter parties failing to meet their contractual obligations. The Group and the Company manage their counterparty credit risk by limiting their transactions to counterparties of sound credit worthiness and by ensuring a diversified number of counterparties, avoiding undue exposure to any single counterparty.

Trade receivables consist of a limited number of customers, namely in South America and specifically, Peru. Ongoing credit evaluation is performed on the financial condition of accounts receivable. The Group and the Company's maximum exposures to credit risk, without taking into account of the value of any collateral obtained at the balance date, in relation to each class of recognised financial asset, is the carrying amount of those assets as indicated in the balance sheet.

#### Fair value of financial instruments

The directors consider that the carrying amount of financial assets and financial liabilities other than investments in subsidiaries recorded in the financial statements represent or approximate their respective fair values.

The fair values of financial assets and financial liabilities are determined as follows.

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

## 27. SHARE-BASED PAYMENTS

### Employee Share Option Plan

The Group has an ownership-based compensation scheme for directors, executives and senior employees of the Group. In accordance with the terms of the plan, as approved by shareholders; directors, executives and senior employees may be granted options to purchase ordinary shares.

Each employee share option converts into one ordinary share of Minera Gold Limited (Subject to Deed of Company Arrangement) on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at anytime from the date of vesting to the date of their expiry.

The number of options granted to individual employees and senior executives are subject to approval by the Remuneration Committee. The following employee share-based payment arrangements were in existence during the current and prior reporting period:

Option series	Number	Issue date	Expiry date	Exercise price \$	Weighted average fair value at grant	Vesting date
May 12	2,500,000	4 May 2012	30 Jun 2015	9 cents	0.01	4 May 2012
May 12	2,500,000	4 May 2012	30 Jun 2015	15 cents	0.01	4 May 2012
May 12	1,000,000	4 May 2012	30 Jun 2015	9 cents	0.01	4 May 2012
Jun 12	1,000,000	11 Jun 2012	30 Jun 2015	9 cents	0.01	11 June 2012
Sep 12	4,500,000	12 Sep 2012	13 Sep 2017	9 cents	0.01	14 Sep 2012
Sep 12	4,500,000	12 Sep 2012	13 Sep 2017	15 cents	0.02	14 Sep 2012
Dec 13	22,500,000	4 Dec 2013	4 Dec 2016	2 cents	0.001	4 Dec 2013

For further information concerning new share options issued and cancellations, please see the Deed Administrators' Report.

# Notes to the Condensed Consolidated Financial Statements

## Fair value of share options granted

The weighted average fair value of options granted during the period was \$nil as there were no share options issued during the financial year (31 December 2013: \$nil). Options are priced using a Black Scholes financial option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability and exercise restrictions. Expected volatility is based on the historical share price volatility of Minera Gold Limited (Subject to Deed of Company Arrangement).

### Inputs to the model:

Option series	May 12	Jun 12	Sep 12	Dec 13
Grant date share price	\$0.045	\$0.042	\$0.047	\$0.004
Exercise price/s	\$0.09	\$0.09	\$0.09	\$0.02
	\$0.15		\$0.15	
Expected volatility	60%	57%	60%	159%
Option life	3 yrs	3 yrs	5 yrs	3 yrs
Dividend yield	Nil	Nil	Nil	Nil
Risk-free interest rate	6.00%	6.00%	4.25%	3.03%

## Movements in employee share options during the period

The following reconciles the outstanding share options granted under the employee share option plan at the beginning and end of the financial year:

	31 December 2015	
	Number of options	Weighted average exercise price
Balance at the beginning of the financial year	37,500,000	0.060
Granted during the financial year	-	-
Cancelled during the financial year	*	*
<b>Balance at end of the financial year</b>	<b>*</b>	<b>*</b>
Exercisable at end of the financial year	*	*

There were no share options granted under the employee share option plan which were exercised during the financial year. The employee share options outstanding at the end of the financial year had exercise prices ranging between \$0.02 and \$0.15 (31 December 2014: \$0.02 and \$0.15) and a weighted average remaining contractual life of 1.5 years (31 December 2014: 1.9 years).

\* The Company was under External administration from 25 August 2015 and attempted to obtain further information in respect of its Peruvian subsidiaries however it has not received sufficient information from Peruvian management, consequently the Company does not have sufficient information to allow the level of disclosure required for the year ended 31 December 2016.

# Notes to the Condensed Consolidated Financial Statements

## 28. REMUNERATION OF AUDITORS

	Consolidated	
	31 Dec 2016	31 Dec 2015
	\$	\$
<i>Auditor of the parent entity</i>		
Audit or review of the financial report	40	40
Tax services	*	*
	*	*
<i>Other auditors – associate firms of the auditor of the parent entity in Brazil, USA and Peru</i>		
Audit or review of the financial report	40	40
	40	40

The auditor of Minera Gold Limited (Subject to Deed of Company Arrangement) for the financial year ended 31 December 2014 was Deloitte Touche Tohmatsu.

\* The Company was under External administration from 25 August 2015 and attempted to obtain further information in respect of its Peruvian subsidiaries however it has not received sufficient information from Peruvian management, consequently the Company does not have sufficient information to allow the level of disclosure required for the year ended 31 December 2016.

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
MINERA GOLD LIMITED (SUBJECT TO A DEED OF COMPANY ARRANGEMENT)**

**Report on the Audit of the Financial Report**

**Disclaimer of Opinion**

We have audited the financial report of Minera Gold Limited (Subject to a Deed of Company Arrangement), the Company and its subsidiaries, (the Group), which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

We do not express an opinion on the accompanying financial report of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial report, and whether the financial report of the Group is in accordance with the Corporations Act 2001.

**Basis for Disclaimer of Opinion**

The Group was placed into voluntary administration on 25 August 2015. Consequently, the financial information relating to the year under audit was not subject to the same accounting and internal controls processes, which includes the implementation and maintenance of internal controls that are relevant to the preparation and fair presentation of the financial report. Whilst the books and records of the company have been reconstructed to the maximum extent possible, we were unable to satisfy ourselves as to the completeness of the general ledger and financial records as well as the relevant disclosures in the financial report.

As stated in Note 2, the deed administrators are unable to state that the financial report is in accordance with all the requirements of the Corporations Act 2001 and the Australian Accounting Standards.

**Key Audit Matters**

Except for the matter described in the Basis for Disclaimer of Opinion section, we have determined that there are no other key audit matters to communicate in our report.

**Responsibilities of Management and Those Charged with Governance for the Financial Report**

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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## Responsibilities of Deed administrators for the Financial Report

The deed administrators are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the deed administrators determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In note 2, the deed administrators also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that, where possible, the financial statements have been reconstructed to comply with International Financial Reporting Standards, though financial records are incomplete. Accordingly, the deed administrators disclaim any responsibility for the completeness of the Financial Statements, and do not provide any statement to such effect in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements.

## Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/Home.aspx> This description forms part of our auditor's report.

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**  
(Trading as Stantons International)  
(An Authorised Audit Company)

*Stantons International Audit & Consulting Pty Ltd*



**Martin Michalik**  
Director

West Perth, Western Australia  
1 March 2017



**ANDINA RESOURCES LIMITED**

ABN 50 137 601 159

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED JUNE, 30 2018 AND 2017

# Unaudited Condensed Consolidated Statement of Profit and Loss and Other Comprehensive Income

For the half year ended 30 June 2018

	Note	Consolidated Half-year ended	
		30 June 2018 \$	30 June 2017 \$
<b>CONTINUING OPERATIONS</b>			
Revenue from contracts with customers	4	5,725,752	4,171,153
Cost of sales	4	(5,211,735)	(3,778,645)
Gross profit		514,017	392,508
Other revenue		112	16
Depreciation and amortisation charges	4	(74,225)	(86,887)
Administration expenses	4	(801,436)	(647,192)
Foreign exchange gain/(loss)		(76,401)	14,942
Finance costs	4	(184,613)	(2,522)
Impairment expense		-	-
Share based payments	4	(1,041,471)	-
Assumption of liability	4	(4,799,522)	-
Other expenses		-	-
<b>(LOSS) BEFORE INCOME TAX EXPENSE</b>		<b>(6,463,539)</b>	<b>(329,135)</b>
Income tax expense		-	-
<b>(LOSS) FOR THE PERIOD</b>		<b>(6,463,539)</b>	<b>(329,135)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Items that may be reclassified subsequently to profit or loss			
- Exchange differences on translating foreign operations		95,802	(69,785)
Items that will not be reclassified subsequently to profit or loss			
- Fair value loss on investments in equity instruments designated as at FVTOCI		(325,000)	-
<b>OTHER COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD, NET OF INCOME TAX</b>		<b>(229,198)</b>	<b>(69,785)</b>
<b>TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD</b>		<b>(6,692,737)</b>	<b>(398,920)</b>
<b>EARNINGS PER SHARE (cents per share)</b>			
Basic earnings per share		(0.012)	(0.001)
Diluted earnings per share		(0.012)	(0.001)

Notes to the condensed consolidated financial statements form part of these financial statements.

# Unaudited Condensed Consolidated Statement of Financial Position

As at 30 June 2018

	Note	Consolidated	
		30 June 2018	31 December 2017
		\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	399,232	375,986
Trade and other receivables	6	1,878,660	1,147,790
Inventories	7	923,962	596,767
Current tax asset		403,912	-
<b>TOTAL CURRENT ASSETS</b>		<b>3,605,766</b>	<b>2,989,464</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		3,452,020	3,130,337
Deferred exploration and evaluation expenditure	8	336,543	106,785
Intangible assets		20,087	-
Financial assets	9	2,275,000	2,600,000
<b>TOTAL NON-CURRENT ASSETS</b>		<b>6,083,650</b>	<b>5,837,122</b>
<b>TOTAL ASSETS</b>		<b>9,689,416</b>	<b>8,826,586</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	770,321	975,983
Borrowings	11	947,098	160,062
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,717,419</b>	<b>1,136,045</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	11	5,223,188	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>5,223,188</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>6,940,607</b>	<b>1,136,045</b>
<b>NET ASSETS</b>		<b>2,748,809</b>	<b>7,690,541</b>
<b>EQUITY</b>			
Issued capital	12	9,686,336	6,763,069
Reserves		2,930,876	4,332,338
Accumulated losses		(9,868,403)	(3,404,866)
<b>TOTAL EQUITY</b>		<b>2,748,809</b>	<b>7,690,541</b>

Notes to the condensed consolidated financial statements form part of these financial statements.

# Unaudited Condensed Consolidated Statement of Changes in Equity

For the half year ended 30 June 2018

	Issued Capital	Capital Reserve	Legal Reserve	Foreign Currency Translation Reserve	Asset revaluation reserve	Equity portion of Convertible loan	Accumulated Losses	Total Equity
<b>Balance as at 1 January 2017</b>	<b>6,653,066</b>	<b>307,528</b>	<b>20,628</b>	<b>323,242</b>	-	-	<b>(2,451,842)</b>	<b>4,852,622</b>
Loss for the period	-	-	-	-	-	-	(329,135)	(329,135)
Other comprehensive income for the period, net of income tax	-	-	-	(69,784)	-	-	-	(69,784)
Total comprehensive income for the period	-	-	-	<b>(69,784)</b>	-	-	<b>(329,135)</b>	<b>(398,920)</b>
Issue of shares	-	-	-	-	-	-	-	-
Capital raising costs	-	-	-	-	-	-	-	-
Recognise vesting of share based payments	-	-	-	-	-	-	-	-
<b>Balance at 30 June 2017</b>	<b>6,653,069</b>	<b>307,528</b>	<b>20,628</b>	<b>253,458</b>	-	-	<b>(2,507,273)</b>	<b>4,453,707</b>
<b>Balance as at 1 January 2018</b>	<b>6,763,069</b>	<b>307,528</b>	<b>20,628</b>	<b>100,814</b>	<b>1,950,000</b>	<b>1,953,338</b>	<b>(3,404,866)</b>	<b>7,690,541</b>
Loss for the period	-	-	-	-	-	-	(6,463,539)	(6,463,539)
Other comprehensive loss for the period, net of income tax	-	-	-	95,802	(325,000)	-	-	(229,198)
Total comprehensive loss for the period	-	-	-	<b>95,802</b>	<b>(325,000)</b>	-	<b>(6,463,539)</b>	<b>(6,692,737)</b>
Issue of shares	969,929	-	-	-	-	-	-	969,929
Capital raising costs	-	-	-	-	-	-	-	-
Conversion of Convertible note	1,953,338	-	-	-	-	(1,953,338)	-	-
Recognise share based payments	-	781,104	-	-	-	-	-	781,104
<b>Balance at 30 June 2018</b>	<b>9,686,336</b>	<b>1,088,632</b>	<b>20,628</b>	<b>196,616</b>	<b>1,625,000</b>	-	<b>(9,868,403)</b>	<b>2,748,809</b>

Notes to the condensed consolidated financial statements form part of these financial statements.

# Unaudited Condensed Consolidated Statement of Cash Flows

For the half year ended 30 June 2018

	Note	Consolidated Half-year ended	
		30 June 2018 \$	30 June 2017 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from gold sales and toll processing		6,053,917	3,897,094
Payments to suppliers and employees		(6,152,532)	(4,140,707)
Interest received		127	16
Income tax paid		(82,795)	-
<b>NET CASH (USED IN) IN OPERATING ACTIVITIES</b>		<b>(181,283)</b>	<b>(243,597)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for property, plant & equipment		(232,178)	-
Payments of exploration and evaluation costs		(33,855)	-
Loans provided to third parties		371,415	(118,836)
Repayment of financial liabilities			(22,998)
<b>NET CASH (USED IN) INVESTING ACTIVITIES</b>		<b>105,382</b>	<b>(141,835)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares (net of capital raising costs)		-	-
Proceeds from borrowings		128,600	221,737
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>		<b>128,600</b>	<b>221,737</b>
Net (decrease) / increase in cash and cash equivalents		52,700	(163,694)
Cash and cash equivalents at the beginning of the period		375,986	228,899
Effects of exchange rate changes on the balance of cash held in foreign currencies		(29,453)	22,179
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>399,232</b>	<b>87,384</b>

Notes to the condensed consolidated financial statements form part of these financial statements.

# Notes to the Condensed Consolidated Financial Statements

## 1. GENERAL INFORMATION

Andina Reosurces Limited is a for-profit listed public company, incorporated in Australia and operates in Australia (corporate office) and in South America. The Group's registered office is in Suite 6, 295 Rokeby Road, Subiaco, WA 6008 Australia.

## 2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

### Statement of compliance

The half-year financial report is a general purpose condensed financial report prepared in accordance with the Corporations Act 2001 and AASB 134 "Interim Financial Reporting". Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 134 "Interim Financial Reporting". The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

The financial statements were authorised for the issue by the Directors on 30 June 2018.

### Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars unless otherwise noted.

The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

### Going concern

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity, realisation of assets and the settlement of liabilities in the normal course of business. The Consolidated Entity incurred a net loss of \$6,463,539 (2017: \$329,135), had a net operating cash outflow of \$181,283 (2017: \$243,597) and a net investing cash inflow of \$105,385 (2018: cash outflow \$141,835) for the period ended 30 June 2018.

The Consolidated Entity is currently in a working capital position of \$1,888,347 (31 December 2017: surplus \$1,853,419).

The directors have prepared a cash flow forecast, which indicates that Group will have sufficient cash flows to meet all commitments and working capital requirements for the 12 month period from the date of signing this financial report. Included in the forecast are capital raisings expected to be completed with the next 12 months.

The Directors are confident that the Group has sufficient cash to fund its activities within the next 12 months from the date the financial statements are approved and will be able to meet existing commitments as they fall due. The Directors will also continue to carefully manage discretionary expenditure in line with the Group's cashflow.

Should the Group not achieve additional funding required, there is uncertainty whether the Group would continue as a going concern and therefore whether it would realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

### Adoption of new and revised accounting standards

The financial statements have been prepared in accordance with the same accounting policies adopted in the Group's last annual financial statements for the year end 31 December 2017, except for the below:

The Group has adopted AASB 9: *Financial Instruments* and AASB 15: *Revenue from Contracts with Customers* from 1 January 2018. The below denotes the impact (if any) on the Group's financial report:

#### Adoption of AASB 9: *Financial Instruments*

The Group has adopted AASB 9: *Financial Instruments* effective 1 January 2018, which replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of AASB 9 did not result in a material change to the recognition or measurement of financial instruments for the Group as presented in the financial report.

#### Adoption of AASB 15: *Revenue from Contracts with Customers*

The Group has adopted AASB 15: *Revenue from Contracts with Customers*, which supersedes AASB 18: *Revenue*, from 1 January 2018. In accordance with the transition provision in AASB 15, the Group has adopted the new rules prospectively from 1 January 2018 and was not required to restate comparatives.

As the Group does not have any material revenue streams during the 6 month period ended 30 June 2018, the adoption of this standard has not resulted in a material impact to the Group's financial information.

### 3. SEGMENT INFORMATION

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the consolidated entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team in assessing performance and in determining the allocation of resources.

The group operates in two operating segments and two geographical segments being mineral exploration in Peru and mineral production in Peru with head office costs in Australia and this is the basis on which internal reports are provided to the directors for assessing performance and determining the allocation of resources in the Group.

<b>Six months to December 2017</b>	Exploration - Peru \$	Mineral Production - Peru \$	Treasury - Australia \$	Total \$
<b>SEGMENT PERFORMANCE</b>				
Revenue/ Other income	-	5,725,752	112	5,725,864
Total group revenue	-	5,725,752	112	5,725,864
Segment net profit/ (loss) from continuing operations before tax	1,477	(52,172)	112	(50,583)
Reconciliation of segment result to group net profit before tax				
Unallocated items:				
Administration expense				(434,284)
Finance costs				(184,613)
Share based payments				(1,041,471)
Assumption of liability				(4,799,522)
Foreign exchange gain/(loss)				46,934
Net profit before tax from continuing operations				(879,323)
<b>SEGMENT ASSETS</b>				
Segment assets/ total group assets	78,484	6,898,870	2,442,992	9,420,346
Reconciliation of segment assets to group assets				
Unallocated items:				
Property, plant and equipment				269,069
Total group assets				9,689,416
<b>SEGMENT LIABILITIES</b>				
Segment liabilities	9	540,132	185,768	725,909
Reconciliation of segment liabilities to group liabilities				
Trade and other payables				44,412
Assumption of liability				6,170,286
Total group liabilities				6,940,607





### 3. Segment Note (cont)

Six months to June 2017	Exploration - Peru \$	Mineral Production - Peru \$	Treasury - Australia \$	Total \$
<b>SEGMENT PERFORMANCE</b>				
Revenue	-	4,171,153	16	4,171,169
Total group revenue	-	4,171,153	16	4,171,169
Segment net profit/ (loss) from continuing operations before tax	(40,706)	(77,485)	16	(118,175)
Reconciliation of segment result to group net profit before tax				
Unallocated items:				
Administration expense				(223,380)
Finance costs				(2,522)
Foreign exchange gain/ (loss)				14,942
Net profit before tax from continuing operations				(329,135)
<b>SEGMENT ASSETS</b>				
Segment assets/ total group assets	405,650	5,062,020	81,501	5,549,171
Reconciliation of segment assets to group assets				
Unallocated items:				
Property, plant and equipment				46,463
Total group assets				5,595,634
<b>SEGMENT LIABILITIES</b>				
Segment liabilities	18,210	655,357	418,416	1,091,983
Reconciliation of segment liabilities to group liabilities				
Trade and other payables				49,943
Total group liabilities				1,141,926

#### 4. REVENUE AND EXPENSES

	Consolidated Half-year ended	
	30 Jun 2018 \$	30 Jun 2017 \$
<b>(a) Revenue from contracts with customers</b>		
Revenue from toll processing	5,725,752	4,171,153
	<b>5,725,752</b>	<b>4,171,153</b>
<b>(b) Cost of sales</b>		
Cost of sales from toll processing	(5,211,735)	(3,778,645)
	<b>(5,211,735)</b>	<b>(3,778,645)</b>
<b>(c) Expenses</b>		
<i>(i) Depreciation and amortisation:</i>		
Plant and equipment	<b>(74,225)</b>	<b>(86,887)</b>
<i>(ii) Administration expenses</i>		
Share based payments	(1,041,471)	-
Assumption of liability <sup>1</sup>	(4,799,522)	-
Depreciation expense	(74,225)	(86,887)
Finance costs	(184,613)	(2,522)
	<b>(6,099,831)</b>	<b>(89,409)</b>

1. During the June 2018 half year Mantle Mining Peru SAC, a Peru subsidiary of Andina Resources Limited, assumed the Silverstream liability has been assumed by the Group. The Silverstream agreement is secured over the Torrecillas concessions and mining operations that the Titan group had with Silverstream SECZ. The loan is interest free, and requires the total payment of US\$3,700,000 over 15 instalments commencing on 1 July 2018 and ending on 30 June 2022.

#### 5. CASH AND CASH EQUIVALENTS

	Consolidated	
	30 Jun 2018 \$	31 Dec 2017 \$
Cash and bank balances	399,232	375,986

All cash balances contained in the above table was available for use by the Group as at 30 June 2018 and 31 December 2017.

#### 6. TRADE AND OTHER RECEIVABLES

	Consolidated	
	30 Jun 2018 \$	31 Dec 2017 \$
<b>CURRENT</b>		
Trade receivables	69,564	348,8440
GST receivable	56,102	30,447
Other receivables	1,710,823	1,637,420
	<b>1,836,489</b>	<b>2,016,711</b>

At the reporting date no trade receivables were past due but not impaired.

## 7. INVENTORIES

	Consolidated	
	30 Jun 2019	31 Dec 2018
	\$	\$
Work in progress	611,417	369,921
Supplies used in production	312,545	226,846
	<b>923,962</b>	<b>596,767</b>

## 8. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	30 June 2019	31 December 2018
	\$	\$
Deferred exploration expenditure	336,543	106,785

Reconciliation of the carrying amounts of mine assets at the beginning and end of the current financial year:

Carrying amount at beginning of the year	106,785	316,324
- additions	229,758	-
- impairment	-	(205,135)
- impact of foreign exchange	-	(4,404)
	<b>336,543</b>	<b>106,785</b>

## 9. FINANCIAL ASSETS

	30 June 2018	31 December 2017
	\$	\$
<b>Investments</b>		
Financial assets available for sale	2,275,000	2,600,000
	<b>2,286,598</b>	<b>2,600,000</b>

At balance date the Company held 65,000,000 Titan Minerals Limited shares which had a market value of \$2,275,000 based on the 30 June 2018 shares price of \$0.035.

## 10. TRADE AND OTHER PAYABLES

	30 June 2018	31 December 2017
	\$	\$
<b>CURRENT</b>		
Trade payables	648,321	853,883
Accruals	122,000	122,100
	<b>770,321</b>	<b>975,983</b>

## 11. BORROWINGS

	30 June 2018	31 December 2017
	\$	\$
<b>NON-CURRENT</b>		
<b>Secured at amortised cost</b>		
Loan – Silverstream SECZ	947,098	-
Total Non-current borrowings	947,098	-
<b>NON-CURRENT</b>		
<b>Secured at amortised cost</b>		
Loan – Hogans Heros SAC	1,113,217	
Loan – Silverstream SECZ	5,223,188	-
Total Non-current borrowings	5,223,188	
<b>TOTAL BORROWINGS</b>	<b>6,170,286</b>	<b>-</b>

Andina Resources Limited was provided an unsecured loan from Hogans Heros SAC a subsidiary of Titan Minerals Limited.

During the June 2018 half year Mantle Mining Peru SAC, a Peru subsidiary of Andina Resources Limited, assumed the Silverstream liability. The Silverstream agreement is secured over the Torrecillas concessions and mining operations that the Titan group had with Silverstream SECZ.

The loan is interest free, and requires the total payment of US\$3,700,000 over 15 instalments commencing on 1 July 2018 and ending on 30 June 2022.

## 12. ISSUED CAPITAL

### Issued capital reconciliation

	30 June 2018	
Issued capital	Number	\$
Ordinary shares fully paid	325,993,496	6,763,069
<b>Movements in shares on issue</b>		
Balance at the beginning of the financial period	325,993,496	6,763,069
13 February 2018: Convertible loan conversion	190,909,091	2,100,000
28 February 2018: Convertible loan conversion	16,909,091	186,000
13 March 2018: Settlement of outstanding creditors	34,263,636	376,900
25 March 2018: Silverstream settlement	23,669,805	260,367
31 May 2018 Conversion of Performance Rights	71,009,414	-
<b>Balance at end of half year</b>	<b>662,754,534</b>	<b>9,686,336</b>

### Terms and conditions of contributed equity

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

#### (a) Shares under option – unlisted

During the period no options were exercised, issued or lapsed. As at 30 June 2018, there are nil options outstanding.

### **13. SHARE BASED PAYMENTS**

Under the terms of the Deed of Company Arrangement of Andina Minerals Limited the Andina subsidiary Mantle Mining S.A.C was to granted the Torecillas concessions and mining operation and further to that also to assume the Gold and Silver Streaming agreements that were securitized against the Torecillas concessions and mining operations that the Andina group had with Silverstream SECZ. The last of the conditions precedent of the Replacement Silver Stream Agreement and Replacement Gold Stream Agreement entered into between Silverstream SECZ and Mantle Mining S.A.C is yet to be resolved, which when resolved will crystallise the two loans and the liability under both agreements will be assumed by Mantle Mining S.A.C. On 25 March 2018 Silverstream SECZ, the Company and Mantle Mining S.A.C entered into a Variation Deed which varied the terms of the existing gold and silver agreements from a settlement in gold and silver to a settlement of the loan via issuing 23,669,805 shares in the Company which occurred on that day and a total payment of US\$3,700,000 over 15 instalments commencing on 1 July 2018 and ending on 30 June 2022.

During February 2018, the Company received a total of \$155,000 in convertible loans to assist in funding for the Vista Gold plant build. Key terms of the Convertible Note are that any time up to the maturity date the convertible notes, at the election of the Company be converted to Ordinary shares at a price of \$0.011 per share. They mature 12 months from the date funds were received and have an interest rate of 20%. During February 2018 a total of 207,818,182 Company shares were issued to convert all the standing convertible loans plus interest accrued there on into equity.

In March 2018 the Company issued a total of 34,263,636 shares to contractors in lieu of paying cash for payables. 23,354,545 were issued to a company related to Matthew Carr to settle outstanding director and consulting fees for FY2017 owed to ML Carr. At the same time the Company issued 71,009,414 Performance Rights to Jason Bontempo (or nominees) as remuneration for corporate advisory services to the Company. One Performance Right converts to one Ordinary Share in the Company and the performance condition is that the Company receiving a takeover bid acceptance of 50.1% or more and the expiry date occurring 12 months from 12 March 2018.

### **14. CONTINGENCIES AND COMMITMENTS**

There are no material changes to contingent liabilities or commitments of the consolidated entity since the last annual reporting date.

**Andina Resources Limited and controlled entities**

**Statement of Profit or Loss and Other Comprehensive Income**

**For the 6 month period ending 30 June 2018**

	<b>Consolidated 30 June 2018 \$ AUD</b>	<b>Consolidated 30 June 2017 \$ AUD</b>
Revenue	5,725,752	4,171,153
Cost of sales	(5,211,735)	(3,778,645)
Gross loss	<u>514,017</u>	<u>392,508</u>
Other revenue	112	16
Depreciation and amortisation charges	(74,225)	(86,887)
Administration expenses	(801,436)	(647,192)
Foreign Exchange	(76,401)	14,942
Finance costs	(184,613)	(2,522)
Share based payments expense	(1,041,471)	-
Assumption of liability	(4,799,522)	-
<b>PROFIT/ (LOSS) BEFORE INCOME TAX EXPENSE</b>	<u><b>(6,463,539)</b></u>	<u><b>(329,135)</b></u>
Income tax expense / (benefit)	-	-
<b>PROFIT/ (LOSS) FOR THE PERIOD FROM ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>	<u><b>(6,463,539)</b></u>	<u><b>(329,135)</b></u>
<b>Profit / (Loss) for the year</b>	<u><b>(6,463,539)</b></u>	<u><b>(329,135)</b></u>
<b>OTHER COMPREHENSIVE INCOME</b>		
<i>Items that may not be reclassified subsequently to profit or loss</i>		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translating foreign operations	95,712	(343,487)
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX</b>	<u>95,712</u>	<u>(343,487)</u>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>	<u><b>(6,367,827)</b></u>	<u><b>(672,622)</b></u>

**Andina Resources Limited and controlled entities**

**Statement of Financial Position**

**As at 30 June 2018**

	<b>Consolidated 30 June 2018 \$ AUD</b>	<b>Consolidated 30 June 2017 \$ AUD</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	399,232	84,384
Trade and other receivables	1,541,604	1,147,790
Prepayments	337,056	1,157,765
Inventories	923,962	152,626
Current tax asset	403,912	390,363
<b>TOTAL CURRENT ASSETS</b>	<b>3,605,766</b>	<b>2,935,928</b>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	3,452,020	2,077,413
Deferred exploration and evaluation expenditure	336,543	443,574
Intangible assets	20,087	138,719
Financial Assets	2,275,000	-
<b>TOTAL NON-CURRENT ASSETS</b>	<b>6,083,650</b>	<b>2,659,706</b>
<b>TOTAL ASSETS</b>	<b>9,689,416</b>	<b>5,595,634</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	770,321	862,617
Borrowings	947,098	250,009
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,717,419</b>	<b>1,112,626</b>
<b>NON-CURRENT LIABILITIES</b>		
Borrowings	5,223,188	29,301
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>5,223,188</b>	<b>29,301</b>
<b>TOTAL LIABILITIES</b>	<b>6,940,607</b>	<b>1,141,927</b>
<b>NET ASSETS</b>	<b>2,748,809</b>	<b>4,453,707</b>
<b>EQUITY</b>		
Issued capital	9,686,336	6,653,069
Reserves	2,930,876	307,911
Accumulated losses	(9,868,403)	(2,507,273)
<b>TOTAL EQUITY</b>	<b>2,748,809</b>	<b>4,453,707</b>

**ANDINA RESOURCES LIMITED**

ABN 50 137 601 159

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017



Andina Resources Limited

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**ANDINA RESOURCES LIMITED  
CORPORATE DIRECTORY**

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**DIRECTORS**

Timothy Neesham (Non-Executive Chairman)  
Matthew Carr (Executive Director)  
Arturo Cavero (Non-Executive Director)

**AUDITOR**

Stantons International  
Level 2,  
1 Walker Avenue,  
West Perth WA 6005

**COMPANY SECRETARY**

Arron Canicais (appointed 12 February 2018)  
Zane Lewis (Resigned 12 February 2018)

**BANKERS**

ANZ West Perth  
Level 10, 77 St Georges Tce, Perth WA 6000,  
Australia  
Phone: +61 8 6298 3891

**REGISTERED OFFICE & PRINCIPAL PLACE  
OF BUSINESS**

Suite 6, 295 Rokeby Road  
Subiaco,  
Western Australia 6008

Phone: +618 6555 2950  
Facsimile: +618 6166 0261

## **ANDINA RESOURCES LIMITED**

### **DIRECTORS' REPORT**

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The Directors present their report, together with the financial statements of the Group, being the company and its controlled entities, for the year ended 31 December 2017.

#### **BOARD OF DIRECTORS**

The names and details of the Andina Resources Ltd ("Company") directors in office during the financial year and until the date of this report are as follows.

Matthew Carr (Executive Director)

Mr. Carr is a successful and experienced company director having founded Urban Capital Group and assisted in the capital raising of several public companies.

Since 2005, Mr. Carr has also been director of a private hospitality group that has a number of establishments throughout Western Australia.

Arturo Cavero (Non-Executive Director)

Mr. Cavero is an Electronic Engineer from the "Universidad Nacional de Ingenieria" (National Engineering University) of Lima, Peru. He started his career as Systems Engineer in IBM. After multiple awards, he initiated his own company in the Application Software development area. With more than 30 years of successful experience as Project Manager of significant projects, Mr. Cavero has always demonstrated great efficiency and proactivity.

During the last nine years he has been the General Manager of several Mining Companies owned by Peruvian and Australian Investors, as well as Director of several firms in Agriculture and IT.

Timothy Neesham (Non-Executive Chairman) Appointed 22<sup>nd</sup> May 2017

Mr. Neesham has been involved in the financial markets for over 10yrs and has provided corporate structuring, advisory for numerous Initial public offerings, capital raisings, company restructuring and operations. Mr. Neesham holds a Bachelor of Economics and a Diploma in Financial Planning. He was responsible for the structuring and relisting of the previously owned Cadbury Yowie brand, the Yowie Group Ltd; the listing of the Chinese manufacturing subsidiary of Guangdong Radio Group (GRG), GRG International Ltd; and a magnitude of other publicly listed and unlisted corporate restructuring, fund raising and corporate advisory services. Tim is also a director of Southern Forest Wines Pty Ltd, and Webstar Pty Ltd.

Andrew Knowles (Executive Director) Resigned 20<sup>th</sup> June 2017

Mr. Knowles is an experienced business & corporate executive, having worked in the Mining & Construction industries for over thirty five years, for both private and multinational companies. He is a graduate of the Science faculty at Melbourne University and has a Masters of Business Administration from the University of Western Australia, with specialties in Strategic Management, Administrative policy and Corporate finance.

He has worked as a Management Consultant, as well as being founder and Managing Director of one of Perth's largest mid tier construction companies – a position he held for 21 years, before selling down his equity in July of 2010.

Mr. Knowles also has Mining qualifications from the Box Hill Technical College (Melbourne) and is a Director of Royal Harry Goldmines NL, a public Company focusing on exploration and mining projects in Western Australia.

## ANDINA RESOURCES LIMITED

### DIRECTORS' REPORT

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Directorships of other listed companies held by directors in the three years immediately before the end of the financial year are as follows:

Director	Other directorships	Current Shareholdings
Matthew Carr	Titan Minerals Limited (ASX:TTM)	73,614,225
Andrew Knowles	None	5,839,535*
Arturo Cavero	None	406,250
Timothy Neesham	None	33,086,751

\*- Number of shares held at the time of resignation.

### CORPORATE STRUCTURE

Andina Resources Ltd is a company limited by shares that is incorporated and domiciled in Australia. Andina Resources Ltd has a 100% interest in Andean Metals S.A.C a company incorporated and domiciled in Lima, Peru. Andina Resources Limited holds a 100% interest in Tulin Gold S.A.C a company incorporated and domiciled in Lima, Peru. Tulin Gold S.A.C. owns 100% of the share capital of Mantle Mining S.A.C. a company incorporated and domiciled in Lima, Peru. Andina Resources Limited holds 100% of Vista Gold S.A.C a company incorporated and domiciled in Lima, Peru. Andina Resources Limited holds a 100% interest in Porphyry Assets Pty Ltd a company incorporated and domiciled in Australia, which in turn holds a 100% interest in Porphyry Assets S.A.C. a company incorporated and domiciled in Peru.

### NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The principal activities of the Group during the year were gold refining and processing at the Tulin Gold's plant in Tulin, Peru, as well as mineral exploration of the Group's concessions in Peru through its subsidiary Mantle Mining S.A.C.

### REVIEW OF OPERATIONS

Operationally, we have been in a holding pattern for over 12 months now. Our production numbers were well down due to several factors. Primarily because the company was under capitalised and operating a plant that is aging significantly.

When I say Andina in a holding pattern, the key reasons are capacity constraints at the Tulin Plant and waiting for the Vista Plant build and commission to complete. Though on the year from an operational point of view it was tough, we had to take a step back and improve our internal operations before we were ready to attack the market, or we faced the same issues repeatedly. This did take some time to identify and address, but it was a critical step to be made. Further details on this are included in the report below.

A summary of the results for the 2017 year are as follows:

- Processed 8,592 tonnes of gold ore
- Produced 4,898 oz of gold,
- Revenue of \$7,440,779,
- Net Loss of \$953,024.

### In-Country Operations Review

In 2017, after the resignation of Andy Knowles and Mr Arturo Cavero stepping down as general manger, the new executive director Mr Matthew Carr and Peru management team led by new General Manager Mr Gonzalo Freyre conducted a thorough review of in-country operations to assess how the Group could operate more efficiently and return to profitability. This lead to key changes in the gold processing operations in Peru as outlined below.

On the operational side of the business there were significant internal control deficiencies identified with deficiencies noted especially in regard to monitoring purchases of the Ore from the miners. This

## **ANDINA RESOURCES LIMITED**

### **DIRECTORS' REPORT**

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hampered key issues in the supply of Ore and also management of raw product to final product, which had negative impacts in many areas of the processing business in Peru.

As a result of the internal review, the Company implemented a robust technology system that brings the company up to date with the best procedures and practices in the industry and most importantly creates complete accountability from the General Manager in Peru right down the chain to the person buying the Ore. In addition, we have complete visibility of the day to day purchasing and processing from here in Australia.

Furthermore on the supply side of the business it was identified that a key ongoing risk was all our gold was bought from just one area of Peru called Chalhuanca. This area in Peru is not considered a large producer of gold ore. In addition, when the rain season kicked in, the Company historically found the supply of Ore would significantly reduce because the miners in the Chalhuanca area were unable to work.

There are 27 known areas in Peru that supply a significant amounts of gold, many close to the Tulin (and Vista) plant. Andina now have trucks and staff in 7 areas of these gold producing areas and as a result our mineral supply in early 2018 has significantly diversified and increased.

Prior to the review, it was also found that although we had several vehicles owned by Andina, many were not suitable for collecting ore, and therefore the Company had no trucks in the mountains collecting ore from our customers, as our competitors do. This has since been addressed with investments made in this area of the business, and we now have haulage trucks along with 4 x 4 trucks operating in the mountains to ensuring we maintain a constant supply of ore.

The Company has spent many months developing an IT system to monitor daily plant activities and operations, which it is now fully operational. As noted above the management team in Australia now have 24-hour access to the IT systems in Peru and can see the exact information at any moment. Right down to the profit per ton acquired.

Another important milestone during the year was replacing La Onza with a new carbon stripping provider in Lima, The new management team in Peru identified discrepancies in the gold stripping process at La Onza, which was impacting cost and margins. The change of service provider resulted in significant cost reductions on the Gold processing operation and zero discrepancies between gold in carbon and gold recovered. (For security purposes the Company is not identifying the new carbon stripping operator)

The onsite lab department was also reviewed and it was identified that there there was a lack in clarity on the processes and procedures in this area, resulting in an increased risk of theft. During the audit, it was identified that as a result of lab staff operations, The Tulin plant was charging higher than market prices, which impacted the quantity of ore that could be acquired. The implementation of the new IT and monitoring system has ensured that the lab team is monitored, operating transparently and as a result, Tulin has experienced an increase in ore supply and returned to profitability in 2018.

#### **The Vista Construction Program Review**

The new management team also completed a review of the construction of the Vista plant. The review identified that the stage of completion of the Vista plant was further behind than expected and the cost to complete was greater than originally advised by previous management.

Significant issues were identified in relation to sourcing grid power to the plant, requiring the re-routing of planned transmission lines, resulting in cost blow outs and delays, which are only now coming to the point of being resolved. There were also issues identified with the location of plant tanks and tailing dams which have led further delays and additional unbudgeted costs to rectify. The additional costs required further significant capital injections, which was achieved by way of convertible note during the year.

#### **RESULTS OF OPERATIONS**

The operating loss after income tax of the Group for the twelve months ended 31 December 2017 was \$953,024 (31 December 2016 operating profit: \$14,407).

## **ANDINA RESOURCES LIMITED**

### **DIRECTORS' REPORT**

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#### **DIVIDENDS**

No dividend has been paid during or is recommended for the twelve months ended 31 December 2017.

#### **SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

There were no significant changes in the state of affairs of the Group during the financial year not otherwise dealt with in this report and the financial statements.

#### **FUTURE DEVELOPMENTS**

The Group will continue to pursue its principal activity of processing gold from its plant operating in Peru and exploration and evaluation on licenses in Peru.

#### **Exploration Risk**

Mineral exploration and development are high-risk undertakings, and there is no assurance that exploration of the Tenements will result in the discovery of an economic deposit. Even if an apparently viable deposit is identified there is no guarantee that it can be economically exploited.

The future exploration activities of the Group may be affected by a range of factors including geological conditions, limitations on activities due to permitting requirements, availability of appropriate exploration equipment, exploration costs, seasonal weather patterns, unanticipated operational and technical difficulties, industrial and environmental accidents and many other factors beyond the control of the Group.

#### **SUBSEQUENT EVENTS**

There has not been any matter or circumstance that has arisen since 31 December 2017, which has significantly affected, or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years, other than:

Under the terms of the Deed of Company Arrangement of Titan Minerals Limited the Andina subsidiary Mantle Mining S.A.C was to granted the Torecillas concessions and mining operation and further to that also to assume the Gold and Silver Streaming agreements that were securitized against the Torecillas concessions and mining operations that the Titan group had with Silverstream SECZ. The last of the conditions precedent of the Replacement Silver Stream Agreement and Replacement Gold Stream Agreement entered into between Silverstream SECZ and Mantle Mining S.A.C is yet to be resolved, which when resolved will crystallise the two loans and the liability under both agreements will be assumed by Mantle Mining S.A.C. On 25 March 2018 Silverstream SECZ, the Company and Mantle Mining S.A.C entered into a Variation Deed which varied the terms of the existing gold and silver agreements from a settlement in gold and silver to a settlement of the loan via issuing 23,669,805 shares in the Company which occurred on that day and a total payment of US\$3,700,000 over 15 instalments commencing on 1 July 2018 and ending on 30 June 2022.

During February 2018, the Company received a total of \$155,000 in convertible loans to assist in funding for the Vista Gold plant build. Key terms of the Convertible Note are that any time up to the maturity date the convertible notes, at the election of the Company be converted to Ordinary shares at a price of \$0.011 per share. They mature 12 months from the date funds were received and have an interest rate of 20%. During February 2018 a total of 207,818,182 Company shares were issued to convert all the standing convertible loans plus interest accrued there on into equity.

In March 2018 the Company issued a total of 34,263,636 shares to contractors in lieu of paying cash for payables. 23,354,545 were issued to a company related to Matthew Carr to settle outstanding director and consulting fees for FY2017 owed to ML Carr. At the same time the Company issued 71,009,414 Performance Rights to Jason Bontempo (or nominees) as remuneration for corporate advisory services to the Company. One Performance Right converts to one Ordinary Share in the Company and the performance condition is that the Company receiving a takeover bid acceptance of 50.1% or more and the expiry date occurring 12 months from 12 March 2018.

## ANDINA RESOURCES LIMITED

### DIRECTORS' REPORT

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On 26 March 2018 Titan Minerals Limited ('Titan') and the Company entered into a bid-implementation agreement. Under the terms of the bid Titan will issue approximately 561,656,385 new Titan shares to acquire 100% of the issued capital of the Company, this works out to approximately 1 Titan share for every 1.18 Company shares held. On 23 May 2018 Titan lodged their Bidders Statement on the ASX platform and on 25 May 2018 Titan mailed the Bidders Statement to all Andina shareholders. The Company is currently completing their Target Statement which will be circulated to all shareholders once finalised.

On the 10<sup>th</sup> August 2018 Titan Minerals Limited issued 545,263,978 Titan shares to existing Andina shareholders who had at that point provided approval to the Titan Minerals takeover bid. Titan holds 97.09% of Andina's shares on issue from this date.

#### FINANCIAL POSITION

The Group's working capital, being current assets less current liabilities was \$1,853,419 at 31 December 2017 (31 December 2016: \$1,444,805).

In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

#### DIRECTORS' MEETINGS

The number of meetings attended by each of the Directors of the Company during the twelve months ended 31 December 2017 was:

	Board Meetings	
	Number entitled to attend	Number Attended
Matthew Carr	4	4
Andrew Knowles	3	3
Arturo Cavero	4	1
Timothy Neesham	1	1

#### ENVIRONMENTAL ISSUES

The Group's operations are subject to Federal laws and regulations in Peru concerning the environment. Details of the Group's performance in relation to environmental regulations are as follows:

There were no known significant breaches of the Group's license conditions or any environmental regulations to which it is subject.

The Directors of the Company have reviewed the requirements under the Australian National Greenhouse Emission Regulation ("NGER"). NGER has no impact on the Group.

#### PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

#### SHARE OPTIONS

As at the date of this report, there were no ordinary shares under option.

No person entitled to exercise any option referred to above has or had, by virtue of the option, a right to participate in any share issue of any other body corporate.

## **ANDINA RESOURCES LIMITED DIRECTORS' REPORT**

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During the twelve months ended 31 December 2017 no ordinary shares were issued on the exercise of options granted. No further shares have been issued since year end due to the exercise of options.

### **INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS**

During the year the Company paid a premium of \$6,575 (31 December 2016: \$2,797) to insure Directors and Officers of the Company. The Directors and Officers have indemnities in place with the Company whereby the Company has agreed to indemnify the Directors and Officers in respect of certain liabilities incurred by the Director or Officer while acting as a director of the Company and to insure the Director or Officer against certain risks the Director or Officer is exposed to as an officer of the Company.

### **AUDITOR'S INDEPENDENCE DECLARATION**

The lead auditor's independence declaration for the twelve months ended 31 December 2017 has been received and immediately follows the Directors' Report.

No fees were paid or payable to Stantons International for non-audit services provided during the twelve months ended 31 December 2017.

This report is made in accordance with a resolution of the Directors.



Timothy Neesham  
Non-Executive Chairman  
Perth, Western Australia  
16 August 2018



16 August 2018

Board of Directors  
Andina Resources Limited  
Suite 6, 295 Rokeby Road  
SUBIACO, WA 6008

Dear Directors

**RE: ANDINA RESOURCES LIMITED**

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Andina Resources Limited.

As Audit Director for the audit of the financial statements of Andina Resources Limited for the year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**  
**(Trading as Stantons International)**  
**(An Authorised Audit Company)**



**Martin Michalik**  
**Director**

## ANDINA RESOURCES LIMITED

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION As at 31 December 2017

	Note	31 Dec 2017 \$	31 Dec 2016 \$
<b>Current Assets</b>			
Cash and cash equivalents	5	375,986	228,899
Trade and other receivables	6	2,016,711	1,899,683
Inventory	7	596,767	336,430
<b>Total Current Assets</b>		<u>2,989,464</u>	<u>2,465,012</u>
<b>Non-Current Assets</b>			
Available for sale financial asset	8	2,600,000	-
Plant and equipment	9	3,130,337	2,131,982
Exploration and evaluation expenditure	10	106,785	316,324
Deferred tax asset	4(c)	-	74,211
Other assets	30	-	940,488
<b>Total Non-Current Assets</b>		<u>5,837,122</u>	<u>3,463,005</u>
<b>TOTAL ASSETS</b>		<u>8,826,586</u>	<u>5,928,017</u>
<b>Current Liabilities</b>			
Trade and other payables	11	933,536	878,574
Income tax payable	4(b)	-	-
Provisions	12	42,447	54,081
Financial liabilities	13	160,062	87,552
<b>Total Current Liabilities</b>		<u>1,136,045</u>	<u>1,020,207</u>
<b>Non-Current Liabilities</b>			
Financial liabilities	13	-	55,188
<b>Total Non-Current Liabilities</b>		<u>-</u>	<u>55,188</u>
<b>TOTAL LIABILITIES</b>		<u>1,136,045</u>	<u>1,075,395</u>
<b>NET ASSETS</b>		<u>7,690,541</u>	<u>4,852,622</u>
<b>Equity</b>			
Issued capital	14	6,763,069	6,653,066
Reserves	15	4,332,338	651,398
Accumulated losses	16	(3,404,866)	(2,451,842)
<b>TOTAL EQUITY</b>		<u>7,690,541</u>	<u>4,852,622</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

## ANDINA RESOURCES LIMITED

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME For the Year ended 31 December 2017

	Note	12 months to 31 Dec 2017 \$	12 months to 31 Dec 2016 \$
Revenue from continuing operations	2(a)	7,440,779	13,143,771
Cost of goods sold		(7,018,024)	(11,239,556)
Gross profit		422,755	1,904,215
Other income	2(b)	77	11,598
Receipt of shares	3	650,000	-
Expenses			
Administration expense		(1,644,446)	(1,397,460)
Occupancy expense		(96,237)	(132,472)
Interest expense		(203,368)	-
Impairment (provision)/reversal	3	149,981	(11,247)
Foreign exchange gain/(loss)		47,050	(15,597)
Exploration expenditure written off	3	(205,135)	(424)
Profit before income tax expense		(879,323)	358,613
Income tax expense	4(a)	(73,701)	(344,206)
Net profit/(loss) attributable to members of Company		(953,024)	14,407
Other comprehensive income			
Fair Value adjustment of Available for Sale investments			
Items that may be reclassified to profit or loss	15	1,950,000	-
Exchange differences on translation of foreign operations	15	(222,428)	(86,443)
Total comprehensive profit/(loss) attributable to members of Company		774,548	(72,036)
Basic earnings per share (cents per share)	18	(0.30)	0.01
Diluted earnings per share (cents per share)	18	(0.30)	0.01

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

## ANDINA RESOURCES LIMITED

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY For the Year ended 31 December 2017

	Issued Capital	Accumulated losses	Reserves	Total
	\$	\$	\$	\$
<b>Balance at 1 July 2016</b>	<b>5,303,786</b>	<b>(2,466,249)</b>	<b>737,841</b>	<b>3,575,378</b>
Profit after income tax	-	14,407	-	14,407
Other comprehensive income:				
Exchange differences on translation of Foreign operations	-	-	(86,443)	(86,443)
<b>Total comprehensive income/(loss)</b>	<b>-</b>	<b>14,407</b>	<b>(86,443)</b>	<b>(72,036)</b>
Issue of shares (net of raising costs)	1,349,280	-	-	1,349,280
<b>Balance at 31 December 2016</b>	<b>6,653,066</b>	<b>(2,451,842)</b>	<b>651,398</b>	<b>4,852,622</b>
<b>Balance at 1 January 2017</b>	<b>6,653,066</b>	<b>(2,451,842)</b>	<b>651,398</b>	<b>4,852,622</b>
Loss after income tax	-	(953,024)	-	(953,024)
Other comprehensive income:				
Fair Value adjustment of Available for Sale investments	-	-	1,950,000	1,950,000
Exchange differences on translation of Foreign operations	-	-	(222,428)	(222,428)
<b>Total comprehensive income/(loss)</b>	<b>-</b>	<b>(953,024)</b>	<b>1,727,572</b>	<b>774,548</b>
Issue of shares (net of raising costs)	110,003	-	-	110,003
Equity portion of Convertible Notes	-	-	1,953,368	1,953,368
<b>Balance at 31 December 2017</b>	<b>6,763,069</b>	<b>(3,404,866)</b>	<b>4,332,338</b>	<b>7,690,541</b>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

## ANDINA RESOURCES LIMITED

### CONSOLIDATED STATEMENT OF CASH FLOWS For the Year ended 31 December 2017

		12 months to 31 Dec 2017	12 months to 31 Dec 2016
	Note	\$	\$
<b>Cash Flows from Operating Activities</b>			
Receipts from customers		7,132,809	13,230,075
Payments to suppliers, contractors and employees		(8,840,300)	(13,561,935)
Interest received		77	11,598
Income tax paid		-	(344,206)
		<hr/>	<hr/>
Net cash flows used in operating activities	17	(1,707,414)	(664,468)
<b>Cash Flows used in Investing Activities</b>			
Purchase of plant and equipment		(338,781)	(983,023)
Disposals of plant and equipment		47,908	11,792
Payments for exploration and evaluation expenditure	10	-	(166,106)
Payment for Vista Gold S.A.C land	30	-	(178,682)
Loan repayment from Titan Minerals Limited	6	268,049	-
Repayment of loan for purchase of asset		(90,615)	(57,154)
		<hr/>	<hr/>
Net cash flows used in investing activities		(113,439)	(1,373,173)
<b>Cash Flows from Financing Activities</b>			
Proceeds from issue of securities (net of capital raising costs)		110,003	1,349,280
Proceeds from issue of convertible loans issued		1,750,000	-
Proceeds of loan		107,937	-
		<hr/>	<hr/>
Net cash flows from financing activities		1,967,940	1,349,280
		<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents		147,087	(688,361)
Cash and cash equivalents at the beginning of the year		228,899	917,260
		<hr/>	<hr/>
Cash and cash equivalents at the end of the year	5	375,986	228,899
		<hr/>	<hr/>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

ANDINA RESOURCES LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 December 2017

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the parent Andina Resources Limited and Controlled Entities (the "Group"). Andina Resources Limited is a public company, incorporated and domiciled in Australia.

The financial report of the Group complies with all International Financial Reporting Standards (IFRS) in their entirety.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report is presented in Australian dollars and all values are rounded to the nearest dollar unless otherwise stated.

**Going Concern**

The financial report has been prepared on the basis of accounting principles applicable to a going concern, which assumes the commercial realisation of the future potential of the Company's and Group's assets and the discharge of their liabilities in the normal course of business.

As disclosed in the financial report, the Group recorded an operating loss after tax for the twelve months ended 31 December 2017 of \$953,024 (2016 profit: \$14,407) and a cash outflow from operating activities of \$1,707,414 (2016: cash outflow \$664,468) for the twelve months ended 31 December 2017 and at reporting date, had a working capital balance of \$1,853,419 (2016: \$1,444,805).

The Board considers that the Company is a going concern and recognises that the Peru subsidiary is expected to continue to operate at a profit which will provide the working capital so that the Company can continue to fund the Group's operations for the 12 month period from the date of this financial report.

**(a) Principles of Consolidation**

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Andina Resources Limited) and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 28.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non-controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of profit or loss and other comprehensive income.

ANDINA RESOURCES LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 December 2017

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**  
**(b) Business Combinations**

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (i.e. parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of profit or loss and other comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value through the statement of profit or loss and other comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of profit or loss and other comprehensive income.

**(c) Exploration, Evaluation and Development Expenditure**

Exploration and evaluation costs are capitalised in the year they are incurred. Costs of acquisition and works on the tenement are capitalised to areas of interest and carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated acquisition costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated acquisition costs written off to the extent that they will not be recoverable in the future. Where projects have advanced to the stage that directors have made a decision to mine, they are classified as development properties. When further development expenditure is incurred in respect of a development property, such expenditure is carried forward as part of the cost of that development property only when substantial future economic benefits are established. Otherwise such expenditure is classified as part of the cost of production or written off where production has not commenced

ANDINA RESOURCES LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 December 2017

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(d) Financial Instruments

Financial instruments in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial instruments are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Company determines the classification of its financial instruments after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Company commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

(i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

(ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iv) Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.



ANDINA RESOURCES LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 December 2017

1. **STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**(d) Financial Instruments (cont)**

*(v) Financial Liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

**Impairment**

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

**Derecognition**

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

**(e) Cash and Cash Equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within financial liabilities in current liabilities on the Statement of Financial Position.

**(f) Trade and Other Receivables**

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that the entity will not be able to collect the debts. Bad debts are written off when identified.

**(g) Revenue**

Revenue from the sale of goods is recognised upon the delivery of goods to customers. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Revenue from the rendering of a service is recognised upon the delivery of the service to the customers. All revenue is stated net of the amount of goods and services tax (GST).

**(h) Impairment of Assets**

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from the other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

ANDINA RESOURCES LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 December 2017

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**(h) Impairment of Assets (cont)**

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the income statement immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

A reversal of an impairment loss is recognised in the income statement immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation increase.

**(i) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office ("ATO"). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the consolidated statement of financial position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the consolidated statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

**(j) Taxation**

The Company adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit/loss from ordinary activities adjusted for any non-assessable or disallowed items.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of profit or loss and other comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

**(k) Trade and Other Payables**

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services.

ANDINA RESOURCES LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
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**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**(l) Share Based Payments**

Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

**(m) Issued Capital**

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

**(n) Earnings Per Share**

Basic earnings per share is calculated as net earnings attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for a bonus element.

Diluted EPS is calculated as net earnings attributable to members, adjusted for costs of servicing equity (other than dividends) and preference share dividends; the after tax effect of dividends and interest associated with dilutive potential ordinary shares that would have been recognised as expenses; and other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

**(o) Convertible Loans**

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using effective interest method.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for the equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in the shareholders' equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on the convertible notes is expensed to profit or loss.

ANDINA RESOURCES LIMITED  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the year ended 31 December 2017

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**(p) Critical Accounting Estimates and Judgments**

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Key Estimates - Impairment

The Company assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Key Judgement – Exploration and evaluation costs

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are carried forward in respect of an area that has not at balance sheet date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or relating to, the area of interest are continuing.

Key Judgment – Environmental Issues

Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the directors understanding thereof. At the current stage of the Company's development and its current environmental impact the directors believe such treatment is reasonable and appropriate.

**(q) Adoption of New and Revised Accounting Standards**

The AASB has issued a number of new and revised Accounting Standards and Interpretations are effective for annual periods beginning or after 1 January 2017. These new and revised standards are:

Reference	Title
AASB 2016-1	Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses
AASB 2016-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107
AASB 2017-2	Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle

The Company has adopted each of the above new and amended standards. The application of these standards did not have a material impact on the results of the Group for the reporting year.

**(r) New Accounting Standards for Application in Future Periods**

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting period, some of which are relevant to the Company. The new and amended standards that are relevant to the Company are listed below:

Reference	Title	Summary	Application date of standard
AASB 9	<i>Financial Instruments</i>	AASB 9 replaces AASB 139 <i>Financial Instruments: Recognition and Measurement</i> .  Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs.	1 January 2018

ANDINA RESOURCES LIMITED  
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Reference	Title	Summary	Application date of standard
		<p>Debt instruments are subsequently measured at FVTPL, amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held.</p> <p>There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch.</p> <p>Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss.</p> <p>For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss.</p> <p>All other AASB 139 classification and measurement requirements for financial liabilities have been carried forward into AASB 9, including the embedded derivative separation rules and the criteria for using the FVO.</p> <p>The incurred credit loss model in AASB 139 has been replaced with an expected credit loss model in AASB 9.</p> <p>The requirements for hedge accounting have been amended to more closely align hedge accounting with risk management, establish a more principle-based approach to hedge accounting and address inconsistencies in the hedge accounting model in AASB 139.</p>	
AASB 15	Revenue from Contracts with Customers	<p>AASB 15 replaces all existing revenue requirements in Australian Accounting Standards (AASB 111 <i>Construction Contracts</i>, AASB 118 <i>Revenue</i>, AASB Interpretation 13 <i>Customer Loyalty Programmes</i>, AASB Interpretation 15 <i>Agreements for the Construction of Real Estate</i>, AASB Interpretation 18 <i>Transfers of Assets from Customers</i> and AASB Interpretation 131 <i>Revenue – Barter Transactions Involving Advertising Services</i>) and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as AASB 117 <i>Leases</i> (or AASB 16 <i>Leases</i>, once applied).</p> <p>The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:</p> <ul style="list-style-type: none"> <li>▶ Step 1: Identify the contract(s) with a customer</li> <li>▶ Step 2: Identify the performance obligations in the contract</li> <li>▶ Step 3: Determine the transaction price</li> <li>▶ Step 4: Allocate the transaction price to the performance obligations in the contract</li> <li>▶ Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.</li> </ul>	1 January 2018
AASB 2016-5	<i>Amendments to Australian Accounting</i>	This Standard amends AASB 2 <i>Share-based Payment</i> , clarifying how to account for certain types of share-based payment	1 January 2018

ANDINA RESOURCES LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 December 2017

Reference	Title	Summary	Application date of standard
	<i>Standards Classification and Measurement of Share-based Payment Transactions</i>	<ul style="list-style-type: none"> <li>– transactions. The amendments provide requirements on the accounting for: <ul style="list-style-type: none"> <li>▶ The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments</li> <li>▶ Share-based payment transactions with a net settlement feature for withholding tax obligations</li> <li>▶ A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.</li> </ul> </li> </ul>	
AASB 2017-1	<i>Amendments to Australian Accounting Standards – Transfers of Investments Property, Annual Improvements 2014-2016 Cycle and Other Amendments</i>	<p>The amendments clarify certain requirements in:</p> <ul style="list-style-type: none"> <li>AASB 1 <i>First-time Adoption of Australian Accounting Standards</i> – deletion of exemptions for first-time adopters and addition of an exemption arising from AASB Interpretation 22</li> <li><i>Foreign Currency Transactions and Advance Consideration</i> <ul style="list-style-type: none"> <li>▶ AASB 12 <i>Disclosure of Interests in Other Entities</i> – clarification of scope</li> <li>▶ AASB 128 <i>Investments in Associates and Joint Ventures</i> – measuring an associate or joint venture at fair value</li> <li>▶ AASB 140 <i>Investment Property</i> – change in use.</li> </ul> </li> </ul>	1 January 2018
AASB Interpretation 22	<i>Foreign Currency Transactions and Advance Consideration</i>	<p>The Interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transaction for each payment or receipt of advance consideration.</p>	1 January 2018
AASB 16	<i>Leases</i>	<p>AASB 16 requires lessees to account for all leases under a single balance sheet model in a similar way to finance leases under AASB 117 <i>Leases</i>. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less).</p> <p>At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).</p> <p>Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.</p> <p>Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.</p> <p>Lessor accounting is substantially unchanged from today's accounting under AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.</p>	1 January 2019
AASB 2017-7	<i>Amendments to Australian Accounting Standards –</i>	<p>This Standard amends AASB 128 <i>Investments in Associates and Joint Ventures</i> to clarify that an entity is required to account for long-term interests in an Associate or joint venture, which in substance form part of the net investment in the associate or joint</p>	1 January 2019

ANDINA RESOURCES LIMITED  
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Reference	Title	Summary	Application date of standard
	<i>Long-term Interests in Associates and Joint Ventures</i>	venture but to which the equity method is not applied, using AASB 9 <i>Financial Instruments</i> before applying the loss allocation and impairment requirements in AASB 128.	
Not yet issued by the AASB	Annual Improvements to IFRS Standards 2015–2017 Cycle	The amendments clarify certain requirements in: <ul style="list-style-type: none"> <li>▶ IFRS 3 <i>Business Combinations</i> and IFRS 11 <i>Joint Arrangements</i> - previously held interest in a joint operation</li> <li>▶ IAS 12 <i>Income Taxes</i> - income tax consequences of payments on financial instruments classified as equity</li> <li>▶ IAS 23 <i>Borrowing Costs</i> - borrowing costs eligible for capitalisation.</li> </ul>	1 January 2019

The Company has not elected to early adopt any new standards or amendments that are issued but not yet effective. New standards and amendments will be adopted when they become effective.

When adopted, the above standards are not expected to have a material impact to the financial statements. For AASB 9, it will have no impact on the Group's results accounting for financial assets as the current accounting for the available for sale assets is consistent with the treatment of the financial asset under AASB 9 as an Fair Value through Other Comprehensive Income financial asset. There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. For the AASB 15, the Group has made an initial assessment and does not expect to significantly impact the revenue recognition based on the existing revenue sources

ANDINA RESOURCES LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 December 2017

	Consolidated	
	31 Dec 2017	31 Dec 2016
	\$	\$
<b>2a. Revenue from continuing operations</b>		
Sale of goods	7,440,779	13,143,771
<b>2b. Other income</b>		
Interest revenue	77	11,598
<b>3. Expenses</b>		
Expenses include the following amounts:		
Employee benefits expense	666,842	783,331
Directors expense	268,889	331,116
Impairment (reversal)/expense	(149,981)	11,247
Depreciation expense	155,817	162,851
Audit fees	34,937	33,647
Consultancy expense	358,012	270,274
Exploration expenditure written off	205,135	424

In respect to the Deed of Company Arrangement ('DOCA') and Recapitalisation Proposal for Titan Minerals Limited ('Titan'), the Company (or its nominees) was entitled to received 235,000,000 fully paid ordinary shares in Titan. Of these shares, 170,000,000 shares were allocated to third party nominees in consideration for various services provided by them to the Company in its capacity as the proponent of the DOCA and Recapitalisation Proposal. This effectively generated an income of \$650,000 in the Company's books, being the fair value of 65,000,000 shares at \$0.01 per share.

**4. Income tax expense**

**(a) Prima facie income tax charge / (benefit) at 27.5% on profit/ (loss) from ordinary activities is reconciled to the income tax provided in the financial statements**

	31 Dec 2017	31 Dec 2016
	\$	\$
(Loss)/Profit before income tax	(879,323)	358,613
Income tax calculated at applicable tax rates <sup>1</sup>	(247,499)	103,171
Tax effect of:-		
- Expenses not allowed	40,752	126,301
- Deductions	(42,108)	(59,211)
- Temporary differences	47,630	-
Future income tax benefit not brought to account	201,225	173,302
Current income tax expense	-	343,563
Deferred tax expense	73,701	643
Income tax expense for the year	73,701	344,206

<sup>1</sup> – The income tax rate in Australia is 27.5% (2016: 27.5%). The income tax rate in Peru is 28% (2016: 28%). The effective tax rate equates to 28.1% (2016: 28.8%) for the Group due to the grossing up of individual tax positions.



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 NOTES TO THE FINANCIAL STATEMENTS  
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**4. Income tax expense (cont)**

**(b) Income tax liability**

As at 31 December 2017 the group recognised an income tax liability of \$Nil (31 December 2016: \$Nil) on the profits earned by its subsidiary entity –Tulin Gold S.A.C due to the fact Tulin Gold S.A.C has paid the tax in advance.

**(c) Deferred tax assets**

The potential deferred tax asset arising from the tax losses and temporary differences have not been recognised as an asset because recovery of tax losses is not yet probable.

	<b>12 months to 31 Dec 2017</b>	<b>12 months to 31 Dec 2016</b>
	\$	\$
Australian tax losses	563,269	548,728
Accrued expenses	33,578	10,676
Section 40-880 deductions	4,832	4,832
Unrecognised deferred tax assets	<u>601,679</u>	<u>564,236</u>
Peru temporary differences (written off)/ recognised during the year	-	(1,752)

The benefits will only be obtained if;

- i. The Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction for the losses to be realised.
- ii. The Company continues to comply with the conditions of deductibility imposed by the Law; and
- iii. No change in tax legislation adversely affect the Company in realising the benefits from the deductions or the losses.

	<b>31 Dec 2017</b>	<b>31 Dec 2016</b>
	\$	\$
<b>5. Cash and cash equivalents</b>		
Cash at bank	<u>375,986</u>	<u>228,899</u>
<b>6. Trade and other receivables</b>		
Current		
Trade debtors	348,844	31,298
GST receivable	30,447	31,053
Other receivables*	<u>1,637,420</u>	<u>1,837,332</u>
	<u>2,016,711</u>	<u>1,899,683</u>
* - Other receivables	1,859,254	2,074,553
Less: Provision for impairment	<u>(221,834)</u>	<u>(237,221)</u>
Total	<u>1,637,420</u>	<u>1,837,332</u>

All trade debtors are current and there are no overdue or impaired amounts. Other receivables comprise mainly of VAT, other taxes receivable in Tulin Gold Co SAC and advances to suppliers.

During the year Minera Gold Limited returned \$268,049 (2016: \$Nil returned) upon effectuation of the Deed of Company Arrangement.

ANDINA RESOURCES LIMITED  
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For the year ended 31 December 2017

7. Inventory	31 Dec 2017 \$	31 Dec 2016 \$
Work in progress	369,921	212,797
Supplies used in production	226,846	123,633
	596,767	336,430

8. Investments	31 Dec 2017 \$	31 Dec 2016 \$
Non- Current		
Financial assets, available for sale		
Shares in Australian listed companies	2,600,000	-
	2,600,000	-

At balance date the Company held 65,000,000 Titan Minerals Limited shares which had a market value of \$2,600,000 based on the 31 December 2017 shares price of \$0.04. At the date of this report the market price of Titan Minerals shares was \$0.03 giving a market value of \$1,950,000.

**9. Plant and equipment**

31 Dec 2017	Plant & Equipment \$	Motor vehicles \$	Furniture & fittings \$	Capital work in progress \$	Land \$	Total \$
Total plant and equipment at cost	846,036	539,332	36,078	1,444,616	884,846	3,750,908
Less: accumulated depreciation	(322,922)	(278,109)	(19,540)	-	-	(620,571)
Total plant and equipment	523,114	261,223	16,538	1,444,616	884,846	3,130,337

31 Dec 2017	Plant & Equipment \$	Motor vehicles \$	Furniture & fittings \$	Capital work in progress \$	Land \$	Total \$
Total carrying amount at the beginning of the year	605,560	162,447	20,599	1,343,376	-	2,131,982
Additions	20,325	183,006	-	135,451	884,846	1,223,628
Disposals	(17,548)	-	-	(30,360)	-	(47,908)
FX movement on cost	(18,901)	(10,880)	(812)	(3,851)	-	(34,444)
Depreciation expense	(73,088)	(79,066)	(3,663)	-	-	(155,817)
FX movement on depreciation	6,766	5,716	414	-	-	12,896
Total carrying amount at end of the year	523,114	261,223	16,538	1,444,616	884,846	3,130,337

31 Dec 2016	Plant & Equipment \$	Motor vehicles \$	Furniture & fittings \$	Capital work in progress \$	Land \$	Total \$
Total plant and equipment at cost	862,159	367,206	36,891	1,343,376	-	2,609,632
Less: accumulated depreciation	(256,599)	(204,759)	(16,292)	-	-	(477,650)
Total plant and equipment	605,560	162,447	20,599	1,343,376	-	2,131,982

31 Dec 2016	Plant & Equipment \$	Motor vehicles \$	Furniture & fittings \$	Capital work in progress \$	Land \$	Total \$
Total carrying amount at the beginning of the year	462,774	206,652	23,970	635,277	-	1,328,673
Additions	59,528	41,129	627	881,739	-	983,023
Disposals	(11,792)	-	-	-	-	(11,792)
FX movement on cost	179,653	(4,395)	(527)	(182,832)	-	(8,101)
Depreciation expense	(77,289)	(81,940)	(3,622)	-	-	(162,851)
FX movement on depreciation	(7,314)	1,001	151	9,192	-	3,030
Total carrying amount at end of the year	605,560	162,447	20,599	1,343,376	-	2,131,982

ANDINA RESOURCES LIMITED  
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10. Exploration and Evaluation Expenditure	31 Dec 2017	31 Dec 2016
	\$	\$
Carrying amount at the beginning of the year	316,324	150,642
Exploration and evaluation expenditure	-	166,106
Impairment of capitalised exploration	(205,135)	(424)-
FX movement	(4,404)	-
Total carrying amount at end of the year	<u>106,785</u>	<u>316,324</u>

11. Trade and other payables	31 Dec 2017	31 Dec 2016
	\$	\$
Current payables		
Trade and other payables	811,436	839,751
Accruals	<u>122,100</u>	<u>38,823</u>
	<u>933,536</u>	<u>878,574</u>

Trade liabilities are non-interest bearing and normally settled on 30-day terms.

12. Provisions	31 Dec 2017	31 Dec 2016
	\$	\$
Provision for annual leave	<u>42,447</u>	<u>54,081</u>
	<u>42,447</u>	<u>54,081</u>

13. Financial liabilities	31 Dec 2017	31 Dec 2016
	\$	\$
<b>CURRENT</b>		
Financial liability	<u>160,062</u>	<u>87,552</u>
	<u>160,062</u>	<u>87,552</u>
<b>NON-CURRENT</b>		
Financial liability	<u>-</u>	<u>55,188</u>
<b>TOTAL</b>	<u>160,062</u>	<u>142,740</u>

Financial liabilities relate to three (2016: three) hire purchase arrangements entered into to purchase various plant and equipment and pick up vans for the gold operations in Peru. The Van lease has a remaining balance of AU\$ Nil (2016: AU\$12,339) at 31 December 2017, has an interest rate of 7.65% per annum. The plant and equipment lease has a remaining balance AU\$47,395 (2016: AU\$106,300) to be paid from 31 December 2017, has an interest rate of 8.00% per annum and the final monthly payment will occur in October 2018. The second Van lease has a remaining balance of AU\$4,730 (2016: AU\$24,101) to be paid from 31 December 2016, has an interest rate of 7.97% per annum and the final monthly payment will occur in March 2018. During the 2017 year the Group received an unsecured loan for AU\$107,937 from an unrelated party with no repayment terms.

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	31 Dec 2017 Number	31 Dec 2017 \$	31 Dec 2016 Number	31 Dec 2016 \$
<b>14. Issued Capital</b>				
(a) Ordinary shares				
At the beginning of the year	315,993,496	6,653,066	190,202,132	5,303,786
Shares issued during the year:	10,000,000	110,003	125,791,364	1,383,705
Share issue costs	-	-	-	(34,425)
<b>At the end of the year</b>	<b>325,993,496</b>	<b>6,763,069</b>	<b>315,993,496</b>	<b>6,653,066</b>

(b) Share Options

At 31 December 2017 and 31 December 2016 the Company had no options on issue.

**Capital Management**

Management controls the capital of the Company in order to ensure that the Group can fund its operations and continue as a going concern.

The Company's capital includes ordinary share capital. There are no externally imposed capital requirements.

The working capital position of the Group at 31 December 2017 and 31 December 2016 is as follows:

	31 Dec 2017 \$	31 Dec 2016 \$
Cash and cash equivalents	375,986	228,899
Trade and other receivables	2,016,711	1,899,683
Inventories	596,767	336,430
Trade and other payables	(933,536)	(878,574)
Provisions	(42,447)	(54,081)
Financial Liabilities (current)	(160,062)	(87,552)
Working capital position	1,853,419	1,444,805

**15. Reserves**

	31 Dec 2017 \$	31 Dec 2016 \$
Foreign Currency Translation Reserve		
Balance at the beginning of the year	323,242	409,685
Foreign translation for the year	(222,428)	(86,443)
Balance at the end of the year	100,814	323,242
Capital Reserve		
Balance at the beginning of the year	307,528	307,528
Increase in Capital Reserve	-	-
Balance at the end of the year	307,528	307,528
Legal Reserve		
Balance at the beginning of the year	20,628	20,628
Increase in Legal Reserve	-	-
Balance at the end of the year	20,628	20,628

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**15. Reserves (cont)**

	<b>31 Dec 2017</b>	<b>31 Dec 2016</b>
	\$	\$
Available for sale Financial Assets Reserve		
Balance at the beginning of the year	-	-
Increase in reserve	1,950,000	-
Balance at the end of the year	<u>1,950,000</u>	<u>-</u>
Equity portion of convertible loan		
Balance at the beginning of the year	-	-
Equity portion of convertible loan	1,953,368	-
Balance at the end of the year	<u>1,953,368</u>	<u>-</u>
	<u>4,332,338</u>	<u>651,398</u>

The foreign currency translation reserve is used to record translation differences arising from the translation of the financial statements of foreign subsidiaries and translation differences on intercompany loans where repayment of the loan is neither planned nor anticipated within the foreseeable future

The capital reserve represents to bonus shares issued by the subsidiary Tulin Gold S.A.C to Andina Resources Limited.

The legal reserve is a reserve required by Peruvian legislation and is a percentage of accumulated profits.

The available for sale financial asset reserve relates to unrealised fair value adjustments made to the Groups Available -for-sale investments at balance sheet date.

During the 2017-year 1,750 convertible loans (each loan worth \$1,000) were entered into by the Company. The loan terms and conditions outlined that both the Company and the lender could convert the loan to equity. Given this the loan is treated as an equity item. The convertible loans were converted in February 2018. The balance represents the original loan amount and the interest that was accrued against the loan to 31 December 2017.

**16. Accumulated Losses**

	<b>12 months to</b>	<b>12 months to</b>
	<b>31 Dec 2017</b>	<b>31 Dec 2016</b>
Balance at the beginning of the year	(2,451,842)	(2,466,249)
(Loss)/Profit for the year	(953,024)	14,407
Balance at the end of the year	<u>(3,404,866)</u>	<u>(2,451,842)</u>

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17. Cash Flow Information

	12 months to 31 Dec 2017	12 months to 31 Dec 2016
	\$	\$
<b>Reconciliation of cash flows from operating activities with profit/ (loss) after income tax</b>		
-(Loss)/Profit after income tax	(953,024)	14,407
Adjustments for:		
- Depreciation expense	155,817	162,851
- Deferred tax expense	73,701	1,752
- Impairment expense/ (reversal)	(149,981)	11,247
- Exploration expenditure written off	205,135	424
- Interest expense	203,368	-
- Receipt of shares	(650,000)	-
- Exchange differences on translation of foreign operations	-	(102,561)
Changes in assets and liabilities		
- (Increase)/ Decrease in operating receivables	(129,324)	(999,261)
- Increase/(Decrease) in inventory	(260,337)	57,286
- Increase/(Decrease) in trade and other payables, taxation and provisions	(202,769)	189,387
<b>Net cash inflows from Operating Activities</b>	<u>(1,707,414)</u>	<u>(664,468)</u>

18. Earnings per Share

	12 months to 31 Dec 2017	12 months to 31 Dec 2016
Net profit after income tax attributable to members of the Company	(953,024)	14,407
	<b>Number</b>	<b>Number</b>
Weighted average number of shares on issue during the financial year used in the calculation of basic earnings per share	316,842,811	209,906,670

Diluted earnings per share is the same as basic earnings per share as the Company does not have options on issue.

19. Key Management Personnel Compensation

(a) Directors and Specified Executives

The names and positions held by key management personnel in office at any time during the year are:

Directors

M Carr

A Knowles

A Cavero

T Neesham

Executive Director

Executive Director (resigned 20 June 2017)

Non-Executive Director (appointed 22 May 2017)

Non-Executive Chairman

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**19. Key Management Personnel Compensation (cont)**

(b) Remuneration of Directors

\$408,107 (2016: \$412,378) in remuneration was paid to Directors for the twelve months ended 31 December 2017 comprising salary, insurance and commercial fees.

**Twelve months to 31 Dec 2017**

	Short Term Benefits			Employment		Securities Issued		Total
	Salary, bonus & fees	Other	Non Monetary	Super-annuation	Retirement Benefits	Equity	Options	
M Carr (i)	\$108,000	\$101,100	-	-	-	-	-	<b>\$209,100</b>
T Neesham(ii)	\$21,000							<b>\$21,000</b>
A Knowles	\$45,000	-	-	-	-	-	-	<b>\$45,000</b>
A Cavero	\$133,007	-	-	-	-	-	-	<b>\$133,007</b>
<b>TOTAL</b>	<b>\$307,007</b>	<b>\$101,100</b>	-	-	-	-	-	<b>\$408,107</b>

**Twelve months to 31 Dec 2016**

	Short Term Benefits			Employment		Securities Issued		Total
	Salary, bonus	Other	Non Monetary	Super-annuation	Retirement Benefits	Equity	Options	
M Carr (iii)	\$36,000	-	-	-	-	-	-	<b>\$36,000</b>
A Knowles (iv)	\$123,409	-	-	-	-	-	-	<b>\$123,409</b>
A Cavero	\$252,969	-	-	-	-	-	-	<b>\$252,969</b>
<b>TOTAL</b>	<b>\$412,378</b>	-	-	-	-	-	-	<b>\$412,378</b>

- (i) Of the above amounts a total of \$206,100 is unpaid as of 31 December 2017. \$101,100 of other short term benefits relate to capital raising fees owed to ML Carr for securing funds under convertible notes during the period on market terms.
- (ii) Of the above amounts a total of \$21,000 is unpaid as of 31 December 2017.
- (iii) Of the above amounts a total of \$3,300 is unpaid as of 31 December 2016.
- (iv) Of the above amounts a total of \$21,198 is unpaid as of 31 December 2016.

- (c) Remuneration Options: No options were granted and or vested during the twelve months to 31 December 2017 and 31 December 2016 financial year.
- (d) Share based payments: There were no share based payments issued during the year.
- (e) Share and Option holdings of directors and officers  
 There are no options over ordinary shares held by any key management personnel ("KMP") of the Group during the twelve months to 31 December 2017 or 31 December 2016.

ANDINA RESOURCES LIMITED  
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**19. Key Management Personnel Compensation (cont)**

- (f) Key agreements with directors  
 During the year Andrew Knowles had the following remuneration package with the entity:  
 A fixed \$9,000 (plus GST) a month for executive director fees;  
 A bonus structure of 3% of the annual net profit before tax of Tulin Gold SAC above USD\$1,000,000; and 6 performance milestones relating to the delivery of the new plant at Vista Gold, where each milestone once completed will result in a payment of \$20,000. The milestones are:
- Research and delivery of Business Plan for Andina and incorporating detail for the construction of the new vista Gold Plant at Poroma, Southern Peru – Achieved and invoiced in June 2014,
  - Delivery of the EIS100 and the land purchase contract being substituted for the option contract – Achieved and invoiced in August 2014,
  - Issue of Building Licence – Achieved and invoiced in July 2015,
  - Start of the construction of the Reception Crushing circuit – Achieved and invoiced in October 2015,
  - Completion of Reception Crushing circuit – Achieved and invoiced in December 2015, and
  - Commissioning of new plant.
- Andrew Knowles resigned on 20 June 2017.

**KMP Shareholdings**

The number of ordinary shares in Andina Resources Limited held by each KMP of the Group during the financial year is as follows:

	Balance at 1 January 2017	Granted as Remuneration during the Year	Issued on Exercise of Options during the Year	Other Changes during the Year	Balance at 31 December 2017
<b>31 December 2017</b>					
M Carr	50,259,680	-	-	-	50,259,680
A Knowles	5,839,535	-	-	-	5,839,535 <sup>1</sup>
A Cavero	406,250	-	-	-	406,250
T Neesham	-	-	-	33,086,751 <sup>2</sup>	33,086,751

	Balance at 1 January 2016	Granted as Remuneration during the Year	Issued on Exercise of Options during the Year	Other Changes during the Year	Balance at 31 December 2016
<b>31 December 2016</b>					
M Carr	259,680	-	-	50,000,000	50,259,680
A Knowles	3,839,535	-	-	2,000,000	5,839,535
A Cavero	406,250	-	-	0	406,250

1 – Number of shares held at time of resignation

2 – Number of shares held at time of appointment.



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 For the year ended 31 December 2017

**19. Key Management Personnel Compensation (cont)**

g) Other Transactions with Key Management Personnel

During the 2017 financial year no other transactions with Key Management Personnel were noted.

The following were other transactions with Key Management Personnel noted in the 2016 financial year:

36,363,636 shares were issued to director Matthew Carr and related entities upon conversion of \$400,000 of convertible notes that were issued and converted during 2016 at 1.1 cents per share.

On 9 October 2015, \$10,000 was paid to Quentine Investments Pty Ltd (a Company related to Mr A Knowles) for consideration to purchase 100% of the share capital in Porphyry Assets Pty Ltd. Porphyry Assets Pty Ltd owns 100% of the issued capital of Porphyry Assets S.A.C. The Consolidated group has a net liability position of \$202 at the time Andina Resources acquired the group. As such this lead to \$10,202 being recognized as an expense of purchase consideration over net liabilities assumed.

	<b>31 Dec 2017</b>	<b>31 Dec 2016</b>
	\$	\$
<b>20. Auditor's Remuneration</b>		
Amounts received or due and receivable by the auditors for:		
Auditing of financial reports	34,937	33,647
Other services	-	-
	<u>34,937</u>	<u>33,647</u>
Auditing costs split by geographical area:		
Stantons International in Australia	23,672	22,500
Russell Bedford in Peru	11,265	11,147
	<u>34,937</u>	<u>33,647</u>

**21. Commitments**

a) Operating Lease commitments

Non-cancellable operating lease contracted for but not recognized in the financial statements

Payable – minimum lease payments:

	<b>31 Dec 2017</b>	<b>31 Dec 2016</b>
	\$	\$
Not later than 12 months	544,615	480,467
Between 12 months and 5 years	-	120,117
Later than 5 years	-	-
	<u>544,615</u>	<u>600,584</u>

The operating assets of Tulin Gold S.A.C operate under a non-cancellable lease with a 1 year term, with rent of US\$35,400 (31 December 2016: US\$30,000) payable monthly in advance. The current lease expires on 31 December 2018.

b) Exploration commitments

There are no minimum exploration commitments for the tenements held by the Group.

c) Capital commitments

There are no minimum capital commitments in the Group.

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**22. Financial Instruments**

a. Financial Risk Management Policies

The Group's financial instruments consist solely of deposits with banks and trade and other receivables. No financial derivatives are held.

i. Financial Risk Exposures and Management

The main risk the Group is exposed to through its financial instruments is interest rate risk and credit risk.

Interest rate risk

Interest rate risk is managed by obtaining the best commercial deposit interest rates available in the market from the major Australian Financial Institutions.

Credit risk exposures

Credit risk represents the loss that would be recognised if the counterparties default on their contractual obligations resulting in financial loss to the Group. The Group has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group measures credit risk on a fair value basis.

The Group does not have any significant credit risk to any single counterparty or any group of counterparties having similar characteristics. The credit risk on financial assets, of the Group which have been recognised in the Statement of Financial Position, is the carrying amount, net of any provision for doubtful debts.

The credit quality of financial assets that are neither past due nor impaired:

	<b>31 Dec 2017</b>	<b>31 Dec 2016</b>
	<b>\$</b>	<b>\$</b>
Trade receivables		
Group 1	348,844	31,298
Group 2	-	-
Group 3	-	-
Total trade receivables	<u>348,844</u>	<u>31,298</u>
Cash at bank and short-term deposits	<u>375,986</u>	<u>228,899</u>
	375,986	228,899

Group 1 – existing customers (less than 6 months)

Group 2 – existing customers (more than 6 months) with no defaults in the past

Group 3 – existing customers (more than 6 months) with some defaults in the past. All defaults were fully recovered.

Cash at bank and short term deposits are held in financial institutions.

The Group also has other receivables of \$869,019 at 31 December 2017 (31 December 2016: \$1,429,587) from various Government departments in Peru relating to VAT and other taxes. The remainder of the other receivables balance of \$990,235 (2016: \$470,096) relates to loans with employees, deposits made and payments made in advance to suppliers.

ii. Liquidity Risk

The Group manages liquidity risk by monitoring forecast cash flows. The Group does not have any significant liquidity risk as the Group does not have any collateral debts.

ANDINA RESOURCES LIMITED  
 NOTES TO THE FINANCIAL STATEMENTS  
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**22. Financial Instruments (cont)**

iii. Net Fair Values

The net fair values of:

— Other assets and other liabilities approximate their carrying value.

iv. Interest Rate Risk

The Group has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which is not material.

	Floating interest rate \$	Fixed interest rate \$	Non interest bearing \$	Total \$	Weighted average interest rate %
<b>31 Dec 2017</b>					
Financial assets					
Cash and cash equivalents	375,986	-	-	375,986	1.38%
Trade and other receivables	-	-	2,016,711	2,016,711	
Available for sale financial asset	-	-	2,600,000	2,600,000	
<b>Total financial assets</b>	<b>375,986</b>	<b>-</b>	<b>4,616,711</b>	<b>4,992,697</b>	
Financial liabilities					
Trade and other payables	-	-	933,536	933,536	
Financial Liabilities	-	52,125	107,937	160,062	8.00%
<b>Total financial liabilities</b>	<b>-</b>	<b>52,125</b>	<b>1,041,473</b>	<b>1,093,598</b>	

	Floating interest rate \$	Fixed interest rate \$	Non interest bearing \$	Total \$	Weighted average interest rate %
<b>31 Dec 2016</b>					
Financial assets					
Cash and cash equivalents	228,899	-	-	228,899	2.76%
Trade and other receivables	-	-	1,899,683	1,899,683	-
Other assets	-	-	940,488	940,488	-
<b>Total financial assets</b>	<b>228,899</b>	<b>-</b>	<b>2,840,171</b>	<b>3,069,070</b>	
Financial liabilities					
Trade and other payables	-	-	878,574	878,574	-
Financial Liabilities	-	142,740	-	142,740	7.97%
<b>Total financial liabilities</b>	<b>-</b>	<b>142,740</b>	<b>878,574</b>	<b>1,021,314</b>	

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. All financial instruments held are level 1.

ANDINA RESOURCES LIMITED  
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 For the year ended 31 December 2017

**22. Financial Instruments (Cont)**

- v. Foreign currency risk  
 Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency.

The Group has dealings in Peru as a result of acquiring operating plant and tenements in Peru. The Group will be subject to foreign currency value fluctuations in the course of its operations. The Group plans to curtail this impact by paying foreign currency invoices with positive cash flow derived from Peruvian operations and paying invoices in a timely fashion.

At 31 December 2017, the subsidiary companies had receivables denominated in the foreign currencies detailed below

31 Dec 2017	Foreign Currency	AUD Equivalent
USD	582,734	746,442

31 Dec 2016	Foreign Currency	AUD Equivalent
USD	237,793	325,744

At 31 December 2016, the subsidiary companies had liabilities denominated in the foreign currencies detailed below:

31 Dec 2017	Foreign Currency	AUD Equivalent
USD	361,670	463,274

31 Dec 2016	Foreign Currency	AUD Equivalent
USD	189,411	259,467

A 5% movement in foreign exchange rates would increase or decrease profit before tax by approximately AU\$60,571 (31 December 2016: AU\$28,316) which includes the movement in AUD to Nuevo Soles exchange rate since Nuevo Soles is the functional currency of the Peru subsidiaries.

Other price risk:

Other price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices largely due to demand and supply factors (other than those arising from interest rate risk or currency risk) for commodities. The Group is exposed to commodity price risk.

The Group has an agreement with regards to the commodity price of gold and silver sales to its one customer being Metalor Technologies S.A. Terms of the agreement with Metalor is that a sale contract for each sale is set at the price based on the London Metals Exchange from the previous night. The Group does not enter into any hedging arrangements for commodity price risk.

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**23. Segment Note**

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the consolidated entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team in assessing performance and in determining the allocation of resources.

The group operates in two operating segments and two geographical segments being mineral exploration in Peru and mineral production in Peru with head office costs in Australia and this is the basis on which internal reports are provided to the directors for assessing performance and determining the allocation of resources in the Group.

<b>Twelve months to December 2017</b>	Exploration - Peru \$	Mineral Production - Peru \$	Treasury - Australia \$	Total \$
<b>SEGMENT PERFORMANCE</b>				
Revenue/ Other income	-	7,440,779	77	7,440,856
Total group revenue	-	7,440,779	77	7,440,856
Segment net profit/ (loss) from continuing operations before tax	(200,761)	(838,918)	77	(1,039,602)
Reconciliation of segment result to group net profit before tax				
Unallocated items:				
Receipt of shares				650,000
Administration expense				(436,353)
Impairment expense				150,000
Interest expense				(203,368)
Net profit before tax from continuing operations				(879,323)
<b>SEGMENT ASSETS</b>				
Segment assets/ total group assets	202,779	5,780,759	2,812,602	8,796,140
Reconciliation of segment assets to group assets				
Unallocated items:				
GST receivable				30,446
Total group assets				8,826,586
<b>SEGMENT LIABILITIES</b>				
Segment liabilities	3	739,655	396,387	1,136,045
Total group liabilities				1,136,045

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**23. Segment Note (cont)**

<b>Twelve months to December 2016</b>	Exploration - Peru \$	Mineral Production - Peru \$	Treasury - Australia \$	Total \$
<b>SEGMENT PERFORMANCE</b>				
Revenue	-	13,143,771	11,598	13,155,369
Total group revenue	-	13,143,771	11,598	13,155,369
Segment net profit/ (loss) from continuing operations before tax	(58,220)	968,728	11,598	922,106
Reconciliation of segment result to group net profit before tax				
Unallocated items:				
Administration expense				(552,246)
Impairment expense				(11,247)
Foreign exchange gain/ (loss)				-
Net profit before tax from continuing operations				358,613
<b>SEGMENT ASSETS</b>				
Segment assets/ total group assets	381,293	5,472,292	43,379	5,896,964
Reconciliation of segment assets to group assets				
Unallocated items:				
GST receivable				31,053
Total group assets				5,928,017
<b>SEGMENT LIABILITIES</b>				
Segment liabilities	80,688	721,562	273,145	1,075,395
Total group liabilities				1,075,395

The Group has only one customer to whom it sells its gold and silver product being Metalor Technologies S.A.

#### 24. Subsequent Events

There has not been any matter or circumstance that has arisen since 31 December 2017, which has significantly affected, or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years, other than:

Under the terms of the Deed of Company Arrangement of Titan Minerals Limited the Andina subsidiary Mantle Mining S.A.C was granted the Torecillas concessions and mining operation and further to that also to assume the Gold and Silver Streaming agreements that were securitized against the Torecillas concessions and mining operations that the Titan group had with Silverstream SECZ. The last of the conditions precedent of the Replacement Silver Stream Agreement and Replacement Gold Stream Agreement entered into between Silverstream SECZ and Mantle Mining S.A.C is yet to be resolved, which when resolved will crystallise the two loans and the liability under both agreements will be assumed by Mantle Mining S.A.C. On 25 March 2018 Silverstream SECZ, the Company and Mantle Mining S.A.C entered into a Variation Deed which varied the terms of the existing gold and silver agreements from a settlement in gold and silver to a settlement of the loan via issuing 23,669,805 shares in the Company which occurred on that day and a total payment of US\$3,700,000 over 15 instalments commencing on 1 July 2018 and ending on 30 June 2022.

During February 2018, the Company received a total of \$155,000 in convertible loans to assist in funding for the Vista Gold plant build. Key terms of the Convertible Note are that any time up to the maturity date the convertible notes, at the election of the Company be converted to Ordinary shares at a price of \$0.011 per share. They mature 12 months from the date funds were received and have an interest rate of 20%. During February 2018 a total of 207,818,182 Company shares were issued to convert all the standing convertible loans plus interest accrued there on into equity.

In March 2018 the Company issued a total of 34,263,636 shares to contractors in lieu of paying cash for payables. 23,354,545 were issued to a company related to Matthew Carr to settle outstanding director and consulting fees for FY2017 owed to ML Carr. At the same time the Company issued 71,009,414 Performance Rights to Jason Bontempo (or nominees) as remuneration for corporate advisory services to the Company. One Performance Right converts to one Ordinary Share in the Company and the performance condition is that the Company receiving a takeover bid acceptance of 50.1% or more and the expiry date occurring 12 months from 12 March 2018.

On 26 March 2018 Titan Minerals Limited ('Titan') and the Company entered into a bid-implementation agreement. Under the terms of the bid Titan will issue approximately 561,656,385 new Titan shares to acquire 100% of the issued capital of the Company, this works out to approximately 1 Titan share for every 1.18 Company shares held. On 23 May 2018 Titan lodged their Bidders Statement on the ASX platform and on 25 May 2018 Titan mailed the Bidders Statement to all Andina shareholders. The Company is currently completing their Target Statement which will be circulated to all shareholders once finalised.

On the 10<sup>th</sup> August 2018 Titan Minerals Limited issued 545,263,978 Titan shares to existing Andina shareholders who had at that point provided approval to the Titan Minerals takeover bid. Titan holds 97.09% of Andina's shares on issue from this date.

#### 25. Contingent Liabilities

The Group is not aware of any contingent liabilities that existed at balance date to the day of this report.

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**26. Related Parties**

Related party transactions with management personnel are disclosed in Note 19.

The following are the intercompany loan balances at the balance date:

Loans from the parent to subsidiaries:

	<b>31 Dec 2017</b>	<b>31 Dec 2016</b>
	\$	\$
Loans from the parent to subsidiaries:		
Tulin Gold S.A.C	2,386,225	1,397,647
Andean Metals S.A.C	982,611	987,775
Vista Gold S.A.C	1,475,116	1,164,782
Mantle Mining S.A.C	124,179	43,375

Loans from the subsidiaries to parent:

Tulin Gold S.A.C to Andina Resources Limited	1,337,843	1,367,976
----------------------------------------------	-----------	-----------

Loans between subsidiaries:

Tulin Gold S.A.C to Andean Metals S.A.C	-	-
Tulin Gold S.A.C to Vista Gold S.A.C	-	-
Tulin Gold S.A.C to Porphyry Assets S.A.C	193	202

Transactions with Titan Minerals Limited

Titan Minerals Limited is a director related entity with the company via Mr Matthew Carr as a director of both entities. Transactions with Titan are outlined below:

At balance date Titan Minerals Limited owed the Company \$40,541 which was repaid subsequent to year end.

Andina Resources Limited was the proponent of the Titan Minerals Limited ('Titan') Deed of Company Arrangement ('DOCA') which effectuated on the 4 October 2017. Under the terms of the DOCA the Company was to receive the following:

- 235,000,000 Titan shares to Andina (or its nominee/s),
- Andina advancing A\$291,500 to the Company under the MIZ Loan Facility (which was made in FY 2015), for which the Company has agreed that Titan will satisfy its obligations to repay the outstanding balance of this to the Company in full by making payment of A\$150,000 (which was received during the year);
- Andina's 100% owned Peru subsidiary Mantle Mining S.A.C ('Mantle') taking on the future liability of Titan's under the Existing Gold Stream Agreement (by way of the Replacement Gold Stream Agreement);
- Mantle taking on the future liability of Titan's under the Existing Silver Stream Agreement (by way of the Replacement Silver Stream Agreement); and
- Titan transferring the Torrecillas Concessions to Mantle and subsequently Mantle granting Titan the right to earn a 70% interest in the Torrecillas Earn-in Concessions which will take effect upon, and be subject to, Titan paying the annual fees imposed in respect of each of the Torrecillas Earn-in Concessions during the 2017, 2018 and 2019 calendar years capped at an aggregate amount of A\$450,000. Following completion of the earn-in, Titan and Mantle will form an unincorporated joint venture in relation to the Torrecillas Earn-in Concessions.



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**26. Related Parties (cont)**

The last of the conditions precedent of the Replacement Silver Stream Agreement and Replacement Gold Stream Agreement entered into between Silverstream SECZ and Mantle Mining S.A.C is yet to be resolved, which when resolved will crystallise the two loans and the liability under both agreements will be assumed by Mantle Mining S.A.C. On 25 March 2018 Silverstream SECZ, the Company and Mantle Mining S.A.C entered into a Variation Deed which varied the terms of the existing gold and silver agreements from a settlement in gold and silver to a settlement of the loan via issuing 23,669,805 shares in the Company which occurred on that day and a total payment of US\$3,700,000 over 15 instalments commencing on 1 July 2018 and ending on 30 June 2022.

**27 Parent Information**

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

STATEMENT OF FINANCIAL POSITION	31 Dec 2017	31 Dec 2016
	\$	\$
<b>ASSETS</b>		
Current assets	141,503	74,413
Non Current Assets	2,742,086	101,545
<b>TOTAL ASSETS</b>	<b>2,883,589</b>	<b>175,958</b>
<b>LIABILITIES</b>		
Current liabilities	396,387	273,145
Non Current liabilities	-	-
<b>TOTAL LIABILITIES</b>	<b>396,387</b>	<b>273,145</b>
<b>NET ASSETS</b>	<b>2,487,202</b>	<b>(97,187)</b>
<b>EQUITY</b>		
Issued capital	6,763,069	6,653,066
Reserves	3,903,368	-
Accumulated losses	(8,179,235)	(6,750,253)
<b>TOTAL EQUITY/ (Deficiency)</b>	<b>2,487,202</b>	<b>(97,187)</b>
	<b>31 Dec 2017</b>	<b>31 Dec 2016</b>
	\$	\$
<b>STATEMENT OF COMPREHENSIVE INCOME</b>		
Total loss before and after tax	(1,428,982)	(1,072,374)
<b>Total comprehensive loss</b>	<b>(1,428,982)</b>	<b>(1,072,374)</b>

The parent entity does not have any commitments or contingent liabilities as at balance date.

ANDINA RESOURCES LIMITED  
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**28. Controlled entities**

a. Controlled Entities Consolidated

	Country of Incorporation	Percentage Owned (%)*	
		31 Dec 2017	31 Dec 2016
Subsidiaries of Andina Resources Limited:			
Tulin Gold S.A.C	Peru	100%	100%
Andean Metals S.A.C	Peru	100%	100%
Vista Gold S.A.C	Peru	100%	100%
Mantle Mining S.A.C	Peru	100%	100%
Porphyry Assets Pty Ltd	Australia	100%	100%
Controlled by Porphyry Assets Pty Ltd			
Porphyry Assets S.A.C	Peru	100%	100%

\* Percentage of voting power is in proportion to ownership.

**29. Share Based Payments**

There were no share based payments in the twelve months ended 31 December 2017 and 31 December 2016. The Company notes that as part of the Deed of Company Arrangement ('DOCA') and Recapitalisation Proposal for Titan Minerals Limited ('Titan'), the Company (or its nominees) received 235,000,000 fully paid ordinary shares in Titan. Of these shares, 170,000,000 shares were allocated to third party nominees in consideration for various services provided by them to the Company in its capacity as the proponent of the DOCA and Recapitalisation Proposal

**30. Other Assets**

Other assets of \$Nil (2016: \$940,488) relate to advances made to vendors for the acquisition of land for the construction of a gold producing plant in Peru. Ownership of the land was transferred to the Company on the 18<sup>th</sup> August 2017.

## DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Andina Resources Limited, the directors of the company declare that: the financial statements and notes, as set out on pages 10 to 42, are in accordance with the Corporations Act 2001 and:

- a. comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
  - b. give a true and fair view of the financial position as at 31 December 2017 and of the performance for the year ended on that date of the consolidated group;
2. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and



Timothy Neesham  
Non-Executive Chairman  
Perth, Western Australia  
16 August 2018

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
ANDINA RESOURCES LIMITED**

**Report on the Audit of the Financial Report**

***Opinion***

We have audited the financial report of Andina Resources Limited, the Company and its subsidiaries ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

***Basis for Opinion***

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Emphasis of Matter - Material Uncertainty Regarding Going Concern**

Without qualification to the opinion expressed above, attention is drawn to the following matter:

As referred to in Note 1 to the financial statements, the financial statements have been prepared on a going concern basis. For the year ended 31 December 2017, the Group's loss after tax was \$953,024 and the operating cash outflows were \$1,707,414.

The ability of the Group to continue as a going concern is subject to the Group generating sufficient cash flows from its existing businesses, and/or raising further equity or loan funds to meet the Group's

liabilities and commitments as they fall due. There is a material uncertainty as to when or whether these objectives will be met.

In the event the Group is not successful in generating sufficient cash flows and/or raising further equity or loan funds, the Group may not be able to continue as a going concern and the realisable value of the Group's assets may be significantly less than their current carrying values.

#### ***Other Information***

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2017 but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### ***Responsibilities of the Directors for the Financial Report***

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors are responsible for overseeing the Group's financial reporting process.

#### ***Auditor's Responsibilities for the Audit of the Financial Report***

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**  
**(Trading as Stantons International)**  
**(An Authorised Audit Company)**

*Stantons International Audit & Consulting Pty Ltd*



**Martin Michalik**  
Director  
West Perth, Western Australia  
16 August 2018

**ANDINA RESOURCES LIMITED**

ABN 50 137 601 159

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

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# ANDINA RESOURCES LIMITED CORPORATE DIRECTORY

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## **DIRECTORS**

Timothy Neesham (Non-Executive Chairman)  
Matthew Carr (Non-Executive Director)  
Arturo Cavero (Non-Executive Director)

## **AUDITOR**

Stantons International  
Level 2,  
1 Walker Avenue,  
West Perth WA 6005

## **COMPANY SECRETARY**

Zane Lewis

## **BANKERS**

ANZ West Perth  
Level 10, 77 St Georges Tce, Perth WA 6000,  
Australia  
Phone: +61 8 6298 3891

## **REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS**

Suite 6, 295 Rokeby Road  
Subiaco,  
Western Australia 6008

Phone: +618 6555 2950  
Facsimile: +618 6166 0261

## **ANDINA RESOURCES LIMITED DIRECTORS' REPORT**

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The Directors present their report, together with the financial statements of the Group, being the company and its controlled entities, for the year ended 31 December 2016.

### **BOARD OF DIRECTORS**

The names and details of the Andina Resources Ltd ("Company") directors in office during the financial year and until the date of this report are as follows.

**Matthew Carr** (Non-Executive Director)

Mr. Carr is a successful and experienced company director having founded Urban Capital Group and assisted in the capital raising of several public companies.

Since 2005, Mr. Carr has also been director of a private hospitality group that has a number of establishments throughout Western Australia.

**Arturo Cavero** (Non-Executive Director)

Mr. Cavero is an Electronic Engineer from the "Universidad Nacional de Ingenieria" (National Engineering University) of Lima, Peru. He started his career as Systems Engineer in IBM. After multiple awards, he initiated his own company in the Application Software development area. With more than 30 years of successful experience as Project Manager of significant projects, Mr. Cavero has always demonstrated great efficiency and proactivity.

During the last nine years he has been the General Manager of several Mining Companies owned by Peruvian and Australian Investors, as well as Director of several firms in Agriculture and IT.

**Timothy Neesham** (Non-Executive Chairman) Appointed 22<sup>nd</sup> May 2017

Mr. Neesham has been involved in the financial markets for over 10yrs and has provided corporate structuring, advisory for numerous Initial public offerings, capital raisings, company restructuring and operations. Mr. Neesham holds a Bachelor of Economics and a Diploma in Financial Planning. He was responsible for the structuring and relisting of the previously owned Cadbury Yowie brand, the Yowie Group Ltd; the listing of the Chinese manufacturing subsidiary of Guangdong Radio Group (GRG), GRG International Ltd; and a magnitude of other publicly listed and unlisted corporate restructuring, fund raising and corporate advisory services. Tim is also a director of Southern Forest Wines Pty Ltd, and Webstar Pty Ltd.

**Andrew Knowles** (Executive Director) Resigned 20<sup>th</sup> June 2017

Mr. Knowles is an experienced business & corporate executive, having worked in the Mining & Construction industries for over thirty five years, for both private and multinational companies. He is a graduate of the Science faculty at Melbourne University and has a Masters of Business Administration from the University of Western Australia, with specialties in Strategic Management, Administrative policy and Corporate finance.

He has worked as a Management Consultant, as well as being founder and Managing Director of one of Perth's largest mid tier construction companies – a position he held for 21 years, before selling down his equity in July of 2010.

Mr. Knowles also has Mining qualifications from the Box Hill Technical College (Melbourne) and is a Director of Royal Harry Goldmines NL, a public Company focusing on exploration and mining projects in Western Australia.

## ANDINA RESOURCES LIMITED DIRECTORS' REPORT

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Directorships of other listed companies held by directors in the three years immediately before the end of the financial year are as follows:

Director	Other directorships	Current Shareholdings
Matthew Carr	None	50,259,680
Andrew Knowles	None	5,839,535
Arturo Cavero	None	406,250
Timothy Neesham	Southern Forest Wines Pty Ltd, and Webstar Pty Ltd	33,086,751

### CORPORATE STRUCTURE

Andina Resources Ltd is a company limited by shares that is incorporated and domiciled in Australia. Andina Resources Ltd has a 100% interest in Andean Metals S.A.C a company incorporated and domiciled in Lima, Peru. Andina Resources Limited holds a 100% interest in Tulin Gold S.A.C a company incorporated and domiciled in Lima, Peru. Tulin Gold S.A.C. owns 100% of the share capital of Mantle Mining S.A.C. a company incorporated and domiciled in Lima, Peru. Andina Resources Limited holds 100% of Vista Gold S.A.C a company incorporated and domiciled in Lima, Peru. Andina Resources Limited holds a 100% interest in Porphyry Assets Pty Ltd a company incorporated and domiciled in Australia, which in turn holds a 100% interest in Porphyry Assets S.A.C. a company incorporated and domiciled in Peru.

Andina Resources Limited holds 48.19% of Gravity Gold Pty Ltd a company incorporated and domiciled in Australia. On the 15 January 2015 Gravity Gold went into external administration with George Lopez and Evan Verge of Melsom Robson Chartered Accountants being appointed liquidators and on 1 June 2016 was subsequently deregistered.

### NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The principal activities of the Group during the year were gold refining and production at the Tulin Gold's plant in Tulin, Peru, as well as mineral exploration of the Group's concessions in Peru.

### REVIEW OF OPERATIONS

Operationally, we have not had our strongest performance from our Peruvian gold business over the past 12 months. Our ore processing however, exceeded budgets by 538 tonnes for the year, whilst gold production was only 28 ounces shy of initial targets. The main contributing factors were increased competition for ore (as some producers are still chasing cross border processing in Bolivia and Chile) which added to local supply problems. The early onset of rains, mudslides and flooding also had significant impact on total mineral supply. On a positive side, the gold price has remained reasonably stable and our grades have been maintained at just under 18 grams per tonne of ore. The staff and plant lease costs have been well contained, but variable costs of production were up by nearly 20% across the board. These costs steadily increased during the year, as plant maintenance increased, and tailings treatment costs also escalated. As has been mentioned on several occasions the fact that the old plant is getting more and more expensive to run, and this has indeed proven to be the case.

Our consolidated position has been impacted by the significant amount of work that has been done by Lawyers, Accountants and Consulting professionals, in the ongoing assessment and acquisition of the Torrecillas Gold Mine, and other supporting assets. During the 12 months to December 2016, we processed 13,500 tonnes of ore (against a budgeted 13,000 tonnes) to produce 7,629 ounces of gold. Gold production cycles have been reasonably static, which achieved net recoveries at an average of approximately 90%. The average recovery grade for gold has dropped slightly to 17.53 grams per tonne (gpt) YTD, against a budgeted figure of 18.28 gpt. This reflects the fact that there were many increased pressures on mineral supply for most of the year.

## **ANDINA RESOURCES LIMITED DIRECTORS' REPORT**

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The Vista construction program had a small period of relative inactivity in the third quarter of 2016, while we undertook a capital raise. The necessity for extra cash had arisen as we were subjected to an IGV audit (a Consumption Tax similar to GST but at 18%) that the Peruvian Tax Department (SUNAT) had levied on us. During the audit process SUNAT suspends all current and pending IGV returns and has six months in which to complete the audit and provide a finding. Therefore, Tulin did not receive any IGV for 11 months, critically impacting cash flow during the construction process. The withholding of IGV is a typical course of action from SUNAT and is a particularly frustrating part of operations in Peru.

We have had previous such audits (done at random by the Tax Authority) and again as per all the prior IGV audits there was no evidence of impropriety or careless accounting. As a result the IGV audit was completed with a clean report in the end of February 2017 and we are slowly being paid the \$847,620 that had accrued as outstanding credits, or IGV returns, at balance date.

The construction of the new plant has restarted and continues with haste, and we are expecting to submit to the Peruvian Mines Department (DREM) for our Beneficiation Licence in a couple of months. Unfortunately, this approval process can be quite time consuming, but in the interim, we will be doing plenty of testing and tweaking of the new facility. In essence, we have now completed all the major infrastructure including the processing and crushing parts of the plant, leaving to complete the security wall, transmission line and Geo-membrane for the tailings dam. The fit-out works for the offices, laboratory, kitchen and dormitories is well underway, and the internet services, security cameras and communication equipment will be ordered in the coming weeks.

After an exhaustive selection process, we are very pleased to advise that Mr. Gonzalo Freyre has assumed this important role, as General Manager in Peru. We have also appointed Mr. Bruno Muncher as Commercial Operations Manager.

As a matter of housekeeping, can we ask all shareholders to please update their details with the Advanced Share Registry (Ph: 08 9389 8033, or at [www.advancedshare.com.au](http://www.advancedshare.com.au)) and in order to select Electronic delivery of the Notice of Meeting for the forthcoming AGM, and the posting of the Company's Annual Report. Greater use of the electronic medium will provide substantial savings for us, in the printing and posting of all future notices and correspondence.

We continue to move in the right direction, whilst recognising the significant opportunities that are soon to be upon us the future indeed looks bright, the gold price is holding and expected to marginally improve and the Vista Plant is getting ever closer to commissioning. In closing, I would like to thank all our shareholders, and all my staff, new and old, for your continued loyalty and support.

### **RESULTS OF OPERATIONS**

The operating profit after income tax of the Group for the twelve months ended 31 December 2016 was \$14,407 (31 December 2015: \$81,759).

### **DIVIDENDS**

No dividend has been paid during or is recommended for the twelve months ended 31 December 2016.

### **SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

There were no significant changes in the state of affairs of the Group during the financial year not otherwise dealt with in this report and the financial statements.

### **FUTURE DEVELOPMENTS**

The Group will continue to pursue its principal activity of producing Gold from its plant operating in Peru and exploration and evaluation on licenses in Peru.

# ANDINA RESOURCES LIMITED

## DIRECTORS' REPORT

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### Exploration Risk

Mineral exploration and development are high-risk undertakings, and there is no assurance that exploration of the Tenements will result in the discovery of an economic deposit. Even if an apparently viable deposit is identified there is no guarantee that it can be economically exploited.

The future exploration activities of the Group may be affected by a range of factors including geological conditions, limitations on activities due to permitting requirements, availability of appropriate exploration equipment, exploration costs, seasonal weather patterns, unanticipated operational and technical difficulties, industrial and environmental accidents and many other factors beyond the control of the Group.

### SUBSEQUENT EVENTS

There has not been any matter or circumstance that has arisen since 31 December 2016, which has significantly affected, or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years, other than:

During June 2017, the Company has received a total of \$250,000 in convertible loans to assist in funding for the Vista Gold plant build. Key terms of the Convertible Note are that any time up to the maturity date the convertible notes, at the election of the Company be converted to Ordinary shares at a price of \$0.011 per share. They mature 12 months from the date funds were received and have an interest rate of 20%.

On 9 June 2017 at Minera Gold Limited's (Subject to Deed of Company Arrangement) Annual General Meeting shareholders approved all resolutions tabled at the meeting which continues the proposal by Andina Resources Limited. There are certain conditions precedent that must be met before the transaction is actioned, the most important of which is the completion of a successful recapitalization capital raising of \$6,000,000 by Minera Gold Limited. Subject to this the following will occur: Andina Resources Limited to receive 235,000,000 shares in Titan Minerals Limited ("Titan") (Formerly Minera Gold Limited) in consideration for the following:

1. Andina advancing A\$291,500 to Titan under the MIZ Loan Facility (which was completed in the FY2015 financial year), for which Andina has agreed that Titan will satisfy its obligations to repay the outstanding balance of this to Andina in full by making payment of A\$150,000;
2. Mantle Mining S.A.C ("Mantle") (an Andina subsidiary in Peru) taking on the future liability of Titan under the Existing Gold Stream Agreement (by way of the Replacement Gold Stream Agreement);
3. Mantle taking on the future liability of Titan under the Existing Silver Stream Agreement (by way of the Replacement Silver Stream Agreement); and
4. Mantle granting Titan the right to earn a 70% interest in the Torrecillas Earn-in Concessions which will take effect upon, and be subject to, Titan paying the annual fees imposed in respect of each of the Torrecillas Earn-in Concessions during the 2017, 2018 and 2019 calendar years capped at an aggregate amount of A\$450,000. Following completion of the earn-in, Titan and Mantle will form an unincorporated joint venture in relation to the Torrecillas Earn-in Concessions.

Mr Timothy Neesham was appointed to the Board of the Company as Non-Executive Chairman on 22<sup>nd</sup> May 2017. Mr Andrew Knowles resigned as Executive Director on 20<sup>th</sup> June 2017.

# ANDINA RESOURCES LIMITED

## DIRECTORS' REPORT

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### FINANCIAL POSITION

The Group's working capital, being current assets less current liabilities was \$1,444,805 at 31 December 2016 (31 December 2015: \$1,380,578 ).

In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

### DIRECTORS' MEETINGS

The number of meetings attended by each of the Directors of the Company during the twelve months ended 31 December 2016 was:

	Board Meetings	
	Number held and entitled to attend	Number Attended
Matthew Carr	8	8
Andrew Knowles	8	8
Arturo Cavero	8	1

### ENVIRONMENTAL ISSUES

The Group's operations are subject to Federal laws and regulations in Peru concerning the environment. Details of the Group's performance in relation to environmental regulations are as follows:

There were no known significant breaches of the Group's license conditions or any environmental regulations to which it is subject.

The Directors of the Company have reviewed the requirements under the Australian National Greenhouse Emission Regulation ("NGER"). NGER has no impact on the Group.

### PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

### SHARE OPTIONS

As at the date of this report, there were no ordinary shares under option.

No person entitled to exercise any option referred to above has or had, by virtue of the option, a right to participate in any share issue of any other body corporate.

During the twelve months ended 31 December 2016 no ordinary shares were issued on the exercise of options granted. No further shares have been issued since year end due to the exercise of options.

### INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the year the Company paid a premium of \$2,797 (31 December 2015: \$2,361) to insure Directors and Officers of the Company. The Directors and Officers have indemnities in place with the Company whereby the Company has agreed to indemnify the Directors and Officers in respect of certain liabilities incurred by the Director or Officer while acting as a director of the Company and to insure the Director or Officer against certain risks the Director or Officer is exposed to as an officer of the Company.

## ANDINA RESOURCES LIMITED DIRECTORS' REPORT

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### AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the twelve months ended 31 December 2016 has been received and immediately follows the Directors' Report.

No fees were paid or payable to Stantons International for non-audit services provided during the twelve months ended 31 December 2016.

This report is made in accordance with a resolution of the Directors.



Matthew Carr  
Non-Executive Director  
Perth, Western Australia  
24<sup>th</sup> August 2017

24 August 2017

Board of Directors  
Andina Resources Limited  
Suite 6, 295 Rokeby Road  
SUBIACO, WA 6008

Dear Directors

**RE: ANDINA RESOURCES LIMITED**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Andina Resources Limited.

As Audit Director for the audit of the financial statements of Andina Resources Limited for the year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**  
(Trading as Stantons International)  
(An Authorised Audit Company)



**Martin Michalik**  
Director



# ANDINA RESOURCES LIMITED

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION As at 31 December 2016

	Note	31 Dec 2016 \$	31 Dec 2015 \$
<b>Current Assets</b>			
Cash and cash equivalents	5	228,899	917,260
Trade and other receivables	6	1,899,683	900,422
Inventory	7	336,430	393,716
<b>Total Current Assets</b>		<b>2,465,012</b>	<b>2,211,398</b>
<b>Non-Current Assets</b>			
Investments	29	-	-
Plant and equipment	8	2,131,982	1,328,673
Exploration and evaluation expenditure	9	316,324	150,642
Deferred tax asset		74,211	75,963
Other assets	30	940,488	761,806
<b>Total Non-Current Assets</b>		<b>3,463,005</b>	<b>2,317,084</b>
<b>TOTAL ASSETS</b>		<b>5,928,017</b>	<b>4,528,482</b>
<b>Current Liabilities</b>			
Trade and other payables	10	878,574	698,698
Income tax payable	4(b)	-	-
Provisions	11	54,081	54,491
Financial liabilities	12	87,552	77,631
<b>Total Current Liabilities</b>		<b>1,020,207</b>	<b>830,820</b>
<b>Non-Current Liabilities</b>			
Financial liabilities	12	55,188	122,284
<b>Total Current Liabilities</b>		<b>55,188</b>	<b>122,284</b>
<b>TOTAL LIABILITIES</b>		<b>1,075,395</b>	<b>953,104</b>
<b>NET ASSETS</b>		<b>4,852,622</b>	<b>3,575,378</b>
<b>Equity</b>			
Issued capital	13	6,653,066	5,303,786
Reserves	14	651,398	737,841
Accumulated losses	15	(2,451,842)	(2,466,249)
<b>TOTAL EQUITY</b>		<b>4,852,622</b>	<b>3,575,378</b>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

## ANDINA RESOURCES LIMITED

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME For the Year ended 31 December 2016

	Note	12 months to 31 Dec 2016 \$	12 months to 31 Dec 2015 \$
Revenue from continuing operations	2(a)	13,143,771	11,844,007
Cost of goods sold		<u>(11,239,556)</u>	<u>(9,487,622)</u>
Gross profit		1,904,215	2,356,385
Other income	2(b)	11,598	4,914
Expenses			
Administration expense		(1,397,460)	(1,403,049)
Occupancy expense		(132,472)	(92,193)
Impairment expense	3	(11,247)	(228,967)
Foreign exchange gain/(loss)		(15,597)	(24,601)
Exploration expenditure written off	3	<u>(424)</u>	<u>(487)</u>
Profit before income tax expense		358,613	612,002
Income tax expense	4(a)	<u>(344,206)</u>	<u>(530,243)</u>
Net profit attributable to members of Company		<u>14,407</u>	<u>81,759</u>
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		<u>(86,443)</u>	<u>101,521</u>
Total comprehensive income attributable to members of Company		<u>(72,036)</u>	<u>183,280</u>
Basic earnings per share (cents per share)	17	0.01	0.08
Diluted earnings per share (cents per share)	17	0.01	0.08

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

## ANDINA RESOURCES LIMITED

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY For the Year ended 31 December 2016

	Issued Capital \$	Accumulated losses \$	Reserves \$	Total \$
<b>Balance at 1 July 2015</b>	<b>4,109,087</b>	<b>(2,224,578)</b>	<b>312,890</b>	<b>2,197,399</b>
Profit after income tax	-	81,759	-	81,759
Other comprehensive income:				
Exchange differences on translation of Foreign operations	-	-	101,521	101,521
<b>Total comprehensive income</b>	<b>-</b>	<b>81,759</b>	<b>101,521</b>	<b>183,280</b>
Issue of shares (net of raising costs)	1,194,699	-	-	1,194,699
Transfer to capital reserve	-	(307,528)	307,528	-
Transfer to legal reserve	-	(15,902)	15,902	-
<b>Balance at 31 December 2015</b>	<b>5,303,786</b>	<b>(2,466,249)</b>	<b>737,841</b>	<b>3,575,378</b>
<b>Balance at 1 January 2016</b>	<b>5,303,786</b>	<b>(2,466,249)</b>	<b>737,841</b>	<b>3,575,378</b>
Profit after income tax	-	14,407	-	14,407
Other comprehensive income:				
Exchange differences on translation of Foreign operations	-	-	(86,443)	(86,443)
<b>Total comprehensive income</b>	<b>-</b>	<b>14,407</b>	<b>(86,443)</b>	<b>(72,036)</b>
Issue of shares (net of raising costs)	1,349,280	-	-	1,349,280
<b>Balance at 31 December 2016</b>	<b>6,653,066</b>	<b>(2,451,842)</b>	<b>651,398</b>	<b>4,852,622</b>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

# ANDINA RESOURCES LIMITED

## CONSOLIDATED STATEMENT OF CASH FLOWS For the Year ended 31 December 2016

	Note	12 months to 31 Dec 2016	12 months to 31 Dec 2015
		\$	\$
<b>Cash Flows from Operating Activities</b>			
Receipts from customers		13,230,075	11,834,010
Payments to suppliers, contractors and employees		(13,561,935)	(11,038,022)
Interest received		11,598	2,293
Income tax paid		(344,206)	(742,498)
Net cash flows (used in)/ from operating activities	16	(664,468)	55,783
<b>Cash Flows used in Investing Activities</b>			
Purchase of plant and equipment		(983,023)	(613,043)
Disposals of plant and equipment		11,792	-
Payments for exploration and evaluation expenditure	9	(166,106)	(46,833)
Payment for Vista Gold S.A.C land	30	(178,682)	(474,200)
Loan to Minera Gold Limited		-	(216,149)
Repayment of loan for purchase of asset		(57,154)	(19,727)
Net cash flows used in investing activities		(1,373,173)	(1,369,952)
<b>Cash Flows from Financing Activities</b>			
Proceeds from issue of securities (net of capital raising costs)		1,349,280	1,251,772
Net cash flows from financing activities		1,349,280	1,251,772
Net (decrease)/ increase in cash and cash equivalents		(688,361)	(62,397)
Cash and cash equivalents at the beginning of the year		917,260	979,657
Cash and cash equivalents at the end of the year	5	228,899	917,260

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

ANDINA RESOURCES LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 December 2016

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the parent Andina Resources Limited and Controlled Entities (the "Group"). Andina Resources Limited is a public company, incorporated and domiciled in Australia.

The financial report of the Group complies with all International Financial Reporting Standards (IFRS) in their entirety.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report is presented in Australian dollars and all values are rounded to the nearest dollar unless otherwise stated.

**Going Concern**

The financial report has been prepared on the basis of accounting principles applicable to a going concern, which assumes the commercial realisation of the future potential of the Company's and Group's assets and the discharge of their liabilities in the normal course of business.

As disclosed in the financial report, the Group recorded an operating profit after tax for the twelve months ended 31 December 2016 of \$14,407 (2015: \$81,759) and a cash outflow from operating activities of \$664,468 (2015: cash inflow \$55,783) for the twelve months ended 31 December 2016 and at reporting date, had a working capital balance of \$1,444,805 (2015: \$1,380,578).

The Board considers that the Company is a going concern and recognises that the Peru subsidiary is expected to continue to operate at a profit which will provide the working capital so that the Company can continue to fund the Group's operations for the 12 month period from the date of this financial report.

**(a) Principles of Consolidation**

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Andina Resources Limited) and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 27.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non-controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of profit or loss and other comprehensive income.

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**  
**(b) Business Combinations**

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (i.e. parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of profit or loss and other comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value through the statement of profit or loss and other comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of profit or loss and other comprehensive income.

**(c) Exploration, Evaluation and Development Expenditure**

Exploration and evaluation costs are capitalised in the year they are incurred. Costs of acquisition and works on the tenement are capitalised to areas of interest and carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated acquisition costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated acquisition costs written off to the extent that they will not be recoverable in the future. Where projects have advanced to the stage that directors have made a decision to mine, they are classified as development properties. When further development expenditure is incurred in respect of a development property, such expenditure is carried forward as part of the cost of that development property only when substantial future economic benefits are established. Otherwise such expenditure is classified as part of the cost of production or written off where production has not commenced

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**(d) Financial Instruments**

Financial instruments in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial instruments are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Company determines the classification of its financial instruments after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Company commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

*(i) Financial assets at fair value through profit or loss*

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

*(ii) Held-to-maturity investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

*(iii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

*(iv) Available-for-sale investments*

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**(d) Financial Instruments (cont)**

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

**(v) Financial Liabilities**

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

**Impairment**

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

**Derecognition**

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

**(e) Cash and Cash Equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within financial liabilities in current liabilities on the Statement of Financial Position.

**(f) Trade and Other Receivables**

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that the entity will not be able to collect the debts. Bad debts are written off when identified.

**(g) Revenue**

Revenue from the sale of goods is recognised upon the delivery of goods to customers. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Revenue from the rendering of a service is recognised upon the delivery of the service to the customers. All revenue is stated net of the amount of goods and services tax (GST).

**(h) Impairment of Assets**

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from the other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.



ANDINA RESOURCES LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 December 2016

1. **STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**(h) Impairment of Assets (cont)**

If the recoverable amount of an asset (or cash-generated unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the income statement immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

A reversal of an impairment loss is recognised in the income statement immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation increase.

**(i) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office ("ATO"). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the consolidated statement of financial position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the consolidated statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

**(j) Taxation**

The Company adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit/loss from ordinary activities adjusted for any non-assessable or disallowed items.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of profit or loss and other comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

**(k) Trade and Other Payables**

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services.

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**(l) Share Based Payments**

Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

**(m) Issued Capital**

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

**(n) Earnings Per Share**

Basic earnings per share is calculated as net earnings attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for a bonus element.

Diluted EPS is calculated as net earnings attributable to members, adjusted for costs of servicing equity (other than dividends) and preference share dividends; the after tax effect of dividends and interest associated with dilutive potential ordinary shares that would have been recognised as expenses; and other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

**(o) Investment in Associates**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity but is not control or joint control of those policies. Investments in associates are accounted for in the consolidated financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost (including transaction costs) and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate. In addition, the Group's share of the profit or loss of the associate is included in the Group's profit or loss.

The carrying amount of the investment includes, when applicable, goodwill relating to the associate. Any discount on acquisition, whereby the Group's share of the net fair value of the associate exceeds the cost of investment, is recognised in profit or loss in the period in which the investment is acquired.

Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Group will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**(p) Critical Accounting Estimates and Judgments**

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

**Key Estimates - Impairment**

The Company assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

**Key Judgement – Exploration and evaluation costs**

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are carried forward in respect of an area that has not at balance sheet date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or relating to, the area of interest are continuing.

**Key Judgment – Environmental Issues**

Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the directors understanding thereof. At the current stage of the Company's development and its current environmental impact the directors believe such treatment is reasonable and appropriate.

**(q) Adoption of New and Revised Accounting Standards**

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 January 2016 affected any of the amounts recognised in the current period or any prior period.

**(r) New Accounting Standards for Application in Future Periods**

A number of new standards, amendments to standards and interpretations issued by the AASB which are not yet mandatorily applicable to the Group have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

- *AASB 9 Financial Instruments* and associated Amending Standards (applicable for annual reporting period commencing 1 January 2018)

The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

Key changes made to this standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income.

The directors anticipate that the adoption of AASB 9 will not have a material impact on the Group's financial instruments.

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**(r) New Accounting Standards for Application in Future Periods (cont)**

- *AASB 15: Revenue from Contracts with Customers* (applicable to annual reporting periods commencing on or after 1 January 2018).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue.

The directors anticipate that the adoption of AASB 15 will not have a material impact on the Group's revenue recognition and disclosures.

- *AASB 16: Leases* applies to annual reporting periods beginning on or after 1 January 2019.

AASB 16 requires that lessees recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Assets and liabilities arising from a lease are initially measured on a net present value basis. The directors anticipate this will have an impact on the financial statements but at this stage are unable to quantify the impact.

- *Other standards not yet applicable*

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

ANDINA RESOURCES LIMITED  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the year ended 31 December 2016

	<b>Consolidated</b>	
	<b>31 Dec 2016</b>	<b>31 Dec 2015</b>
	\$	\$
<b>2a. Revenue from continuing operations</b>		
Sale of goods	13,143,771	11,844,007
<b>2b. Other income</b>		
Interest revenue	11,598	4,914
<b>3. Expenses</b>		
Expenses include the following amounts:		
Employee benefits expense	783,331	780,967
Directors expense	331,116	480,342
Impairment expense	11,247	228,967
Depreciation expense	162,851	150,870
Audit fees	33,647	23,528
Consultancy expense	270,274	121,779
Exploration expenditure written off	424	487
<b>4. Income tax expense</b>		
<b>(a) Prima facie income tax charge / (benefit) at 30% on profit/ (loss) from ordinary activities is reconciled to the income tax provided in the financial statements</b>		
	<b>31 Dec 2016</b>	<b>31 Dec 2015</b>
	\$	\$
Profit before income tax	358,613	612,002
Income tax calculated at applicable tax rates <sup>1</sup>	103,171	154,909
Tax effect of :-		
- Expenses not allowed	126,301	69,811
- Deductions	(59,211)	(5,040)
- Temporary differences	-	8,175
Future income tax benefit not brought to account	173,302	345,140
Current income tax expense	343,563	572,995
Deferred tax expense/ (credit)	643	(42,752)
Income tax expense for the year	344,206	530,243

1 – The income tax rate in Australia is 27.5% (2015: 30%). The income tax rate in Peru is 28% (2015: 30%). The effective tax rate equates to 28.8% (2015: 25.3%) for the Group due to the grossing up of individual tax positions.

**(b) Income tax liability**

As at 31 December 2016 the group recognised an income tax liability of \$Nil (31 December 2015: \$Nil) on the profits earned by its subsidiary entity –Tulin Gold S.A.C due to the fact Tulin Gold S.A.C has paid the tax in advance.

ANDINA RESOURCES LIMITED  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the year ended 31 December 2016

**4. Income tax expense (cont)**

**(c) Deferred tax assets**

The potential deferred tax asset arising from the tax losses and temporary differences have not been recognised as an asset because recovery of tax losses is not yet probable.

	<b>12 months to 31 Dec 2016</b>	<b>12 months to 31 Dec 2015</b>
	\$	\$
Australian tax losses	548,728	494,651
Accrued expenses	10,676	27,360
Section 40-880 deductions	4,832	2,196
Unrecognised deferred tax assets	<u>564,236</u>	<u>524,207</u>
Peru temporary differences (written off)/ recognised during the year	<u>(1,752)</u>	<u>42,752</u>

The benefits will only be obtained if;

- i. The Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction for the losses to be realised.
- ii. The Company continues to comply with the conditions of deductibility imposed by the Law; and
- iii. No change in tax legislation adversely affect the Company in realising the benefits from the deductions or the losses.

	<b>31 Dec 2016</b>	<b>31 Dec 2015</b>
	\$	\$
<b>5. Cash and cash equivalents</b>		
Cash at bank	<u>228,899</u>	<u>917,260</u>
<b>6. Trade and other receivables</b>		
Current		
Trade debtors	31,298	117,602
GST receivable	31,053	34,617
Other receivables*	<u>1,837,332</u>	<u>748,203</u>
	<u>1,899,683</u>	<u>900,422</u>
* - Other receivables	2,074,553	1,207,680
Less: Provision for impairment	<u>(237,221)</u>	<u>(459,477)</u>
Total	<u>1,837,332</u>	<u>748,203</u>

All trade debtors are current and there are no overdue or impaired amounts. Other receivables comprise mainly of VAT, other taxes receivable in Tulin Gold Co SAC and advances to suppliers.

During the prior year the Company loaned \$291,500 to Minera Gold Limited in bridging funding as part of the Company's DOCA proposal. During the year Minera Gold Limited returned \$Nil (2015: \$75,351 returned). The interest rate on the loan is 5% per annum and will be repaid at the completion of the reconstruction deed. The balance as at 31 December 2016 was \$230,012 (2015: \$218,765) which has been fully provided for.

ANDINA RESOURCES LIMITED  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the year ended 31 December 2016

7. Inventory	31 Dec 2016	31 Dec 2015
	\$	\$
Work in progress	212,797	321,635
Supplies used in production	123,633	72,081
	<u>336,430</u>	<u>393,716</u>

8. Plant and equipment

31 Dec 2016	Plant & Equipment	Motor vehicles	Furniture & fittings	Capital work in progress	Total
	\$	\$	\$	\$	\$
Total plant and equipment at cost	862,159	367,206	36,891	1,343,376	2,609,632
Less: accumulated depreciation	(256,599)	(204,759)	(16,292)	-	(477,650)
Total plant and equipment	<u>605,560</u>	<u>162,447</u>	<u>20,599</u>	<u>1,343,376</u>	<u>2,131,982</u>

31 Dec 2016

Total carrying amount at the beginning of the year	462,774	206,652	23,970	635,277	1,328,673
Additions	59,528	41,129	627	881,739	983,023
Disposals	(11,792)	-	-	-	(11,792)
FX movement on cost	179,653	(4,395)	(527)	(182,832)	(8,101)
Depreciation expense	(77,289)	(81,940)	(3,622)	-	(162,851)
FX movement on depreciation	(7,314)	1,001	151	9,192	3,030
Total carrying amount at end of the year	<u>605,560</u>	<u>162,447</u>	<u>20,599</u>	<u>1,343,376</u>	<u>2,131,982</u>

31 Dec 2015

Total plant and equipment at cost	634,770	330,472	36,790	644,469	1,646,501
Less: accumulated depreciation	(171,996)	(123,820)	(12,820)	(9,192)	(317,828)
Total plant and equipment	<u>462,774</u>	<u>206,652</u>	<u>23,970</u>	<u>635,277</u>	<u>1,328,673</u>

8. Plant and equipment (cont)

31 Dec 2015	Plant & Equipment	Motor vehicles	Furniture & fittings	Capital works in progress	Total
Total carrying amount at the beginning of the year	421,873	146,216	24,289	40,079	632,457
Additions	107,051	118,459	2,965	604,210	832,685
Derecognition of assets	-	-	-	-	-
FX movement on cost	13,411	(608)	473	180	13,456
Depreciation expense	(79,559)	(58,384)	(3,735)	(9,192)	(150,870)
FX movement on depreciation	(2)	969	(22)	-	945
Total carrying amount at end of the year	<u>462,774</u>	<u>206,652</u>	<u>23,970</u>	<u>635,277</u>	<u>1,328,673</u>

9. Exploration and Evaluation Expenditure

	31 Dec 2016	31 Dec 2015
	\$	\$
Carrying amount at the beginning of the year	150,642	104,296
Exploration and evaluation expenditure	166,106	46,833
Written off as incurred	(424)	(487)
Impairment of capitalised exploration	-	-
Total carrying amount at end of the year	<u>316,324</u>	<u>150,642</u>

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<b>10. Trade and other payables</b>	<b>31 Dec 2016</b>	<b>31 Dec 2015</b>
	\$	\$
Current payables		
Trade and other payables	839,751	607,497
Accruals	38,823	91,201
	<u>878,574</u>	<u>698,698</u>

Trade liabilities are non-interest bearing and normally settled on 30-day terms.

<b>11. Provisions</b>	<b>31 Dec 2016</b>	<b>31 Dec 2015</b>
	\$	\$
Provision for annual leave	54,081	54,491
	<u>54,081</u>	<u>54,491</u>

<b>12. Financial liabilities</b>	<b>31 Dec 2016</b>	<b>31 Dec 2015</b>
	\$	\$
<b>CURRENT</b>		
Financial liability	87,552	77,631
<b>NON-CURRENT</b>		
Financial liability	55,188	122,284
<b>TOTAL</b>	<u>142,740</u>	<u>199,915</u>

Financial liabilities relate to three (2015: two) hire purchase arrangements entered into to purchase various plant and equipment and pick up vans for the gold operations in Peru. The Van lease has a remaining balance of AU\$12,339 (2015: AU\$36,790) to be paid from 31 December 2016, has an interest rate of 7.65% per annum and the final monthly payment will occur in June 2017. The plant and equipment lease has a remaining balance AU\$106,300 (2015: AU\$163,125) to be paid from 31 December 2016, has an interest rate of 8.00% per annum and the final monthly payment will occur in October 2018. The second Van lease has a remaining balance of AU\$24,101 to be paid from 31 December 2016, has an interest rate of 7.97% per annum and the final monthly payment will occur in March 2018

	<b>31 Dec 2016</b>	<b>31 Dec 2016</b>	<b>31 Dec 2015</b>	<b>31 Dec 2015</b>
	Number	\$	Number	\$
<b>13. Issued Capital</b>				
(a) Ordinary shares				
At the beginning of the year	190,202,132	5,303,786	73,742,583	4,109,087
Shares issued during the year:	125,791,364	1,383,705	116,459,549	1,281,055
Share issue costs	-	(34,425)	-	(86,356)
<b>At the end of the year</b>	<u>315,993,496</u>	<u>6,653,066</u>	<u>190,202,132</u>	<u>5,303,786</u>



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**13. Issued Capital (cont)**

(b) Share Options

At 31 December 2016 and 31 December 2015 the Company had no options on issue.

**Capital Management**

Management controls the capital of the Company in order to ensure that the Group can fund its operations and continue as a going concern.

The Company's capital includes ordinary share capital. There are no externally imposed capital requirements.

The working capital position of the Group at 31 December 2016 and 31 December 2015 is as follows:

	<b>31 Dec 2016</b>	<b>31 Dec 2015</b>
	\$	\$
Cash and cash equivalents	228,899	917,260
Trade and other receivables	1,899,683	900,422
Inventories	336,430	393,716
Trade and other payables	(878,574)	(698,698)
Income tax payable	-	-
Provisions	(54,081)	(54,491)
Financial Liabilities (current)	(87,552)	(77,631)
Working capital position	<u>1,444,805</u>	<u>1,380,578</u>

**14. Reserves**

	<b>31 Dec 2016</b>	<b>31 Dec 2015</b>
	\$	\$
Foreign Currency Translation Reserve		
Balance at the beginning of the year	409,685	308,164
Foreign translation for the year	(86,443)	101,521
Balance at the end of the year	<u>323,242</u>	<u>409,685</u>
Capital Reserve		
Balance at the beginning of the year	307,528	-
Increase in Capital Reserve	-	307,528
Balance at the end of the year	<u>307,528</u>	<u>307,528</u>
Legal Reserve		
Balance at the beginning of the year	20,628	4,726
Increase in Legal Reserve	-	15,902
Balance at the end of the year	<u>20,628</u>	<u>20,628</u>
	<u>651,398</u>	<u>737,841</u>

The foreign currency translation reserve is used to record translation differences arising from the translation of the financial statements of foreign subsidiaries and translation differences on intercompany loans.

The capital reserve represents to bonus shares issued by the subsidiary Tulin Gold S.A.C to Andina Resources Limited.

The legal reserve is a reserve required by Peruvian legislation and is a percentage of accumulated profits.

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<b>15. Accumulated Losses</b>	<b>12 months to 31 Dec 2016</b>	<b>12 months to 31 Dec 2015</b>
Balance at the beginning of the year	(2,466,249)	(2,224,578)
Profit for the year	14,407	81,759
Transfer to capital reserve	-	(307,528)
Transfer to legal reserve	-	(15,902)
Balance at the end of the year	<u>(2,451,842)</u>	<u>(2,466,249)</u>
<b>16. Cash Flow Information</b>	<b>12 months to 31 Dec 2016</b>	<b>12 months to 31 Dec 2015</b>
<b>Reconciliation of cash flows from operating activities with profit/ (loss) after income tax</b>	<b>\$</b>	<b>\$</b>
-Profit/ (loss) after income tax	14,407	81,759
Adjustments for:		
- Depreciation expense	162,851	150,870
- Deferred tax asset recognized/ decreased	1,752	(42,752)
- Impairment expense	11,247	228,967
- Exploration expenditure written off	424	487
- Exchange differences on translation of foreign operations	(102,561)	-
- Derecognition of assets	-	-
Changes in assets and liabilities		
- (Increase)/ Decrease in operating receivables	(999,261)	(385,827)
- Increase/(Decrease) in inventory	57,286	(129,525)
- Increase/(Decrease) in trade and other payables, taxation and provisions	189,387	151,804
<b>Net cash inflows from Operating Activities</b>	<u>(664,468)</u>	<u>55,783</u>
<b>17. Earnings per Share</b>	<b>12 months to 31 Dec 2016</b>	<b>12 months to 31 Dec 2015</b>
Net profit after income tax attributable to members of the Company	14,407	81,759
	<b>Number</b>	<b>Number</b>
Weighted average number of shares on issue during the financial year used in the calculation of basic earnings per share	209,906,670	106,470,314
Diluted earnings per share is the same as basic earnings per share as the Company does not have options on issue.		

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**18. Key Management Personnel Compensation**

(a) Directors and Specified Executives

The names and positions held by key management personnel in office at any time during the year are:

Directors	
M Carr	Non-Executive Director
A Knowles	Executive Director
A Cavero	Non-Executive Director

(b) Remuneration of Directors

\$412,378 (2015: \$480,342) in remuneration was paid to Directors for the twelve months ended 31 December 2016 comprising salary, insurance and commercial fees.

**Twelve months to 31 Dec 2016**

	Short Term Benefits			Employment		Securities Issued		Total
	Salary, bonus	Other	Non Monetary	Super-annuation	Retirement Benefits	Equity	Options	
M Carr (i)	\$36,000	-	-	-	-	-	-	<b>\$36,000</b>
A Knowles (ii)	\$123,409	-	-	-	-	-	-	<b>\$123,409</b>
A Cavero	\$252,969	-	-	-	-	-	-	<b>\$252,969</b>
<b>TOTAL</b>	<b>\$412,378</b>	-	-	-	-	-	-	<b>\$412,378</b>

**Twelve months to 31 Dec 2015**

	Short Term Benefits			Employment		Securities Issued		Total
	Salary, bonus	Other	Non Monetary	Super-annuation	Retirement Benefits	Equity	Options	
M Carr (iii)	\$36,000	-	-	-	-	-	-	<b>\$36,000</b>
A Knowles (iv)	\$198,098	-	-	-	-	-	-	<b>\$198,098</b>
A Cavero	\$246,244	-	-	-	-	-	-	<b>\$246,244</b>
<b>TOTAL</b>	<b>\$480,342</b>	-	-	-	-	-	-	<b>\$480,342</b>

- (i) Of the above amounts a total of \$3,300 is unpaid as of 31 December 2016.
- (ii) Of the above amounts a total of \$21,198 is unpaid as of 31 December 2016.
- (iii) Of the above amounts a total of nil is unpaid as of 31 December 2015.
- (iv) Of the above amounts a total of \$13,128 is unpaid as of 31 December 2015. Note this amount includes performance bonuses 3, 4 and 5 which were met during the 2015 year amounting to \$60,000.

- (c) Remuneration Options: No options were granted and or vested during the twelve months to 31 December 2016 and 31 December 2015 financial year.
- (d) Share based payments: There were no share based payments issued during the year.
- (e) Share and Option holdings of directors and officers  
 There are no options over ordinary shares held by any key management personnel ("KMP") of the Group during the twelve months to 31 December 2016 or 31 December 2015.

**18. Key Management Personnel Compensation (cont)**

- (f) Key agreements with directors  
 During the year Andrew Knowles had the following remuneration package with the entity:  
 A fixed \$9,000 (plus GST) a month for executive director fees;  
 A bonus structure of 3% of the annual net profit before tax of Tulin Gold SAC above USD\$1,000,000; and 6 performance milestones relating to the delivery of the new plant at Vista Gold, where each milestone once completed will result in a payment of \$20,000. The milestones are:
- Research and delivery of Business Plan for Andina and incorporating detail for the construction of the new vista Gold Plant at Poroma, Southern Peru – Achieved and invoiced in June 2014,
  - Delivery of the EIS100 and the land purchase contract being substituted for the option contract – Achieved and invoiced in August 2014,
  - Issue of Building Licence – Achieved and invoiced in July 2015,
  - Start of the construction of the Reception Crushing circuit – Achieved and invoiced in October 2015,
  - Completion of Reception Crushing circuit – Achieved and invoiced in December 2015, and
  - Commissioning of new plant.

**KMP Shareholdings**

The number of ordinary shares in Andina Resources Limited held by each KMP of the Group during the financial year is as follows:

	Balance at 1 January 2016	Granted as Remuneration during the Year	Issued on Exercise of Options during the Year	Other Changes during the Year	Balance at 31 December 2016
<b>31 December 2016</b>					
M Carr	259,680	-	-	50,000,000	50,259,680
A Knowles	3,839,535	-	-	2,000,000	5,839,535
A Caverio	406,250	-	-	0	406,250

	Balance at 1 January 2015	Granted as Remuneration during the Year	Issued on Exercise of Options during the Year	Other Changes during the Year	Balance at 31 December 2015
<b>31 December 2015</b>					
M Carr	259,680	-	-	-	259,680
A Knowles	3,839,535	-	-	-	3,839,535
A Caverio	406,250	-	-	-	406,250

g) Other Transactions with Key Management Personnel

36,363,636 shares were issued to director Matthew Carr and related entities upon conversion of \$400,000 of convertible notes that were issued and converted during 2016 at 1.1 cents per share.

On 9 October 2015, \$10,000 was paid to Quentine Investments Pty Ltd (a Company related to Mr A Knowles) for consideration to purchase 100% of the share capital in Porphyry Assets Pty Ltd. Porphyry Assets Pty Ltd owns 100% of the issued capital of Porphyry Assets S.A.C. The Consolidated group has a net liability position of \$202 at the time Andina Resources acquired the group. As such this lead to \$10,202 being recognized as an expense of purchase consideration over net liabilities assumed.

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	12 months to 31 Dec 2016 \$	12 months to 31 Dec 2015 \$
<b>19. Auditor's Remuneration</b>		
Amounts received or due and receivable by the auditors for:		
Auditing of financial reports	33,647	23,528
Other services	-	-
	<u>33,647</u>	<u>23,528</u>
Auditing costs split by geographical area:		
Stantons International in Australia	22,500	16,046
Russell Bedford in Peru	11,147	7,482
	<u>33,647</u>	<u>23,528</u>

**20. Commitments**

a) Operating Lease commitments

Non-cancellable operating lease contracted for but not recognized in the financial statements

Payable – minimum lease payments:

	31 Dec 2016 \$	31 Dec 2015 \$
Not later than 12 months	480,467	493,150
Between 12 months and 5 years	120,117	164,383
Later than 5 years	-	-
	<u>600,584</u>	<u>657,533</u>

The operating assets of Tulin Gold S.A.C operate under a non-cancellable lease with a 1 year term, with rent of US\$30,000 (31 December 2015: US\$23,000) payable monthly in advance. The current lease expires on 14 March 2018.

b) Exploration commitments

There are no minimum exploration commitments for the tenements held by the Group.

c) Capital commitments

There are no minimum capital commitments in the Group.

**21. Financial Instruments**

a. Financial Risk Management Policies

The Group's financial instruments consist solely of deposits with banks and trade and other receivables. No financial derivatives are held.

i. Financial Risk Exposures and Management

The main risk the Group is exposed to through its financial instruments is interest rate risk and credit risk.

Interest rate risk

Interest rate risk is managed by obtaining the best commercial deposit interest rates available in the market from the major Australian Financial Institutions.

Credit risk exposures

Credit risk represents the loss that would be recognised if the counterparties default on their contractual obligations resulting in financial loss to the Group. The Group has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group measures credit risk on a fair value basis.

The Group does not have any significant credit risk to any single counterparty or any group of counterparties having similar characteristics. The credit risk on financial assets, of the Group which have been recognised in the Statement of Financial Position, is the carrying amount, net of any provision for doubtful debts.

The credit quality of financial assets that are neither past due nor impaired:

	<b>31 Dec 2016</b>	<b>31 Dec 2015</b>
	<b>\$</b>	<b>\$</b>
Trade receivables		
Group 1	31,298	117,602
Group 2	-	-
Group 3	-	-
Total trade receivables	<u>31,298</u>	<u>117,602</u>
Cash at bank and short-term deposits	<u>228,899</u>	<u>917,260</u>
	<u>228,899</u>	<u>917,260</u>

Group 1 – existing customers (less than 6 months)

Group 2 – existing customers (more than 6 months) with no defaults in the past

Group 3 – existing customers (more than 6 months) with some defaults in the past. All defaults were fully recovered.

Cash at bank and short term deposits are held in financial institutions.

The Group also has other receivables of \$1,429,587 at 31 December 2016 (31 December 2015: \$273,746) from various Government departments in Peru relating to VAT and other taxes. The remainder of the other receivables balance of \$470,096 (2015: \$474,457) relates to loans with employees, deposits made and payments made in advance to suppliers.

ii. Liquidity Risk

The Group manages liquidity risk by monitoring forecast cash flows. The Group does not have any significant liquidity risk as the Group does not have any collateral debts.

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**21. Financial Instruments (cont)**

iii. Net Fair Values

The net fair values of:

— Other assets and other liabilities approximate their carrying value.

iv. Interest Rate Risk

The Group has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which is not material.

	Floating interest rate	Fixed interest rate	Non interest bearing	Total	Weighted average interest rate %
	\$	\$	\$	\$	
<b>31 Dec 2016</b>					
Financial assets					
Cash and cash equivalents	228,899	-	-	228,899	2.76%
Trade and other receivables	-	-	1,899,683	1,899,683	
Other assets	-	-	940,488	940,488	
Total financial assets	228,899	-	2,840,171	3,069,070	
Financial liabilities					
Trade and other payables		-	878,574	878,574	
Financial Liabilities		142,740	-	142,740	7.97%
Total financial liabilities		142,740	878,574	1,021,314	

	Floating interest rate	Fixed interest rate	Non interest bearing	Total	Weighted average interest rate %
	\$	\$	\$	\$	
<b>31 Dec 2015</b>					
Financial assets					
Cash and cash equivalents	917,260	-	-	917,260	1.00%
Trade and other receivables	-	-	900,422	900,422	-
Other assets	-	-	761,806	761,806	-
Total financial assets	917,260	-	1,662,228	2,579,488	
Financial liabilities					
Trade and other payables	-	-	698,698	698,698	-
Financial Liabilities	-	199,915	-	199,915	7.94%
Total financial liabilities	-	199,915	698,698	898,613	

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. All financial instruments held are level 1.

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**21. Financial Instruments (Cont)**

- v. Foreign currency risk  
 Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency.

The Group has dealings in Peru as a result of acquiring operating plant and tenements in Peru. The Group will be subject to foreign currency value fluctuations in the course of its operations. The Group plans to curtail this impact by paying foreign currency invoices with positive cash flow derived from Peruvian operations and paying invoices in a timely fashion.

At 31 December 2016, the subsidiary companies had receivables denominated in the foreign currencies detailed below

31 Dec 2016	Foreign Currency	AUD Equivalent
USD	237,793	325,744

31 Dec 2015	Foreign Currency	AUD Equivalent
USD	393,361	538,850

At 31 December 2015, the subsidiary companies had liabilities denominated in the foreign currencies detailed below:

31 Dec 2016	Foreign Currency	AUD Equivalent
USD	189,411	259,467

31 Dec 2015	Foreign Currency	AUD Equivalent
USD	554,776	759,996

A 5% movement in foreign exchange rates would increase or decrease profit before tax by approximately AU\$28,316 (31 December 2015: AU\$16,335 ).

Other price risk:

Other price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices largely due to demand and supply factors (other than those arising from interest rate risk or currency risk) for commodities. The Group is exposed to commodity price risk.

The Group has an agreement with regards to the commodity price of gold and silver sales to its one customer being Metalor Technologies S.A. Terms of the agreement with Metalor is that a sale contract for each sale is set at the price based on the London Metals Exchange from the previous night. The Group does not enter into any hedging arrangements for commodity price risk.



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**22. Segment Note**

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the consolidated entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team in assessing performance and in determining the allocation of resources.

The group operates in two operating segments and two geographical segments being mineral exploration in Peru and mineral production in Peru with head office costs in Australia and this is the basis on which internal reports are provided to the directors for assessing performance and determining the allocation of resources in the Group.

<b>Twelve months to December 2016</b>	Exploration - Peru \$	Mineral Production - Peru \$	Treasury - Australia \$	Total \$
<b>SEGMENT PERFORMANCE</b>				
Revenue	-	13,143,771	11,598	13,155,369
Total group revenue	-	13,143,771	11,598	13,155,369
Segment net profit/ (loss) from continuing operations before tax	(58,220)	968,728	11,598	922,106
Reconciliation of segment result to group net profit before tax				
Unallocated items:				
Administration expense				(552,246)
Impairment expense				(11,247)
Foreign exchange gain/ (loss)				-
Net profit before tax from continuing operations				358,613
<b>SEGMENT ASSETS</b>				
Segment assets/ total group assets	381,293	5,472,292	43,379	5,896,964
Reconciliation of segment assets to group assets				
Unallocated items:				
GST receivable				31,053
Total group assets				5,928,017
<b>SEGMENT LIABILITIES</b>				
Segment liabilities	80,688	721,562	273,145	1,075,395
Total group liabilities				1,075,395

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**22. Segment Note (cont)**

<b>Twelve months to December 2015</b>	Exploration - Peru \$	Mineral Production - Peru \$	Treasury - Australia \$	Total \$
<b>SEGMENT PERFORMANCE</b>				
Revenue	-	11,844,007	4,914	11,848,921
Total group revenue	-	11,844,007	4,914	11,848,921
Segment net profit/ (loss) from continuing operations before tax	(144,962)	1,579,492	4,914	1,439,444
Reconciliation of segment result to group net profit before tax				
Unallocated items:				
Administration expense				(598,475)
Impairment expense				(228,967)
Foreign exchange gain/ (loss)				-
Net profit before tax from continuing operations				612,002
<b>SEGMENT ASSETS</b>				
Segment assets/ total group assets	208,256	4,045,794	239,815	4,493,865
Reconciliation of segment assets to group assets				
Unallocated items:				
GST receivable				34,617
Total group assets				4,528,482
<b>SEGMENT LIABILITIES</b>				
Segment liabilities	10,248	686,483	256,373	953,104
Total group liabilities				953,104

The Group has only one customer to whom it sells its gold and silver product being Metalor Technologies S.A.

### 23. Subsequent Events

There has not been any matter or circumstance that has arisen since 31 December 2016, which has significantly affected, or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years, other than:

During June 2017 the Company has received a total of \$250,000 in convertible loans to assist in funding for the Vista Gold plant build. Key terms of the Convertible Note are that any time up to the maturity date the convertible notes, at the election of the Company be converted to Ordinary shares at a price of \$0.011 per share. They mature 12 months from the date funds were received and have an interest rate of 20%.

On 9 June 2017 at Minera Gold Limited's (Subject to Deed of Company Arrangement) Annual General Meeting shareholders approved all resolutions tabled at the meeting which continues the proposal by Andina Resources Limited. There are certain conditions precedent that must be met before the transaction is actioned, the most important of which is the completion of a successful recapitalization capital raising of \$6,000,000 by Minera Gold Limited. Subject to this the following will occur:

Andina Resources Limited to receive 235,000,000 shares in Titan Minerals Limited ("Titan") (Formerly Minera Gold Limited) in consideration for the following:

1. Andina advancing A\$291,500 to Titan under the MIZ Loan Facility (which was completed in the FY2015 financial year), for which Andina has agreed that Titan will satisfy its obligations to repay the outstanding balance of this to Andina in full by making payment of A\$150,000;
2. Mantle Mining S.A.C ("Mantle") (an Andina subsidiary in Peru) taking on the future liability of Titan under the Existing Gold Stream Agreement (by way of the Replacement Gold Stream Agreement);
3. Mantle taking on the future liability of Titan under the Existing Silver Stream Agreement (by way of the Replacement Silver Stream Agreement); and
4. Mantle granting Titan the right to earn a 70% interest in the Torrecillas Earn-in Concessions which will take effect upon, and be subject to, Titan paying the annual fees imposed in respect of each of the Torrecillas Earn-in Concessions during the 2017, 2018 and 2019 calendar years capped at an aggregate amount of A\$450,000. Following completion of the earn-in, Titan and Mantle will form an unincorporated joint venture in relation to the Torrecillas Earn-in Concessions.

Mr Timothy Neesham was appointed to the Board of the Company as Non-Executive Chairman on 22nd May 2017. Mr Andrew Knowles resigned as Executive Director on 20th June 2017.

### 24. Contingent Liabilities

The Group is not aware of any contingent liabilities that existed at balance date to the day of this report.

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**25. Related Parties**

Related party transactions with management personnel are disclosed in Note 18.

The following are the intercompany loan balances at the balance date:

Loans from the parent to subsidiaries:

	<b>31 Dec 2016</b>	<b>31 Dec 2015</b>
	\$	\$
Loans from the parent to subsidiaries:		
Tulin Gold S.A.C	1,397,647	557,691
Andean Metals S.A.C	978,775	869,488
Vista Gold S.A.C	1,164,782	883,824
Mantle Mining S.A.C	43,375	-

Loans from the subsidiaries to parent:

Tulin Gold S.A.C to Andina Resources Limited	1,367,976	1,051,369
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Loans between subsidiaries:

Tulin Gold S.A.C to Andean Metals S.A.C	-	-
Tulin Gold S.A.C to Vista Gold S.A.C	-	-
Tulin Gold S.A.C to Porphyry Assets S.A.C	202	207

**26 Parent Information**

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

STATEMENT OF FINANCIAL POSITION	<b>31 Dec 2016</b>	<b>31 Dec 2015</b>
	\$	\$
<b>ASSETS</b>		
Current assets	74,413	274,413
Non Current Assets	101,545	101,545
<b>TOTAL ASSETS</b>	<u>175,958</u>	<u>375,958</u>
<b>LIABILITIES</b>		
Current liabilities	273,145	256,373
Non Current liabilities	-	493,678
<b>TOTAL LIABILITIES</b>	<u>273,145</u>	<u>750,051</u>
<b>NET ASSETS</b>	<u>(97,187)</u>	<u>(374,093)</u>
<b>EQUITY</b>		
Issued capital	6,653,066	5,303,786
Accumulated losses	(6,750,253)	(5,677,879)
<b>TOTAL EQUITY/ (Deficiency)</b>	<u>(97,187)</u>	<u>(374,093)</u>

STATEMENT OF COMPREHENSIVE INCOME	<b>31 Dec 2016</b>	<b>31 Dec 2015</b>
	\$	\$
Total loss before and after tax	<u>(1,072,374)</u>	<u>(2,457,282)</u>
Total comprehensive loss	<u>(1,072,374)</u>	<u>(2,457,282)</u>

The parent entity does not have any commitments or contingent liabilities as at balance date.

ANDINA RESOURCES LIMITED  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the year ended 31 December 2016

**27. Controlled entities**

a. Controlled Entities Consolidated

	Country of Incorporation	Percentage Owned (%)*	
		31 Dec 2016	31 Dec 2015
Subsidiaries of Andina Resources Limited:			
Tulin Gold S.A.C	Peru	100%	100%
Andean Metals S.A.C	Peru	100%	100%
Vista Gold S.A.C	Peru	100%	100%
Mantle Mining S.A.C	Peru	100%	100%
Porphyry Assets Pty Ltd	Australia	100%	100%
Controlled by Porphyry Assets Pty Ltd			
Porphyry Assets S.A.C	Peru	100%	100%

\* Percentage of voting power is in proportion to ownership.

**28. Share Based Payments**

There were no share based payments in the twelve months ended 31 December 2016 and 31 December 2015.

**29. Associated Companies**

Interests that are held in the following associated company

Name	Principal Activities	Country of Incorporation	Shares	Ownership Interest		Carrying Amount of Investments	
				31 Dec 2016	31 Dec 2015	31 Dec 2016 \$	31 Dec 2015 \$
Gravity Gold Pty Ltd	Gold processing in Western Australia	Australia	20,000,000	N/A	48.19%	-	-

On the 15 January 2015 Gravity Gold Pty Ltd went into external administration. On 1 June 2016 the company was official deregistered.

**30. Other Assets**

Other assets relate to advances made to vendors for the acquisition of land for the construction of a gold producing plant in Peru. Ownership of the land was transferred to the Company on the 18<sup>th</sup> August 2017.

## DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Andina Resources Limited, the directors of the company declare that: the financial statements and notes, as set out on pages 10 to 38, are in accordance with the Corporations Act 2001 and:

- a. comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
  - b. give a true and fair view of the financial position as at 31 December 2016 and of the performance for the year ended on that date of the consolidated group;
2. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and



Matthew Carr  
Non-Executive Director  
Perth, Western Australia  
24<sup>th</sup> August 2017

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
ANDINA RESOURCES LIMITED**

**Report on the Financial Report**

We have audited the accompanying financial report of Andina Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial period.

*Directors' responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal controls as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101: Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards.

*Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Opinion

In our opinion:

- (a) the financial report of Andina Resources Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the financial report of the Company also complies with International Financial Reporting Standards as disclosed in note 1.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD

(Trading as Stantons International)

(An Authorised Audit Company)

*Stantons International Audit & Consulting Pty Ltd*



Martin Michalik  
Director

West Perth, Western Australia

24 August 2017



**ANDINA RESOURCES LIMITED**

ABN 50 137 601 159

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

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## **CORPORATE DIRECTORY**

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### **DIRECTORS**

Matthew Carr (Non-Executive Director)  
Andrew Knowles (Executive Director)  
Arturo Cavero (Non-Executive Director)

### **AUDITOR**

Stantons International  
Level 2,  
1 Walker Avenue,  
West Perth WA 6005

### **COMPANY SECRETARY**

Zane Lewis

### **REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS**

Suite 6, 295 Rokeby Road  
Subiaco,  
Western Australia 6008

Phone: +618 6555 2950  
Facsimile: +618 6166 0261

## DIRECTORS' REPORT

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The Directors present their report, together with the financial statements of the Group, being the company and its controlled entities, for the year ended 31 December 2015.

### BOARD OF DIRECTORS

The names and details of the Andina Resources Ltd ("Company") directors in office during the financial year and until the date of this report are as follows.

Matthew Carr (Non-Executive Director)

Mr. Carr is a successful and experienced company director having founded Urban Capital Group and assisted in the capital raising of several public companies.

Since 2005, Mr. Carr has also been director of a private hospitality group that has a number of establishments throughout Western Australia.

Andrew Knowles (Executive Director)

Mr. Knowles is an experienced business & corporate executive, having worked in the Mining & Construction industries for over thirty five years, for both private and multinational companies. He is a graduate of the Science faculty at Melbourne University and has a Masters of Business Administration from the University of Western Australia, with specialties in Strategic Management, Administrative policy and Corporate finance.

He has worked as a Management Consultant, as well as being founder and Managing Director of one of Perth's largest mid tier construction companies – a position he held for 21 years, before selling down his equity in July of 2010.

Mr. Knowles also has Mining qualifications from the Box Hill Technical College (Melbourne) and is a Director of Royal Harry Goldmines NL, a public Company focusing on exploration and mining projects in Western Australia.

Arturo Cavero (Non-Executive Director)

Mr. Cavero is an Electronic Engineer from the "Universidad Nacional de Ingenieria" (National Engineering University) of Lima, Peru. He started his career as Systems Engineer in IBM. After multiple awards, he initiated his own company in the Application Software development area. With more than 30 years of successful experience as Project Manager of significant projects, Mr. Cavero has always demonstrated great efficiency and proactivity.

During the last nine years he has been the General Manager of several Mining Companies owned by Peruvian and Australian Investors, as well as Director of several firms in Agriculture and IT.

Directorships of other listed companies held by directors in the three years immediately before the end of the financial year are as follows:

Director	Other directorships	Current Shareholdings
Matthew Carr	None	3,359,680
Andrew Knowles	None	3,839,535
Arturo Cavero	None	406,250

### CORPORATE STRUCTURE

Andina Resources Ltd is a company limited by shares that is incorporated and domiciled in Australia. Andina Resources Ltd has a 100% interest in Andean Metals S.A.C a company incorporated and domiciled in Lima, Peru. Andina Resources Limited holds a 100% interest in Tulin Gold S.A.C a company incorporated and domiciled in Lima, Peru. Tulin Gold S.A.C. owns 100% of the share capital of Mantle Mining S.A.C. a company incorporated and domiciled in Lima, Peru. Andina Resources Limited holds 100% of Vista Gold S.A.C a company incorporated and domiciled in Lima, Peru. Andina Resources Limited holds a 100% interest in Porphyry Assets Pty Ltd a company incorporated and

## DIRECTORS' REPORT

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domiciled in Australia, which in turn holds a 100% interest in Porphyry Assets S.A.C. a company incorporated and domiciled in Peru.

Andina Resources Limited holds 48.19% of Gravity Gold Pty Ltd a company incorporated and domiciled in Australia. On the 15 January 2015 Gravity Gold went into external administration with George Lopez and Evan Verge of Melsom Robson Chartered Accountants being appointed liquidators and on 1 June 2016 was subsequently deregistered.

### NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The principal activities of the Group during the year were gold refining and production at the Tulin Gold's plant in Tulin, Peru, as well as mineral exploration of the Group's concessions in Peru.

### REVIEW OF OPERATIONS

Another successful year has passed for our Peruvian operations, and it is with pleasure that your directors present an update on some of the progress and achievements of Andina Resources Ltd.

As previously reported, we have changed the Company's balance date to align with our Peruvian subsidiaries, and so these December 31 accounts, together with our audited Peruvian accounts, will form the basis of our Australian Annual accounts. These will be presented to shareholders at our successive AGMs, starting with the 2015 AGM tentatively scheduled for July 2016.

We are pleased to report that ore supplies have marginally improved, and are slowly returning to normal seasonal supply. It is still difficult, despite our efforts with increasing the numbers of ore buyers, to maintain higher levels of ore supply, although the grades continue to be at the richer levels. YTD for December 2015 finishing at 19.1 grams per tonne processed.

For the 12 months to December 2015, our production facility at Tulin has returned a pre-tax profit of approximately \$1.63M AUD of which a disappointing \$180,682 only was contributed in the last quarter of the year. Again we believe that this production decline is directly correlated with the unseasonal, and early, heavy annual rainfall. Miners literally get trapped in the mountains. There had also been heavy rains in March 2015, which caused widespread flooding, and mudslides the worst for over 30 years. Profits in December 2015 were also diminished, as is usual for that time, by the statutory payment of Christmas holiday loadings, as well as for annual bonuses for all Peruvian employees. We continue with our sales strategy of increasing our presence in the Andes, and being able to provide other ancillary services. Our recent purchase of the Isuzu 4 x 4 truck, which assists in accessing difficult terrain, has provided miners with a low cost option for ore delivery. This has proven to be an effective addition to our ore purchase strategies. In addition, we have added yet another 2 cars with ore buyers, which have in turn afforded us greater market penetration & physical ground coverage in the high mountains. We continue to seek after, and foster, longer relationships with loyal miners, as well as securing more independent supply contracts.

As before, we have maintained our search for a small, and operational gold mine, that will give us certainty of supply, and a base load feed currently for the Tulin plant, and eventually, of course, for the new Vista facility. Over the past nine months, we have been in negotiations with the administrators of an ASX listed entity, which will hopefully deliver us some of their assets in Southern Peru. This includes a developed underground mine with 17 existing extraction levels, and most importantly, some further proven reserves. In the near future, I hope to be able to bring to you an exciting update on these negotiations. This work has not been without significant cost in legal, accounting and consulting fees, and has thus reduced our consolidated Andina Pre-Tax Profits for 2015 to \$612,002.

During the 12 months to December 2015, we processed 12,115 tonnes of ore with gold production cycles (at 11.6 days) achieving a very satisfactory net recovery. The average recovery grade for gold has increased in 2015, with commensurate increases in the silver credits.

In spite of the overall and continuing good profit figures, we operate with ever increasing variable production costs, and additional demands for extra capital items – there are many issues with an ageing plant and it has become even more critical that we accelerate the program to construct our new Vista facility, thereby guaranteeing the longer term survival of our gold business in Peru. In the meantime, we

## DIRECTORS' REPORT

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have had to secure our lease position at Tulin, and are pleased to announce that we have successfully negotiated a new lease at this facility, which will allow us to continue to produce gold until after the new Vista facility has been commissioned and tested. This new lease term expires in April 2017.

At Vista, we have successfully completed all the earthworks, including the supply and installation of all the nine agitation and leach tanks. The weigh-bridge infrastructure and office are complete, as are the foundations and structure for the Cyclones and Reagent tanks. We have completed the construction of one ablution block and, whilst we have completed the order for all the accommodation and office buildings, the actual construction is yet to start. We have purchased and planted the 4500 trees to enhance and protect the landscape, all in line with the conditions of the Building License. A concrete "bunker," with battered sides, has been built to house the 2 large ground bins that will feed the 2 new ball mills. The massive footings for these items of plant have been poured and are being cured before receiving the mills themselves. We have started pouring the 3600 square metres of ground slab, which will be our primary reception facility for the incoming ore supplies. The entire crushing facility has been ordered, with a 50% prepayment having been made this will be installed over the ensuing weeks, once final preparations, and concrete footings, have been completed. Generally progress has been good, and we are still expecting to have the plant complete towards the end of 2016, with commissioning in December / January 2017.

As a Company, we have continued to focus on the operating gold business and, as before, we have maintained our moratorium on the development and spend on our exploration assets – we continue to hold the 15,100 hectares over our 3 projects, Chavin, Shanan and Tanguche.

We have also extended our lease over the Corporate offices in Lima, and our growing number of staff (due to the Vista build ) are to be congratulated for their exemplary work in the accuracy of our data input, and the on-going conformity with the procedures and protocols of all the relevant Government Authorities. It is also pleasing to report, that whilst we suffered another IGV audit in 2015, there were no inconsistencies (and hence no penalties) following the successful completion of that event.

We continue, with our Peruvian management team, to foster closer, and stronger, relationships with Business leaders, local communities, miners and ore suppliers. The latter are of critical importance in the ongoing success of our gold operations in Peru, and in particular, once we have completed the new Vista production facility. We remain committed to identifying and securing another production site, targeted for Northern Peru, where we can nurture the opportunity to replicate what we have done at Poroma (Nasca) in the South.

Your Board has been generally encouraged by the success of the Company's plans and strategies over the past 12 months, in spite of the somewhat disappointing close to the year. There are also a number of exciting developments, which are planned for the ensuing 12 months – and we look forward to sharing with shareholders updates on the progress as it unfolds. The general market consensus is that the Gold Price, and a strengthening Australian dollar (against the Greenback) over the next 12 months, will lay the platform for a successful year for us, and we have set the 2016 Annual budgets to reflect this corporate mindset.

In closing, we would like to thank you, our shareholders, and also our Staff and Management in Peru, for your continued loyalty and support of the Board. In particular, we would like to convey special thanks to those shareholders who have provided additional support by contributing in the recent capital raise. We are, as always, available for questions and commentary, should any of you wish to hold further discussion.

### RESULTS OF OPERATIONS

In the comparative period the Company had changed its financial year end from 30 June 2014 to 31 December 2014 to align it with its overseas subsidiaries. The comparative 31 December 2014 financial data represents the six months from 1 July 2014 to 31 December 2014, while information for the current reporting period represents twelve months from 1 January 2015 to 31 December 2015.

The operating profit after income tax of the Group for the twelve months ended 31 December 2015 was \$81,759 (six months ended 31 December 2014: \$78,333).

## **DIRECTORS' REPORT**

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### **DIVIDENDS**

No dividend has been paid during or is recommended for the twelve months ended 31 December 2015.

### **SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

There were no significant changes in the state of affairs of the Group during the financial year not otherwise dealt with in this report and the financial statements.

### **FUTURE DEVELOPMENTS**

The Group will continue to pursue its principal activity of producing Gold from its plant operating in Peru and exploration and evaluation on licenses in Peru, particularly in respect to the Projects as more particularly outlined under the heading 'Review of Operations' of this Report.

#### Exploration Risk

Mineral exploration and development are high-risk undertakings, and there is no assurance that exploration of the Tenements will result in the discovery of an economic deposit. Even if an apparently viable deposit is identified there is no guarantee that it can be economically exploited.

The future exploration activities of the Group may be affected by a range of factors including geological conditions, limitations on activities due to permitting requirements, availability of appropriate exploration equipment, exploration costs, seasonal weather patterns, unanticipated operational and technical difficulties, industrial and environmental accidents and many other factors beyond the control of the Group.

### **SUBSEQUENT EVENTS**

There has not been any matter or circumstance that has arisen since 31 December 2015, which has significantly affected, or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years, other than:

On 1 June 2016 Gravity Gold Pty Ltd (in liquidation) was officially deregistered. As such the Company has fully provided for its investment during the year ended 30 June 2014.

During March 2016 to July 2016 the Company has received a total of \$660,000 in convertible loans to assist in funding for the Vista Gold plant build. Key terms of the Convertible Note are that any time up to the maturity date the convertible notes, at the election of the Company be converted to Ordinary shares at a price of \$0.011 per share. They mature 12 months from the date funds were received and are interest free.

On 9 June 2016 at Minera Gold Limited's (Subject to Deed of Company Arrangement) reconvened meeting of creditors, the creditors resolved in favour of the DOCA variation proposal as proposed by Andina Resources Limited. There are certain conditions precedent that must be met before the transaction is actioned, the most important of which is the completion of a successful recapitalization capital raising of \$3,500,000 by Minera Gold Limited.

### **FINANCIAL POSITION**

The Group's working capital, being current assets less current liabilities was \$1,380,578 at 31 December 2015 (31 December 2014: \$1,144,720).

In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

## DIRECTORS' REPORT

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### DIRECTORS' MEETINGS

The number of meetings attended by each of the Directors of the Company during the twelve months ended 31 December 2015 was:

	Board Meetings	
	Number held and entitled to attend	Number Attended
Matthew Carr	3	3
Andrew Knowles	3	3
Arturo Cavero	3	0

### ENVIRONMENTAL ISSUES

The Group's operations are subject to State and Federal laws and regulations in Peru concerning the environment. Details of the Group's performance in relation to environmental regulations are as follows:

There were no known significant breaches of the Group's license conditions or any environmental regulations to which it is subject.

The Directors of the Company have reviewed the requirements under the Australian National Greenhouse Emission Regulation ("NGER"). NGER has no impact on the Group.

### PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

### SHARE OPTIONS

As at the date of this report, there were no ordinary shares under option.

No person entitled to exercise any option referred to above has or had, by virtue of the option, a right to participate in any share issue of any other body corporate.

During the twelve months ended 31 December 2015 no ordinary shares were issued on the exercise of options granted. No further shares have been issued since year end due to the exercise of options.

### INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the year the Company paid a premium of \$2,361 (31 December 2014: \$2,272) to insure Directors and Officers of the Company. The Directors and Officers have indemnities in place with the Company whereby the Company has agreed to indemnify the Directors and Officers in respect of certain liabilities incurred by the Director or Officer while acting as a director of the Company and to insure the Director or Officer against certain risks the Director or Officer is exposed to as an officer of the Company.



## DIRECTORS' REPORT

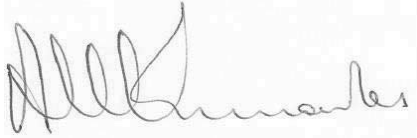
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### AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the twelve months ended 31 December 2015 has been received and immediately follows the Directors' Report.

No fees were paid or payable to Stantons International for non-audit services provided during the twelve months ended 31 December 2015.

This report is made in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to read 'Andrew Knowles', is written over a light grey rectangular background.

Andrew Knowles  
Executive Director  
Perth, Western Australia  
23<sup>th</sup> August 2016

23 August 2016

Board of Directors  
Andina Resources Limited  
Level 1, 981 Wellington Street  
WEST PERTH, WA 6005

Dear Directors

**RE: ANDINA RESOURCES LIMITED**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Andina Resources Limited.

As Audit Director for the audit of the financial statements of Andina Resources Limited for the year ended 31 December 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**  
**(Trading as Stantons International)**  
**(An Authorised Audit Company)**



**Martin Michalik**  
**Director**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
As at 31 December 2015

	Note	31 Dec 2015 \$	31 Dec 2014 \$
<b>Current Assets</b>			
Cash and cash equivalents	5	917,260	979,657
Trade and other receivables	6	900,422	514,596
Inventory	7	393,716	264,191
<b>Total Current Assets</b>		<b>2,211,398</b>	<b>1,758,444</b>
<b>Non-Current Assets</b>			
Investments	29	-	-
Plant and equipment	8	1,328,673	632,457
Exploration and evaluation expenditure	9	150,642	104,296
Deferred tax asset		75,963	33,211
Other assets	30	761,806	282,715
<b>Total Non-Current Assets</b>		<b>2,317,084</b>	<b>1,052,679</b>
<b>TOTAL ASSETS</b>		<b>4,528,482</b>	<b>2,811,123</b>
<b>Current Liabilities</b>			
Trade and other payables	10	698,698	381,532
Income tax payable	4(b)	-	182,008
Provisions	11	54,491	50,184
Financial liabilities	12	77,631	-
<b>Total Current Liabilities</b>		<b>830,820</b>	<b>613,724</b>
<b>Non-Current Liabilities</b>			
Financial liabilities	12	122,284	-
<b>Total Current Liabilities</b>		<b>122,284</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>953,104</b>	<b>613,724</b>
<b>NET ASSETS</b>		<b>3,575,378</b>	<b>2,197,399</b>
<b>Equity</b>			
Issued capital	13	5,303,786	4,109,087
Reserves	14	737,841	312,890
Accumulated losses	15	(2,466,249)	(2,224,578)
<b>TOTAL EQUITY</b>		<b>3,575,378</b>	<b>2,197,399</b>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
For the Year ended 31 December 2015 and six months ended 31 December 2014

	Note	12 months to 31 Dec 2015 \$	6 months to 31 Dec 2014 \$
Revenue from continuing operations	2(a)	11,844,007	4,398,673
Cost of goods sold		<u>(9,487,622)</u>	<u>(3,566,461)</u>
Gross profit		2,356,385	832,212
Other income	2(b)	4,914	1,705
Expenses			
Administration expense		(1,403,049)	(556,161)
Occupancy expense		(92,193)	(38,471)
Impairment expense	3	(228,967)	-
Foreign exchange gain/(loss)		(24,601)	5,495
Exploration expenditure written off	3	<u>(487)</u>	<u>(221)</u>
Profit before income tax expense		612,002	244,559
Income tax expense	4(a)	<u>(530,243)</u>	<u>(166,226)</u>
Net profit attributable to members of Company		<u>81,759</u>	<u>78,333</u>
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		<u>101,521</u>	<u>177,125</u>
Total comprehensive income attributable to members of Company		<u>183,280</u>	<u>255,458</u>
Basic earnings per share (cents per share)	17	0.08	0.11
Diluted earnings per share (cents per share)	17	0.08	0.11

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
 For the Year ended 31 December 2015 and six months ended 31 December 2014

	Issued Capital	Accumulated losses	Reserves	Total
	\$	\$	\$	\$
<b>Balance at 1 July 2014</b>	<b>4,109,087</b>	<b>(2,302,911)</b>	<b>135,765</b>	<b>1,941,941</b>
Profit after income tax	-	78,333	-	78,333
Other comprehensive income:				
Exchange differences on translation of Foreign operations	-	-	177,125	177,125
<b>Total comprehensive income</b>	<b>-</b>	<b>78,333</b>	<b>177,125</b>	<b>255,458</b>
Transfer to legal reserve	-	-	-	-
<b>Balance at 31 December 2014</b>	<b>4,109,087</b>	<b>(2,224,578)</b>	<b>312,890</b>	<b>2,197,399</b>
<b>Balance at 1 January 2015</b>	<b>4,109,087</b>	<b>(2,224,578)</b>	<b>312,890</b>	<b>2,197,399</b>
Profit after income tax	-	81,759	-	81,759
Other comprehensive income:				
Exchange differences on translation of Foreign operations	-	-	101,521	101,521
<b>Total comprehensive income</b>	<b>-</b>	<b>81,759</b>	<b>101,521</b>	<b>183,280</b>
Issue of shares (net of raising costs)	1,194,699	-	-	1,194,699
Transfer to capital reserve	-	(307,528)	307,528	-
Transfer to legal reserve	-	(15,902)	15,902	-
<b>Balance at 31 December 2015</b>	<b>5,303,786</b>	<b>(2,466,249)</b>	<b>737,841</b>	<b>3,575,378</b>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS  
For the Year ended 31 December 2015 and six ended 31 December 2014

	Note	12 months to 31 Dec 2015	6 months to 31 Dec 2014
		\$	\$
<b>Cash Flows from Operating Activities</b>			
Receipts from customers		11,834,010	4,647,123
Payments to suppliers, contractors and employees		(11,038,022)	(3,093,011)
Interest received		2,293	1,705
Income tax paid		(742,498)	(456,678)
Net cash flows from operating activities	16	55,783	1,099,139
<b>Cash Flows used in Investing Activities</b>			
Purchase of plant and equipment		(613,043)	(210,102)
Payments for exploration and evaluation expenditure	9	(46,833)	(11,828)
Payment for Vista Gold S.A.C land	30	(474,200)	(221,323)
Loan to Minera Gold Limited		(216,149)	-
Repayment of loan for purchase of asset		(19,727)	-
Net cash flows used in investing activities		(1,369,952)	(443,253)
<b>Cash Flows from Financing Activities</b>			
Proceeds from issue of securities		1,251,772	-
Net cash flows from financing activities		1,251,772	-
Net (decrease)/ increase in cash and cash equivalents		(62,397)	655,886
Cash and cash equivalents at the beginning of the year		979,657	323,771
Cash and cash equivalents at the end of the year	5	917,260	979,657

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

## NOTES TO THE FINANCIAL STATEMENTS

### For the twelve months ended 31 December 2015

#### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the parent Andina Resources Limited and Controlled Entities (the "Group"). Andina Resources Limited is a public company, incorporated and domiciled in Australia.

The financial report of the Group complies with all International Financial Reporting Standards (IFRS) in their entirety.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report is presented in Australian dollars and all values are rounded to the nearest dollar unless otherwise stated.

During the comparative period the Company changed its financial year end from 30 June to 31 December to align it with its overseas subsidiaries. The comparative 31 December 2014 financial data represents the six months from 1 July 2014 to 31 December 2014, while the current financial information for the reporting period represents 12 months from 1 January 2015 to 31 December 2015.

#### Going Concern

The financial report has been prepared on the basis of accounting principles applicable to a going concern, which assumes the commercial realisation of the future potential of the Company's and Group's assets and the discharge of their liabilities in the normal course of business.

As disclosed in the financial report, the Group recorded an operating profit after tax for the twelve months ended 31 December 2015 of \$81,759 (six months ended to 31 December 2014: \$78,333) and a cash inflow from operating activities of \$55,783 (six months ended to 31 December 2014: cash inflow \$1,099,139) for the twelve months ended 31 December 2015 and at reporting date, had a working capital balance of \$1,380,578 (31 December 2014: \$1,144,720).

The Board considers that the Company is a going concern and recognises that the Peru subsidiary is expected to continue to operate at a profit which will provide the working capital so that the Company can continue to fund the Group's operations for the 12 month period from the date of this financial report.

#### (a) Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Andina Resources Limited) and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 27.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non-controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of profit or loss and other comprehensive income.

## NOTES TO THE FINANCIAL STATEMENTS

For the twelve months ended 31 December 2015

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

#### **(b) Business Combinations**

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (i.e. parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of profit or loss and other comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value through the statement of profit or loss and other comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of profit or loss and other comprehensive income.

#### **(c) Exploration, Evaluation and Development Expenditure**

Exploration and evaluation costs are capitalised in the year they are incurred. Costs of acquisition and works on the tenement are capitalised to areas of interest and carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated acquisition costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated acquisition costs written off to the extent that they will not be recoverable in the future. Where projects have advanced to the stage that directors have made a decision to mine, they are classified as development properties. When further development expenditure is incurred in respect of a development property, such expenditure is carried forward as part of the cost of that development property only when substantial future economic benefits are established. Otherwise such expenditure is classified as part of the cost of production or written off where production has not commenced.



NOTES TO THE FINANCIAL STATEMENTS  
For the twelve months ended 31 December 2015

1. **STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**(d) Financial Instruments**

Financial instruments in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial instruments are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Company determines the classification of its financial instruments after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Company commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

*(i) Financial assets at fair value through profit or loss*

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

*(ii) Held-to-maturity investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

*(iii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

*(iv) Available-for-sale investments*

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS  
For the twelve months ended 31 December 2015

1. **STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**(e) Financial Instruments (cont)**

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

**(v) Financial Liabilities**

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

**Impairment**

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

**Derecognition**

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

**(f) Cash and Cash Equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within financial liabilities in current liabilities on the Statement of Financial Position.

**(g) Trade and Other Receivables**

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that the entity will not be able to collect the debts. Bad debts are written off when identified.

**(h) Revenue**

Revenue from the sale of goods is recognised upon the delivery of goods to customers. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Revenue from the rendering of a service is recognised upon the delivery of the service to the customers. All revenue is stated net of the amount of goods and services tax (GST).

**(i) Impairment of Assets**

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from the other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

NOTES TO THE FINANCIAL STATEMENTS  
For the twelve months ended 31 December 2015

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**(i) Impairment of Assets (cont)**

If the recoverable amount of an asset (or cash-generated unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the income statement immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

A reversal of an impairment loss is recognised in the income statement immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation increase.

**(j) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office ("ATO"). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the consolidated statement of financial position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the consolidated statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

**(k) Taxation**

The Company adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit/loss from ordinary activities adjusted for any non-assessable or disallowed items.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of profit or loss and other comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

**(l) Trade and Other Payables**

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services.

NOTES TO THE FINANCIAL STATEMENTS  
For the twelve months ended 31 December 2015

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**(m) Share Based Payments**

Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

**(n) Issued Capital**

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

**(o) Earnings Per Share**

Basic earnings per share is calculated as net earnings attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for a bonus element.

Diluted EPS is calculated as net earnings attributable to members, adjusted for costs of servicing equity (other than dividends) and preference share dividends; the after tax effect of dividends and interest associated with dilutive potential ordinary shares that would have been recognised as expenses; and other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

**(p) Investment in Associates**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity but is not control or joint control of those policies. Investments in associates are accounted for in the consolidated financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost (including transaction costs) and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate. In addition, the Group's share of the profit or loss of the associate is included in the Group's profit or loss.

The carrying amount of the investment includes, when applicable, goodwill relating to the associate. Any discount on acquisition, whereby the Group's share of the net fair value of the associate exceeds the cost of investment, is recognised in profit or loss in the period in which the investment is acquired.

Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Group will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised

NOTES TO THE FINANCIAL STATEMENTS  
For the twelve months ended 31 December 2015

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**(q) Critical Accounting Estimates and Judgments**

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

**Key Estimates - Impairment**

The Company assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

**Key Judgement – Exploration and evaluation costs**

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are carried forward in respect of an area that has not at balance sheet date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or relating to, the area of interest are continuing.

**Key Judgment – Environmental Issues**

Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the directors understanding thereof. At the current stage of the Company's development and its current environmental impact the directors believe such treatment is reasonable and appropriate.

**(r) Adoption of New and Revised Accounting Standards**

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 January 2015 affected any of the amounts recognised in the current period or any prior period, although it caused minor changes to the Group's disclosures.

**(s) New Accounting Standards for Application in Future Periods**

A number of new standards, amendments to standards and interpretations issued by the AASB which are not yet mandatorily applicable to the Group have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

- **AASB 9 Financial Instruments** and associated Amending Standards (applicable for annual reporting period commencing 1 January 2018)

The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

Key changes made to this standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income.

The directors anticipate that the adoption of AASB 9 will not have a material impact on the Group's financial instruments.

NOTES TO THE FINANCIAL STATEMENTS  
For the twelve months ended 31 December 2015

1. **STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**(s) New Accounting Standards for Application in Future Periods (cont)**

- **AASB 15: Revenue from Contracts with Customers** (applicable to annual reporting periods commencing on or after 1 January 2018).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue.

The directors anticipate that the adoption of AASB 15 will not have a material impact on the Group's revenue recognition and disclosures.

- **IFRS 16: Leases** applies to annual reporting periods beginning on or after 1 January 2019.

IFRS 16 requires that lessees recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Assets and liabilities arising from a lease are initially measured on a net present value basis. The directors anticipate this will have an impact on the financial statements but at this stage are unable to quantify the impact.

- **Other standards not yet applicable**

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

NOTES TO THE FINANCIAL STATEMENTS  
For the twelve months ended 31 December 2015

	<b>12 months to 31 Dec 2015</b>	<b>6 months to 31 Dec 2014</b>
	\$	\$
<b>2a. Revenue from continuing operations</b>		
Sale of goods	11,844,007	4,398,673
	<hr/>	<hr/>
<b>2b. Other income</b>		
Interest revenue	4,914	1,705
	<hr/>	<hr/>
<b>3. Expenses</b>		
Expenses include the following amounts:		
Employee benefits expense	780,967	582,284
Directors expense	480,342	203,827
Impairment expense	228,967	-
Depreciation expense	150,870	51,224
Audit fees	23,528	22,167
Consultancy expense	121,779	91,420
Exploration expenditure written off	487	221
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS  
For the twelve months ended 31 December 2015

**4. Income tax expense**

**(a) Prima facie income tax charge / (benefit) at 30% on profit/ (loss) from ordinary activities is reconciled to the income tax provided in the financial statements**

	<b>12 months to 31 Dec 2015</b>	<b>6 months to 31 Dec 2014</b>
	\$	\$
Profit before income tax	612,002	244,559
Income tax calculated at applicable tax rates <sup>1</sup>	154,909	73,368
Tax effect of :-		
- Expenses not allowed	69,811	17,705
- Deductions	(5,040)	-
- Temporary differences	8,175	720
Future income tax benefit not brought to account	345,140	90,232
Current income tax expense	572,995	182,025
Deferred tax credit	(42,752)	(15,799)
Income tax expense for the year	<u>530,243</u>	<u>166,226</u>

1 – The income tax rate in Australia is 30% (2014: 30%). The income tax rate in Peru is 28% (2014: 30%). The effective tax rate equates to 25% for the Group due to the grossing up of individual tax positions.

**(b) Income tax liability**

As at 31 December 2015 the group recognised an income tax liability of \$Nil (31 December 2014: \$182,008) on the profits earned by its subsidiary entity –Tulin Gold S.A.C.

**(c) Deferred tax assets**

The potential deferred tax asset arising from the tax losses and temporary differences have not been recognised as an asset because recovery of tax losses is not yet probable.

	<b>12 months to 31 Dec 2015</b>	<b>6 months to 31 Dec 2014</b>
	\$	\$
Australian tax losses	494,651	428,150
Accrued expenses	27,360	8,250
Section 40-880 deductions	2,196	1,091
Unrecognised deferred tax assets	<u>524,207</u>	<u>437,491</u>
Peru temporary differences recognised during the year	<u>42,752</u>	<u>15,799</u>

The benefits will only be obtained if;

- i. The Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction for the losses to be realised.
- ii. The Company continues to comply with the conditions of deductibility imposed by the Law; and
- iii. No change in tax legislation adversely affect the Company in realising the benefits from the deductions or the losses.

	<b>31 Dec 2015</b>	<b>31 Dec 2014</b>
	\$	\$
<b>5. Cash and cash equivalents</b>		
Cash at bank	<u>917,260</u>	<u>979,657</u>



NOTES TO THE FINANCIAL STATEMENTS  
For the twelve months ended 31 December 2015

<b>6. Trade and other receivables</b>	<b>31 Dec 2015</b>	<b>31 Dec 2014</b>
	\$	\$
Current		
Trade debtors	117,602	107,605
GST receivable	34,617	9,183
Other receivables	748,203	397,808
	<u>900,422</u>	<u>514,596</u>
Other receivables	1,207,680	608,246
Less: Provision for impairment	<u>(459,477)</u>	<u>(210,438)</u>
Total	<u>748,203</u>	<u>397,808</u>

All trade debtors are current and there are no overdue or impaired amounts. Other receivables comprise mainly of VAT, other taxes receivable in Tulin Gold Co SAC and advances to suppliers.

During the year the Company loaned \$291,500 to Minera Gold Limited in bridging funding as part of the Company's DOCA proposal. During the year Minera Gold Limited returned a portion of the loan amounting to \$75,351. The interest rate on the loan is 5% per annum and will be repaid at the completion of the reconstruction deed. The balance as at 31 December 2015 was \$218,765 which has been fully provided for.

<b>7. Inventory</b>	<b>31 Dec 2015</b>	<b>31 Dec 2014</b>
	\$	\$
Work in progress	321,635	50,542
Supplies used in production	72,081	213,649
	<u>393,716</u>	<u>264,191</u>

**8. Plant and equipment**

<b>31 Dec 2015</b>	<b>Plant &amp; Equipment</b>	<b>Motor vehicles</b>	<b>Furniture &amp; fittings</b>	<b>Capital work in progress</b>	<b>Total</b>
	\$	\$	\$	\$	\$
Total plant and equipment at cost	634,770	330,472	36,790	644,469	1,646,501
Less: accumulated depreciation	(171,996)	(123,820)	(12,820)	(9,192)	(317,828)
Total plant and equipment	<u>462,774</u>	<u>206,652</u>	<u>23,970</u>	<u>635,277</u>	<u>1,328,673</u>

<b>31 Dec 2015</b>	<b>Plant &amp; Equipment</b>	<b>Motor vehicles</b>	<b>Furniture &amp; fittings</b>	<b>Capital work in progress</b>	<b>Total</b>
Total carrying amount at the beginning of the year	421,873	146,216	24,289	40,079	632,457
Additions	107,051	118,459	2,965	604,210	832,685
Disposals	-	-	-	-	-
FX movement on cost	13,411	(608)	473	180	13,456
Depreciation expense	(79,559)	(58,384)	(3,735)	(9,192)	(150,870)
FX movement on depreciation	(2)	969	(22)	-	945
Total carrying amount at end of the year	<u>462,774</u>	<u>206,652</u>	<u>23,970</u>	<u>635,277</u>	<u>1,328,673</u>

<b>31 Dec 2014</b>	<b>Plant &amp; Equipment</b>	<b>Motor vehicles</b>	<b>Furniture &amp; fittings</b>	<b>Capital work in progress</b>	<b>Total</b>
Total plant and equipment at cost	514,309	212,621	33,352	40,079	800,361
Less: accumulated depreciation	(92,436)	(66,405)	(9,063)	-	(167,904)
Total plant and equipment	<u>421,873</u>	<u>146,216</u>	<u>24,289</u>	<u>40,079</u>	<u>632,457</u>

NOTES TO THE FINANCIAL STATEMENTS  
For the twelve months ended 31 December 2015

8. Plant and equipment (cont)

31 Dec 2014	Plant & Equipment	Motor vehicles	Furniture & fittings	Capital works in progress	Total
Total carrying amount at the beginning of the year	340,194	102,889	20,293	-	463,376
Additions	110,895	54,797	4,331	40,079	210,102
Derecognition of assets	(16,361)	-	-	-	(16,361)
FX movement on cost	7,085	9,235	1,698	-	18,018
Depreciation expense	(32,577)	(17,117)	(1,529)	-	(51,223)
FX movement on depreciation	12,637	(3,588)	(504)	-	8,545
Total carrying amount at end of the year	421,873	146,216	24,289	40,079	632,457

9. Exploration and Evaluation Expenditure	31 Dec 2015 \$	31 Dec 2014 \$
Carrying amount at the beginning of the year	104,296	92,689
Exploration and evaluation expenditure	46,833	11,828
Written off as incurred	(487)	(221)
Impairment of capitalised exploration	-	-
Total carrying amount at end of the year	150,642	104,296

10. Trade and other payables	31 Dec 2015 \$	31 Dec 2014 \$
Current payables		
Trade and other payables	607,497	354,032
Accruals	91,201	27,500
	698,698	381,532

Trade liabilities are non-interest bearing and normally settled on 30-day terms.

11. Provisions	31 Dec 2015 \$	31 Dec 2014 \$
Provision for annual leave	54,491	50,184
	54,491	50,184

12. Financial liabilities	31 Dec 2015 \$	31 Dec 2014 \$
CURRENT		
Financial liability	77,631	-
NON-CURRENT		
Financial liability	122,284	-
TOTAL	199,915	-

Financial liabilities relate to two hire purchase arrangements entered into to purchase various plant and equipment and a new pick up van for the gold operations in Peru. The Van lease has a remaining balance of AU\$36,790 to be paid from 31 December 2015, has an interest rate of 7.65% per annum and the final monthly payment will occur in June 2017. The plant and equipment lease has a remaining balance AU\$163,125 to be paid from 31 December 2015, has an interest rate of 8.00% per annum and the final monthly payment will occur in October 2018.

NOTES TO THE FINANCIAL STATEMENTS  
For the twelve months ended 31 December 2015

	31 Dec 2015 Number	31 Dec 2015 \$	31 Dec 2014 Number	31 Dec 2014 \$
<b>13. Issued Capital</b>				
(a) Ordinary shares				
At the beginning of the year	73,742,583	4,109,087	73,742,583	4,109,087
Shares issued during the year:	116,459,549	1,281,055	-	-
Share issue costs	-	(86,356)		
<b>At the end of the year</b>	<b>190,202,132</b>	<b>5,303,786</b>	<b>73,742,583</b>	<b>4,109,087</b>

(b) Share Options

At 31 December 2015 and 31 December 2014 the Company had no options on issue.

**Capital Management**

Management controls the capital of the Company in order to ensure that the Group can fund its operations and continue as a going concern.

The Company's capital includes ordinary share capital. There are no externally imposed capital requirements.

The working capital position of the Group at 31 December 2015 and 31 December 2014 is as follows:

	31 Dec 2015 \$	31 Dec 2014 \$
Cash and cash equivalents	917,260	979,657
Trade and other receivables	900,422	514,596
Inventories	393,716	264,191
Trade and other payables	(698,698)	(381,532)
Income tax payable	-	(182,008)
Provisions	(54,491)	(50,184)
Financial Liabilities (current)	(77,631)	-
Working capital position	1,380,578	1,144,720

**14. Reserves**

	31 Dec 2015 \$	31 Dec 2014 \$
Foreign Currency Translation Reserve		
Balance at the beginning of the year	308,164	131,039
Foreign translation for the year	101,521	177,125
Balance at the end of the year	409,685	308,164
Capital Reserve		
Balance at the beginning of the year	-	-
Increase in Capital Reserve	307,528	-
Balance at the end of the year	307,528	-
Legal Reserve		
Balance at the beginning of the year	4,726	4,726
Increase in Legal Reserve	15,902	-
Balance at the end of the year	20,628	4,726
	737,841	312,890

NOTES TO THE FINANCIAL STATEMENTS  
For the twelve months ended 31 December 2015

The foreign currency translation reserve is used to record translation differences arising from the translation of the financial statements of foreign subsidiaries and translation differences on intercompany loans.

The capital reserve represents to bonus shares issued by the subsidiary Tulin Gold S.A.C to Andina Resources Limited.

The legal reserve is a reserve required by Peruvian legislation and is a percentage of accumulated profits.

<b>15. Accumulated Losses</b>	<b>12 months to 31 Dec 2015</b>	<b>6 months to 31 Dec 2014</b>
Balance at the beginning of the year	(2,224,578)	(2,302,911)
Profit for the year	81,759	78,333
Transfer to capital reserve	(307,528)	-
Transfer to legal reserve	(15,902)	-
Balance at the end of the year	<u>(2,466,249)</u>	<u>(2,224,578)</u>
<b>16. Cash Flow Information</b>	<b>12 months to 31 Dec 2015</b>	<b>6 months to 31 Dec 2014</b>
<b>Reconciliation of cash flows from operating activities with profit/ (loss) after income tax</b>	<b>\$</b>	<b>\$</b>
-Profit/ (loss) after income tax	81,759	78,333
Adjustments for:		
- Depreciation expense	150,870	51,224
- Deferred tax asset recognised	(42,752)	(15,799)
- Impairment expense	228,967	-
- Exploration expenditure written off	487	221
- Exchange differences on translation of foreign operations	-	150,562
- Derecognition of assets	-	16,360
Changes in assets and liabilities		
- (Increase)/ Decrease in operating receivables	(385,827)	1,118,747
- Increase/(Decrease) in inventory	(129,525)	(71,476)
- Increase/(Decrease) in trade and other payables, taxation and provisions	151,804	(229,033)
<b>Net cash inflows from Operating Activities</b>	<u>55,783</u>	<u>1,099,139</u>
<b>17. Earnings per Share</b>	<b>12 months to 31 Dec 2015</b>	<b>6 months to 31 Dec 2014</b>
Net profit after income tax attributable to members of the Company	81,759	78,333
	<b>Number</b>	<b>Number</b>
Weighted average number of shares on issue during the financial year used in the calculation of basic earnings per share	106,470,314	73,742,583
Diluted earnings per share is the same as basic earnings per share as the Company does not have options on issue.		

NOTES TO THE FINANCIAL STATEMENTS  
For the twelve months ended 31 December 2015

**18. Key Management Personnel Compensation**

(a) Directors and Specified Executives

The names and positions held by key management personnel in office at any time during the year are:

Directors

M Carr	Non-Executive Director
A Knowles	Executive Director
A Cavero	Non-Executive Director

(b) Remuneration of Directors

\$480,342 (six months to 31 December 2014: \$203,827) in remuneration was paid to Directors for the twelve months ended 31 December 2015 comprising salary, superannuation, insurance and commercial fees.

**Twelve months to 31 Dec 2015**

	Short Term Benefits			Employment		Securities Issued		Total
	Salary, bonus	Other	Non Monetary	Super-annuation	Retirement Benefits	Equity	Options	
M Carr (i)	\$36,000	-	-	-	-	-	-	<b>\$36,000</b>
A Knowles (ii)	\$198,098	-	-	-	-	-	-	<b>\$198,098</b>
A Cavero	\$246,244	-	-	-	-	-	-	<b>\$246,244</b>
<b>TOTAL</b>	<b>\$480,342</b>	-	-	-	-	-	-	<b>\$480,342</b>

**Six months to 31 Dec 2014**

	Short Term Benefits			Employment		Securities Issued		Total
	Salary, bonus	Other	Non Monetary	Super-annuation	Retirement Benefits	Equity	Options	
M Carr (iii)	\$18,000	-	-	-	-	-	-	<b>\$18,000</b>
A Knowles (iv)	\$81,838	-	-	-	-	-	-	<b>\$81,838</b>
A Cavero	\$103,989	-	-	-	-	-	-	<b>\$103,989</b>
<b>TOTAL</b>	<b>\$203,827</b>	-	-	-	-	-	-	<b>\$203,827</b>

- (i) Of the above amounts a total of nil is unpaid as of 31 December 2015.
- (ii) Of the above amounts a total of \$13,128 is unpaid as of 31 December 2015. Note this amount includes performance bonuses 3, 4 and 5 which were met during the year amounting to \$60,000.
- (iii) Of the above amounts a total of nil is unpaid as of 31 December 2014.
- (iv) Of the above amounts a total of \$7,838 is unpaid as of 31 December 2014.

(c) Remuneration Options: No options were granted and or vested during the twelve months to 31 December 2015 and six months to 31 December 2014 financial year.

(d) Share based payments: There were no share based payments issued during the year.

(e) Share and Option holdings of directors and officers  
There are no options over ordinary shares held by any key management personnel ("KMP") of the Group during the twelve months to 31 December 2015 or six months to 31 December 2014.

NOTES TO THE FINANCIAL STATEMENTS  
For the twelve months ended 31 December 2015

**18. Key Management Personnel Compensation (Cont.)**

- (f) Key agreements with directors  
During the year Andrew Knowles had the following remuneration package with the entity:  
A fixed \$9,000 (plus GST) a month for executive director fees;  
A bonus structure of 3% of the net profit before tax of Tulin Gold SAC above USD\$1,000,000; and  
6 performance milestones relating to the delivery of the new plant at Vista Gold, where each milestone once completed will result in a payment of \$20,000. The milestones are:
- Research and delivery of Business Plan for Andina and incorporating detail for the construction of the new vista Gold Plant at Poroma, Southern Peru – Achieved and invoiced in June 2014,
  - Delivery of the EIS100 and the land purchase contract being substituted for the option contract – Achieved and invoiced in August 2014,
  - Issue of Building Licence – Achieved and invoiced in July 2015,
  - Start of the construction of the Reception Crushing circuit – Achieved and invoiced in October 2015,
  - Completion of Reception Crushing circuit – Achieved and invoiced in December 2015, and
  - Commissioning of new plant.

**KMP Shareholdings**

The number of ordinary shares in Andina Resources Limited held by each KMP of the Group during the financial year is as follows:

	Balance at 1 January 2015	Granted as Remuneration during the Year	Issued on Exercise of Options during the Year	Other Changes during the Year	Balance at 31 December 2015
<b>31 December 2015</b>					
M Carr	3,359,680	-	-	-	3,359,680
A Knowles	3,839,535	-	-	-	3,839,535
A Cavero	406,250	-	-	-	406,250
	Balance at 1 July 2014	Granted as Remuneration during the Year	Issued on Exercise of Options during the Year	Other Changes during the Year	Balance at 31 December 2014
<b>31 December 2014</b>					
M Carr	3,359,680	-	-	-	3,359,680
A Knowles	3,839,535	-	-	-	3,839,535
A Cavero	406,250	-	-	-	406,250

- g) Other Transactions with Management

On 9 October 2015, \$10,000 was paid to Quentine Investments Pty Ltd (a Company related to Mr A Knowles) for consideration to purchase 100% of the share capital in Porphyry Assets Pty Ltd. Porphyry Assets Pty Ltd owns 100% of the issued capital of Porphyry Assets S.A.C. The Consolidated group has a net liability position of \$202 at the time Andina Resources acquired the group. As such this lead to \$10,202 being recognized as an expense of purchase consideration over net liabilities assumed.

NOTES TO THE FINANCIAL STATEMENTS  
For the twelve months ended 31 December 2015

	<b>12 months to 31 Dec 2015 \$</b>	<b>6 months to 31 Dec 2014 \$</b>
<b>19. Auditor's Remuneration</b>		
Amounts received or due and receivable by the auditors for:		
Auditing of financial reports	23,528	22,167
Other services	-	-
	<u>23,528</u>	<u>22,167</u>
Auditing costs split by geographical area:		
Stantons International in Australia	16,046	16,025
Russell Bedford in Peru	7,482	6,142
	<u>23,528</u>	<u>22,167</u>

**20. Commitments**

a) Operating Lease commitments

Non-cancellable operating lease contracted for but not recognized in the financial statements

Payable – minimum lease payments:

	<b>31 Dec 2015 \$</b>	<b>31 Dec 2014 \$</b>
Not later than 12 months	493,150	112,774
Between 12 months and 5 years	164,383	-
Later than 5 years	-	-
	<u>657,533</u>	<u>112,774</u>

The operating assets of Tulin Gold S.A.C operate under a non-cancellable lease with a 2 year term, with rent of US\$30,000 (31 December 2014: US\$23,000) payable monthly in advance. The current lease expires on 14 April 2017.

b) Exploration commitments

There are no minimum exploration commitments for the tenements held by the Group.

c) Capital commitments

As per the land purchase option agreement dated 24 April 2013 Tulin Gold S.A.C is committed to outlay a total of US \$510,000 as per the terms of the agreement to the seller subject to conditions precedent as per the terms of the option agreement. In October 2015 Tulin Gold S.A.C exercised this option after spending US\$477,000. As of balance date the residual US\$33,000 is still required to be spent to complete the purchase and finalise the contract.

NOTES TO THE FINANCIAL STATEMENTS  
For the twelve months ended 31 December 2015

**21. Financial Instruments**

a. Financial Risk Management Policies

The Group's financial instruments consist solely of deposits with banks and trade and other receivables. No financial derivatives are held.

i. Financial Risk Exposures and Management

The main risk the Group is exposed to through its financial instruments is interest rate risk and credit risk.

Interest rate risk

Interest rate risk is managed by obtaining the best commercial deposit interest rates available in the market from the major Australian Financial Institutions.

Credit risk exposures

Credit risk represents the loss that would be recognised if the counterparties default on their contractual obligations resulting in financial loss to the Group. The Group has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group measures credit risk on a fair value basis.

The Group does not have any significant credit risk to any single counterparty or any group of counterparties having similar characteristics. The credit risk on financial assets, of the Group which have been recognised in the Statement of Financial Position, is the carrying amount, net of any provision for doubtful debts.

The credit quality of financial assets that are neither past due nor impaired:

	<b>31 Dec 2015</b>	<b>31 Dec 2014</b>
	\$	\$
Trade receivables		
Group 1	117,602	107,605
Group 2	-	-
Group 3	-	-
Total trade receivables	<u>117,602</u>	<u>107,605</u>
Cash at bank and short-term deposits	<u>917,260</u>	<u>979,657</u>
	<u>917,260</u>	<u>979,657</u>

Group 1 – existing customers (less than 6 months)

Group 2 – existing customers (more than 6 months) with no defaults in the past

Group 3 – existing customers (more than 6 months) with some defaults in the past. All defaults were fully recovered.

Cash at bank and short term deposits are held in financial institutions.

The Group also has other receivables of \$273,746 at 31 December 2015 (31 December 2014: \$191,384) from various Government departments in Peru relating to VAT and other taxes. The remainder of the other receivables balance of \$474,457 relates to loans with employees, deposits made and payments made in advance to suppliers.

ii. Liquidity Risk

The Group manages liquidity risk by monitoring forecast cash flows. The Group does not have any significant liquidity risk as the Group does not have any collateral debts.



NOTES TO THE FINANCIAL STATEMENTS  
For the twelve months ended 31 December 2015

**21. Financial Instruments (Cont)**

- iii. Net Fair Values  
The net fair values of:  
— Other assets and other liabilities approximate their carrying value.
- iv. Interest Rate Risk  
The Group has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which is not material.

	Floating interest rate \$	Fixed interest rate \$	Non interest bearing \$	Total \$	Weighted average interest rate %
<b>31 Dec 2015</b>					
Financial assets					
Cash and cash equivalents	917,260	-	-	917,260	1.00%
Trade and other receivables	-	-	900,422	900,422	-
Other assets	-	-	761,806	761,806	-
Total financial assets	917,260	-	1,662,228	2,579,488	
Financial liabilities					
Trade and other payables	-	-	698,698	698,698	-
Financial Liabilities	-	199,915	-	199,915	7.94%
Total financial liabilities	-	199,915	698,698	898,613	

	Floating interest rate \$	Fixed interest rate \$	Non interest bearing \$	Total \$	Weighted average interest rate %
<b>31 Dec 2014</b>					
Financial assets					
Cash and cash equivalents	979,657	-	-	979,657	0.52%
Trade and other receivables	-	-	514,596	514,596	-
Other assets	-	-	282,714	282,714	-
Total financial assets	979,657	-	797,310	1,776,967	
Financial liabilities					
Trade and other payables	-	-	381,532	381,532	-
Income tax liability	-	-	182,008	182,008	-
Total financial liabilities	-	-	563,540	563,540	

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. All financial instruments held are level 1.

NOTES TO THE FINANCIAL STATEMENTS  
For the twelve months ended 31 December 2015

**21. Financial Instruments (Cont)**

- v. Foreign currency risk  
Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency.

The Group has dealings in Peru as a result of acquiring operating plant and tenements in Peru. The Group will be subject to foreign currency value fluctuations in the course of its operations. The Group plans to curtail this impact by paying foreign currency invoices with positive cash flow derived from Peruvian operations and paying invoices in a timely fashion.

At 31 December 2015, the subsidiary companies had receivables denominated in the foreign currencies detailed below

31 Dec 2015	<b>Foreign Currency</b>	<b>AUD Equivalent</b>
USD	393,361	538,850

31 Dec 2014	<b>Foreign Currency</b>	<b>AUD Equivalent</b>
USD	236,277	289,628

At 31 December 2015, the subsidiary companies had liabilities denominated in the foreign currencies detailed below:

31 Dec 2015	<b>Foreign Currency</b>	<b>AUD Equivalent</b>
USD	554,776	759,996

31 Dec 2014	<b>Foreign Currency</b>	<b>AUD Equivalent</b>
USD	96,769	118,619

A 5% movement in foreign exchange rates would increase or decrease profit before tax by approximately AU\$16,335 (31 December 2014: AU\$20,935).

Other price risk:

Other price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices largely due to demand and supply factors (other than those arising from interest rate risk or currency risk) for commodities. The Group is exposed to commodity price risk.

The Group has an agreement with regards to the commodity price of gold and silver sales to its one customer being Metalor Technologies S.A. Terms of the agreement with Metalor is that a sale contract for each sale is set at the price based on the London Metals Exchange from the previous night. The Group does not enter into any hedging arrangements for commodity price risk.

NOTES TO THE FINANCIAL STATEMENTS  
For the twelve months ended 31 December 2015

**22. Segment Note**

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the consolidated entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team in assessing performance and in determining the allocation of resources.

The group operates in two operating segments and two geographical segments being mineral exploration in Peru and mineral production in Peru with head office costs in Australia and this is the basis on which internal reports are provided to the directors for assessing performance and determining the allocation of resources in the Group.

<b>Twelve months to December 2015</b>	Exploration - Peru \$	Mineral Production - Peru \$	Treasury - Australia \$	Total \$
<b>SEGMENT PERFORMANCE</b>				
Revenue	-	11,844,007	4,914	11,848,921
Total group revenue	-	11,844,007	4,914	11,848,921
Segment net profit/ (loss) from continuing operations before tax	(144,962)	1,579,492	4,914	1,439,444
Reconciliation of segment result to group net profit before tax				
Unallocated items:				
Administration expense				(598,475)
Impairment expense				(228,967)
Foreign exchange gain/ (loss)				-
Net profit before tax from continuing operations				612,002
<b>SEGMENT ASSETS</b>				
Segment assets/ total group assets	208,256	4,045,794	239,815	4,493,865
Reconciliation of segment assets to group assets				
Unallocated items:				
GST receivable				34,617
Total group assets				4,528,482
<b>SEGMENT LIABILITIES</b>				
Segment liabilities	10,248	686,483	256,373	953,104
Total group liabilities				953,104

NOTES TO THE FINANCIAL STATEMENTS  
For the twelve months ended 31 December 2015

22. Segment Note (Cont)

<b>Six months to December 2014</b>	Exploration - Peru \$	Mineral Production - Peru \$	Treasury - Australia \$	Total \$
<b>SEGMENT PERFORMANCE</b>				
Revenue	-	4,398,673	1,705	4,400,378
Total group revenue	-	4,398,673	1,705	4,400,378
Segment net profit/ (loss) from continuing operations before tax	(60,058)	479,884	1,705	421,531
Reconciliation of segment result to group net profit before tax				
Unallocated items:				
Administration expense				(167,456)
Occupancy expense				(9,000)
Impairment expense				-
Foreign exchange gain/ (loss)				(516)
Net profit before tax from continuing operations				244,559
<b>SEGMENT ASSETS</b>				
Segment assets/ total group assets	140,481	2,607,796	37,163	2,785,440
Reconciliation of segment assets to group assets				
Unallocated items:				
GST receivable				9,183
Prepayments				16,500
Total group assets				2,811,123
<b>SEGMENT LIABILITIES</b>				
Segment liabilities	6,561	566,472	40,691	613,724
Total group liabilities				613,724

The Group has only one customer to whom it sells its gold and silver product being Metalor Technologies S.A.

NOTES TO THE FINANCIAL STATEMENTS  
For the twelve months ended 31 December 2015

**23. Subsequent Events**

There has not been any matter or circumstance that has arisen since 31 December 2015, which has significantly affected, or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years, other than:

On 1 June 2016 Gravity Gold Pty Ltd (in liquidation) was officially deregistered. As such the Company has fully provided for its investment during the year ended 30 June 2014.

During March 2016 to July 2016 the Company has received a total of \$660,000 in convertible loans to assist in funding for the Vista Gold plant build. Key terms of the Convertible Note are that any time up to the maturity date the convertible notes, at the election of the Company be converted to Ordinary shares at a price of \$0.011 per share. They mature 12 months from the date funds were received and are interest free.

On 9 June 2016 at Minera Gold Limited's (Subject to Deed of Company Arrangement) reconvened meeting of creditors, the creditors resolved in favour of the DOCA variation proposal as proposed by Andina Resources Limited. There are certain conditions precedent that must be met before the transaction is actioned, the most important of which is the completion of a successful recapitalization capital raising of \$3,500,000 by Minera Gold Limited.

**24. Contingent Liabilities**

The Group is not aware of any contingent liabilities that existed at balance date to the day of this report.

**25. Related Parties**

Related party transactions with management personnel are disclosed in Note 18.

The following are the intercompany loan balances at the balance date:

Loans from the parent to subsidiaries:

	<b>31 Dec 2015</b>	<b>31 Dec 2014</b>
	\$	\$
Loans from the parent to subsidiaries:		
Tulin Gold S.A.C	557,691	(75,063)
Andean Metals S.A.C	869,488	596,149
Vista Gold S.A.C	883,824	254,113
Loans between subsidiaries:		
Tulin Gold S.A.C to Andina Resources Limited	1,051,368	--
Tulin Gold S.A.C to Andean Metals S.A.C	-	62,139
Tulin Gold S.A.C to Vista Gold S.A.C	-	61,160
Tulin Gold S.A.C to Porphyry Assets S.A.C	207	

NOTES TO THE FINANCIAL STATEMENTS  
For the twelve months ended 31 December 2015

**26 Parent Information**

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

STATEMENT OF FINANCIAL POSITION	31 Dec 2015	31 Dec 2014
	\$	\$
<b>ASSETS</b>		
Current assets	274,413	37,163
Non Current Assets	101,545	892,018
<b>TOTAL ASSETS</b>	<b>375,958</b>	<b>929,181</b>
<b>LIABILITIES</b>		
Current liabilities	256,373	40,691
Non Current liabilities	493,678	-
<b>TOTAL LIABILITIES</b>	<b>750,051</b>	<b>40,691</b>
<b>NET ASSETS</b>	<b>(374,093)</b>	<b>888,490</b>
<b>EQUITY</b>		
Issued capital	5,303,786	4,109,087
Accumulated losses	(5,677,879)	(3,220,597)
<b>TOTAL EQUITY/ (Deficiency)</b>	<b>(374,093)</b>	<b>888,490</b>
	<b>12 months ended 31 Dec 2015</b>	<b>6 months ended 31 Dec 2014</b>
	\$	\$
<b>STATEMENT OF COMPREHENSIVE INCOME</b>		
Total loss before and after tax	(2,457,282)	(18,354)
<b>Total comprehensive loss</b>	<b>(2,457,282)</b>	<b>(18,354)</b>

The parent entity does not have any commitments or contingent liabilities as at balance date.

**27. Controlled entities**

a. Controlled Entities Consolidated

	Country of Incorporation	Percentage Owned (%)*	
		31 Dec 2015	31 Dec 2014
Subsidiaries of Andina Resources Limited:			
Tulin Gold S.A.C	Peru	100%	100%
Andean Metals S.A.C	Peru	100%	100%
Vista Gold S.A.C	Peru	100%	100%
Mantle Mining S.A.C	Peru	100%	-
Porphyry Assets Pty Ltd	Australia	100%	-
Controlled by Porphyry Assets Pty Ltd			
Porphyry Assets S.A.C	Peru	100%	100%

\* Percentage of voting power is in proportion to ownership.

**28. Share Based Payments**

There were no share based payments in the twelve months ended 31 December 2015 and six months ended 31 December 2014.

NOTES TO THE FINANCIAL STATEMENTS  
For the twelve months ended 31 December 2015

**29. Associated Companies**

Interests that are held in the following associated company

Name	Principal Activities	Country of Incorporation	Shares	Ownership Interest		Carrying Amount of Investments	
				31 Dec 2015	31 Dec 2014	31 Dec 2015 \$	31 Dec 2014 \$
Gravity Gold Pty Ltd	Gold processing in Western Australia	Australia	20,000,000	48.19%	48.19%	-	-

On the 15 January 2015 Gravity Gold Pty Ltd went into external administration. On 1 June 2016 the company was official deregistered. As at the date of this report the Group has not received any accounts for Gravity Gold to 31 December 2015, or the 31 December 2014 comparative period, and in light of this no balances could be shown for the periods ended 31 December 2015 and 31 December 2014.

**30. Other Assets**

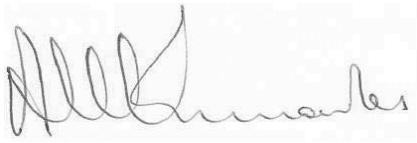
Other assets relate to advances made to vendors for the acquisition of land for the construction of a gold producing plant in Peru. Ownership of the land will be transferred to the Company once final payment has been made.

NOTES TO THE FINANCIAL STATEMENTS  
For the twelve months ended 31 December 2015

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Andina Resources Limited, the directors of the company declare that: the financial statements and notes, as set out on pages 10 to 38, are in accordance with the Corporations Act 2001 and:

- a. comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
  - b. give a true and fair view of the financial position as at 31 December 2015 and of the performance for the year ended on that date of the consolidated group;
2. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

A handwritten signature in black ink, appearing to read 'Andrew Knowles', is written over a light grey rectangular background.

Andrew Knowles  
Executive Director  
Perth,  
23<sup>th</sup> August 2016



**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
ANDINA RESOURCES LIMITED**

**Report on the Financial Report**

We have audited the accompanying financial report of Andina Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 December 2015 ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the period's end or from time to time during the financial period.

**Directors' responsibility for the Financial Report**

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001 and for such internal controls as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101: Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards.

**Auditor's responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management

We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Opinion

In our opinion:

- (a) the financial report of Andina Resources Limited is in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
  
- (b) the financial report of the Company also complies with International Financial Reporting Standards as disclosed in note 1.

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**

**(Trading as Stantons International)**

**(An Authorised Audit Company)**

*Stantons International Audit & Consulting Pty Ltd*

  
**Martin Michalik**  
Director

West Perth, Western Australia  
23 August 2016

**APPENDIX "D"**

**TITAN UNAUDITED PRO FORMA FINANCIAL STATEMENTS**

Titan Minerals Limited and Core Gold Inc  
Pro Forma Condensed Consolidated Statement of Financial Position

(amount expressed in thousands of United States dollars, except where indicated)

	Historic – As at June 30, 2019			Pro Forma	
	Titan	Core Gold	Notes	Adjustments	Total
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalent	1,991	297	2b 2c	3,955 (1,887) (1,152)	3,204
Restricted cash	953	-		(953)	-
Trade and other receivables	1,581	3,915		-	5,496
Inventory	937	1,312		-	2,249
Current tax asset	132	-		-	132
Asset classified as held for sale	1,275	-		-	1,275
	6,869	5,524		(37)	12,356
<b>Non-current assets</b>					
Trade and other receivables	56	-		-	56
Properties, plant and equipment	2,162	16,933		-	19,095
Exploration and evaluation properties	893	248		-	1,141
Other assets	-	138		-	138
Financial assets	1,604	-	2e	(1,604)	-
Intangible assets	8,382	-	2a	14,619	23,001
	13,097	17,319		13,015	43,431
<b>Total assets</b>	19,966	22,843		12,978	55,787
<b>Liabilities</b>					
<b>Current liabilities</b>					
Accounts payable and accruals	2,409	14,522	2c	(953)	15,978
Convertible debentures	-	1,000	2d	(1,000)	-
Loan Payable - current	4,688	3,428	2d	(1,500)	6,616
	7,097	18,950		(3,453)	22,594
<b>Non-current liabilities</b>					
Other long term liabilities	84	-		-	84
Derivative – warrant liability	-	592		-	592
Provision for closure and restoration	-	1,374		-	1,374
Loan payable – non current	2,119	-		-	2,119
	2,317	1,966		-	4,169
<b>Total liabilities</b>	9,300	20,916		(3,453)	26,763
<b>Shareholders' equity (deficiency)</b>					
Share capital	82,777	110,897	2a 2a 2b	(86,732) 29,240 3,955 (1,604) 1,152	139,685
Reserves	1,279	16,435	2a	(1,279)	16,435
Deficit	(73,390)	(125,405)	2a	73,390	(127,096)
				(2,303)	
				612	
<b>Total shareholders' equity (deficiency)</b>	10,666	1,927		16,431	29,024
<b>Total liabilities and shareholders' equity (deficiency)</b>	19,966	22,843		12,978	55,787

**Titan Minerals Limited and Core Gold Inc**  
**Pro-forma Condensed Statement of Profit or Loss and Other Comprehensive Income**  
(all amounts expressed in thousands of United States dollars, except where indicated)

(all amounts expressed in thousands of United States dollars, except where indicated)	Historical Year ended June 30, 2019		Note	Pro Forma	
	Titan	Core		Adjustments	Total
<b>Revenue</b>	3,417	10,143			13,560
<b>Operating Costs</b>	(3,094)	(9,328)			(12,422)
	<b>323</b>	<b>815</b>			<b>1,138</b>
<b>Expenses</b>					
Depreciation	-	(73)			(73)
General and administration	(3,881)	(2,021)			(5,902)
Foreign exchange	(42)	56			14
Finance cost	(483)	(325)			(808)
Share-based compensation	(117)	(41)			(158)
Gain on derivative liabilities	408	-			408
Other revenue	-	8			8
Other expense	-	(44)			(44)
Transaction costs	-	-	2d 2c	(2,303) 612	(1,691)
<b>Net loss after tax</b>	<b>(2,117)</b>	<b>(3,300)</b>		<b>(1,691)</b>	<b>(7,108)</b>
Income from discontinued operations	(893)	-			(893)
<b>Net loss</b>	<b>(3,010)</b>	<b>(3,300)</b>		<b>(1,691)</b>	<b>(8,001)</b>
Other comprehensive income	(1,650)	-			(1,650)
<b>Net loss and comprehensive loss for the</b>	<b>(4,660)</b>	<b>(3,300)</b>		<b>(1,691)</b>	<b>(9,651)</b>

## 1 Basis of presentation

These unaudited pro forma condensed consolidated financial statements (the "Pro Forma Statements") of Titan Minerals Limited ("Titan" or "the Company") have been prepared for inclusion in the Company's unsolicited bid to acquire all of the issued and outstanding shares of Core Gold ("Core Gold") (the "Acquisition"), and are for illustrative purposes only and give effect to the Acquisition and other transactions pursuant to the assumptions described in the Notes below. Despite the legality of the Acquisition, these unaudited pro forma was accounted for based on reverse acquisition accounting (see Note 2(a) for details). The unaudited pro forma condensed consolidated statement of financial position as at June 30, 2019 gives effect to the Acquisition by Titan as if it had occurred as at June 30, 2019. The unaudited pro forma condensed consolidated statements of operations and comprehensive loss for the year ended June 30, 2019 gives effect to the Acquisition as if it had occurred as at January 1, 2019, respectively. The preparation of these Pro Forma Statements is based on the historical financial statements of Core Gold and Titan, where both Core Gold and Titan's financial statements were prepared using International Financial Reporting Standards as issued by the International Accounting Standards Board. Based on the review of the accounting policies of Core Gold and Titan, it is the management of Titan's opinion that there are no material accounting differences among the accounting policies of Core Gold and Titan.

These Pro Forma Statements have been prepared from the information derived from, and should be read in conjunction with the following:

1. Core Gold's consolidated financial statements as at and for the period ended June 30, 2019; and
2. Titan's reviewed consolidated financial statements as at and for the period ended June 30, 2019.

These Pro Forma Statements are not indicative of the operating results or financial condition that may have been achieved if the Acquisition had been completed on the dates or for the periods presented, nor do they purport to project the results of operations or financial position of the consolidated entities for any future period or as of any future date. These Pro Forma Statements do not reflect any historical cost savings, operating synergies, or enhancements that the combined company may have achieved as a result of the Acquisition.

These Pro Forma Statements include adjustments and allocations of the Acquisition's purchase price consideration which are based on preliminary estimates of the fair value of the consideration paid, assets acquired, and liabilities to be assumed. The Company is in the process of finalizing the fair value of the consideration transferred and the net assets acquired, therefore these figures are subject to change. In addition, if new information obtained within one period of the Acquisition date about facts and circumstances that existed at the Acquisition date identifies adjustments to the below amounts, or any additional provisions that existed at the Acquisition date, then the accounting for the Acquisition will be revised. As a result, the final purchase price allocation may be materially different from the preliminary estimated allocations presented in these Pro Forma Statements.

### **Proposed bid**

#### *Overview*

On September 16, 2019, Titan announced its intention to make a formal offer to acquire 100% of Core Gold. The offer is to include 2.5 fully paid ordinary shares of Titan for each Core Gold common share.

Titan has acquired all of Core Gold's secured debt in the principal amount of US \$2.5 million in order to ensure the long term success of the Core Gold Assets.

## 2 Pro Forma Assumptions and Adjustments

### a) Reverse acquisition accounting

The unaudited pro forma consolidated financial statements incorporate the following pro forma assumptions and adjustment which gives effect to the amalgamation of Core Gold and Titan as if it had occurred on June 30, 2019.

In accordance with reverse acquisition accounting:

- (i) The assets and liabilities of Core Gold are included in the unaudited pro forma consolidated financial position at their historic value.
- (ii) The net assets of Titan are included at fair value;
- (iii) Share capital, reserves and deficit of Titan are eliminated.

## Notes to the Pro Forma Financial Statements

(amount expressed in thousands of United States dollars, except where indicated)

Despite the legality of the Acquisition, these unaudited pro forma was accounted for based on reverse acquisition accounting because of the expected post-merger control of the combined entity.

Fair value of the shares issued to acquire Core Gold was based on the market capitalisation of Core Gold as at June 30, 2019 is \$29,240. The preliminary allocation of estimated consideration transferred is subject to change and is summarised as follows:

	June 30, 2019
Purchase price	29,240
<b>Total consideration</b>	<b>29,240</b>
Less: net asset of Titan	
Cash and cash equivalents	4,059
Trade and other receivables – current and non current	1,344
Inventory	937
Current tax assets	132
Asset classified as held for sale	1,275
Property, plant and equipment	2,162
Exploration and evaluation assets	893
Financial assets	3,492
Intangible assets	8,382
Trade and other payables – current and non current	(1,540)
Borrowing – current and non current	(6,807)
<b>Total fair value of identifiable net assets</b>	<b>14,621</b>
<b>Goodwill</b>	<b>14,619</b>

b) Titan Minerals Limited - Capital raising on August 7, 2019

On August 7, 2019 Titan completed a placement to raise AUD \$6 million via the issue of 40,000,000 shares in Titan. Furthermore, application funds as at June 30, 2019 received in advance were either refunded or applied against this capital raising.

c) Titan Minerals Limited – Acquisition of Core Gold’s secured debt

On August 8, 2019 Titan assumed all of the outstanding interest bearing secured debt with a total principal amount US \$2.5 million from the holder for US \$1.89 million. The secured debt is made up of the following:

- i. promissory notes issued by Core Gold in the aggregate principal of US \$1.5 million plus all accrued interest; and
- ii. convertible promissory notes issued by Core Gold in the aggregate principal of US \$1.0 million plus all accrued interest

On completion of the transaction, the financial instruments would represent inter-entity balances that would eliminate upon consolidation of the combined entity. The difference between the amount paid by Titan to acquire the secured debt and the carrying amount of the secured debt in Core Gold has been recognised in the profit or loss.

d) Transaction cost

In connection with the Merger, Titan is to pay a fee to Bacchus Capital Advisers (Titan’s advisor) a fee based on 2.5% of the combined enterprise value of Titan and Core Gold, based on the Titan’s share price immediately prior to the announcement to bid and the offer price of Core Gold, totalling \$2.303 million. It is expected that 50% of this fee will be paid in cash and 50% paid in shares. Based on Titan’s share price immediately prior to the announcement, the number of shares has been assumed to be 8.876 million.

## Notes to the Pro Forma Financial Statements

(amount expressed in thousands of United States dollars, except where indicated)

### e) Treasury shares

As announced on 12 March 2019, Titan and Core entered into any arrangement agreement whereby Titan agreed to purchase 9,151,363 common shares of Core Gold on a private placement basis, at a price of C\$0.44 per share for total subscription proceeds of approximately US \$3.0 million. Subsequent to the Merger, Titan will hold 22,878,408 of Treasury shares.

### 3 Pro Forma Share Capital:

Share capital as at June 30, 2019 in the unaudited pro forma consolidated statement of financial position is comprised of the following:

	Shares	Share Capital	Reserves
Share capital and contributed surplus	166,873,000	110,897	16,435
Convertible debenture conversion	(166,873,000)	-	-
Shares issued for the reverse acquisition	417,182,500	29,240	-
Shares inherited from Titan from reverse acquisition	296,566,718	-	-
Transaction fee (note 2d)	8,876,013	1,152	-
Treasury shares held	-	(1,604)	-
	<b>722,625,231</b>	<b>139,685</b>	<b>16,435</b>

### 4 Pro Forma Loss Per Share

Pro Forma basic and diluted loss per share for the year ended June 30, 2019, has been calculated based on the number of Core Gold shares outstanding for the period and the number of shares issued under the Acquisition:

	Shares (Pre-consolidation)
<i>Numerator</i>	
<b>Pro forma net loss available to shareholders</b>	<b>\$ 9,651</b>
<i>Denominator (in '000 common shares)</i>	
Share reversal for the reverse acquisition	417,183
Shares issued for the reverse acquisition	296,567
Shares inherited from Titan from reverse acquisition	8,876
<b>Pro forma weighted average shares outstanding</b>	<b>722,626</b>
<b>Basic and diluted pro forma loss per share</b>	<b>\$ (0.01)</b>



## Notes to the Pro Forma Financial Statements

(amount expressed in thousands of United States dollars, except where indicated)

### 5 Translation of Titan

The financial statement of Titan are report in Australian Dollars ("AUD"). Below is a schedule that translates the statements of Titan as at June 30, 2019 into US Dollars. The financial statements were translated from AUD to US Dollars. The financial statements were translated from AUD to US Dollar at the June 30, 2019 exchange rate of 0.7061.

	Titan as at June 30, 2019 (AUD Dollars)	Titan as at June 30, 2019 (US Dollars)
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalent	2,839	1,991
Restricted cash	1,359	953
Trade and other receivables	1,837	1,288
Prepayments	418	293
Inventory	1,336	937
Current tax asset	188	132
Asset classified as held for sale	1,818	1,275
	9,795	6,869
Trade and other receivables	80	56
Properties, plant and equipment	3,083	2,162
Exploration and evaluation properties	1,273	893
Financial assets	2,287	1,604
Intangible assets	11,952	8,382
<b>Total assets</b>	<b>28,471</b>	<b>19,966</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	3,436	2,409
Loan Payable	6,685	4,688
	10,120	7,097
Other long term liabilities	120	84
Loan payable – non current	3,022	2,119
<b>Total liabilities</b>	<b>13,262</b>	<b>9,300</b>
<b>Shareholders' equity</b>		
Share capital	118,034	82,777
Reserves	1,824	1,279
Deficit	(104,649)	(73,390)
<b>Total shareholders' equity</b>	<b>15,209</b>	<b>10,666</b>
<b>Total liabilities and shareholders' equity</b>	<b>28,471</b>	<b>19,966</b>

## Notes to the Pro Forma Financial Statements

(amount expressed in thousands of United States dollars, except where indicated)

	Year ended June 30, 2019	
	AUD Dollars	US Dollars
<b>Revenue</b>	4,839	3,417
<b>Operating Costs</b>	(4,382)	3,094
	<b>457</b>	<b>323</b>
<b>Expenses</b>		
Depreciation and Amortization	(103)	(73)
General and administration	(2,862)	(2,021)
Foreign exchange	79	56
Finance cost	(460)	(325)
Share-based compensation	(58)	(41)
Other revenue	11	8
Other expense	(45)	(32)
<b>Net loss after tax</b>	<b>(2,998)</b>	<b>(2,117)</b>
<b>Income from discontinued operations</b>	(1,265)	(893)
<b>Net loss</b>	<b>(4,263)</b>	<b>(3,010)</b>
<b>Other comprehensive income</b>	(2,337)	(1,650)
<b>Net loss and comprehensive loss for the year</b>	<b>(6,600)</b>	<b>(4,660)</b>

# Pro Forma Condensed Consolidated Statement of Financial Position

(amount expressed in thousands of United States dollars, except where indicated)

	Historic – As at December 31, 2018		Notes	Pro Forma	
	Core Gold	Titan		Adjustments	Total
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalent	\$ 132	\$ 3,853	2b	\$ 13,269	\$ 16,154
		3,853		13,269	
			2d(i)	(1,100)	
			2e	3,000	
			2e	(3,000)	
Trade and other receivables	3,093	1,593		-	4,686
Inventory	1,754	763		-	2,517
Current tax asset	-	582		-	582
Asset classified as held for sale	-	1,211		-	1,211
	4,979	8,002		12,169	25,150
<b>Non-current assets</b>					
Trade and other receivables	-	56		-	56
Properties, plant and equipment	18,421	1,793	2a	621	20,835
Exploration and evaluation properties	248	594		-	842
Other assets	116	-		-	116
Intangible assets	-	8,606	2a	6,886	15,492
	18,785	11,049		7,507	37,341
<b>Total assets</b>	\$ 23,764	\$ 19,051		\$ 19,676	\$ 62,491
<b>Liabilities</b>					
<b>Current liabilities</b>					
Accounts payable and accruals	\$ 14,385	\$ 758		\$ -	\$ 15,143
Convertible debentures	2,756	-	2c	(2,756)	-
Loan Payable - current	4,421	1,000	2e	-	5,421
	21,562	1,758		(2,756)	20,564
<b>Non-current liabilities</b>					
Other long term liabilities	-	83		-	83
Derivative – warrant liability	967	-	2a(iv)	(967)	-
Provision for closure and restoration	1,350	-		-	1,350
Loan payable – non current	-	2,500		-	2,500
	2,317	2,583		(967)	3,933
<b>Total liabilities</b>	\$ 23,879	\$ 4,341		\$ (3,723)	\$ 24,497
<b>Shareholders' equity (deficiency)</b>					
Share capital	105,572	82,667	2a	(95,936)	139,712
			2a	28,674	
			2d(ii)	2,710	
			2b	13,269	
			2c	2,756	
			2e	3,000	
			2e	(3,000)	
Reserves	16,418	2,895	2a	(2,895)	23,698
			2a(iv)(v)	6,812	
			2a(v)	468	
Deficit	(122,105)	(70,852)	2a	67,541	(125,416)
<b>Total shareholders' equity (deficiency)</b>	\$ (115)	\$ 14,710		\$ 23,399	\$ 37,994
<b>Total liabilities and shareholders' equity</b>	\$ 23,764	\$ 19,051		\$ 19,676	\$ 62,491

**Pro-forma Condensed Statement of Financial Operations and Comprehensive Loss**  
(all amounts expressed in thousands of United States dollars, except where indicated)

	Historical Year ended December 31, 2018			Pro Forma	
	Core Gold	Titan	Note	Adjustments	Total
<b>Revenue</b>	27,270	4,095		-	31,365
<b>Operating Costs</b>	(26,033)	(3,678)		-	(29,711)
	<b>1,237</b>	<b>417</b>		-	<b>1,654</b>
<b>Expenses</b>					
Depreciation	-	(62)		-	(62)
General and administration	(6,432)	(2,186)		-	(8,618)
Foreign exchange	(33)	210		-	177
Finance cost	(2,075)	(7)		-	(2,082)
Impairment on long term assets	-	(4,987)		-	(4,987)
Share-based compensation	(716)	(868)		-	(1,584)
Gain on derivative liabilities	1,769	-		-	1,769
Other revenue	-	11		-	11
Other expense	-	(108)		-	(108)
Transaction costs	-	-	2a(iv)	967	(3,311)
			2d(i)	(1,100)	
			2a(v)	(468)	
			2d(ii)	(2,710)	
<b>Net loss after tax</b>	<b>(6,250)</b>	<b>(7,580)</b>		<b>(3,311)</b>	<b>(17,141)</b>
Income from discontinued operations	-	2,069		-	2,069
<b>Net loss</b>	<b>(6,250)</b>	<b>(5,511)</b>		<b>(3,311)</b>	<b>(15,072)</b>
Other comprehensive income	-	210		-	210
<b>Net loss and comprehensive loss for the year</b>	<b>(6,250)</b>	<b>(5,301)</b>		<b>(3,311)</b>	<b>(14,862)</b>

# Notes to the Pro Forma Financial Statements

(amount expressed in thousands of United States dollars, except where indicated)

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## 1 Basis of presentation

These unaudited pro forma condensed consolidated financial statements (the "Pro Forma Statements") of Core Gold Inc. ("Core Gold" or "the Company") have been prepared for inclusion in the Company's Management Information Circular for the Special Meeting of Securityholders of Core Gold Inc. dated May 10, 2019, in conjunction with Titan Minerals Limited's ("Titan") acquisition (the "Acquisition") of all of the issued and outstanding shares of Core Gold, and are for illustrative purposes only and give effect to the Acquisition and other transactions pursuant to the assumptions described in the Notes below. Despite the legality of the Acquisition, these unaudited pro forma was accounted for based on reverse acquisition accounting (see Note 2(a) for details). The unaudited pro forma condensed consolidated statement of financial position as at December 31, 2018 gives effect to the Acquisition by Titan as if it had occurred as at December 31, 2018. The unaudited pro forma condensed consolidated statements of operations and comprehensive loss for the year ended December 31, 2018 gives effect to the Acquisition as if it had occurred as at January 1, 2018. The preparation of these Pro Forma Statements is based on the historical financial statements of Core Gold and Titan, where both Core Gold and Titan's financial statements were prepared using International Financial Reporting Standards as issued by the International Accounting Standards Board. Based on the review of the accounting policies of Core Gold and Titan, it is the management of Core Gold opinion that there are no material accounting differences among the accounting policies of Core Gold and Titan.

These Pro Forma Statements have been prepared from the information derived from, and should be read in conjunction with the following:

1. Core Gold's audited consolidated financial statements as at and for the year ended December 31, 2018; and
2. Titan's audited consolidated financial statements as at and for the year ended December 31, 2018.

These Pro Forma Statements are not indicative of the operating results or financial condition that may have been achieved if the Acquisition had been completed on the dates or for the periods presented, nor do they purport to project the results of operations or financial position of the consolidated entities for any future period or as of any future date. These Pro Forma Statements do not reflect any historical cost savings, operating synergies, or enhancements that the combined company may have achieved as a result of the Acquisition.

These Pro Forma Statements include adjustments and allocations of the Acquisition's purchase price consideration which are based on preliminary estimates of the fair value of the consideration paid, assets acquired, and liabilities to be assumed. The Company is in the process of finalizing the fair value of the consideration transferred and the net assets acquired, therefore these figures are subject to change. In addition, if new information obtained within one year of the Acquisition date about facts and circumstances that existed at the Acquisition date identifies adjustments to the below amounts, or any additional provisions that existed at the Acquisition date, then the accounting for the Acquisition will be revised. As a result, the final purchase price allocation may be materially different from the preliminary estimated allocations presented in these Pro Forma Statements.

### Plan of Arrangement

#### *Overview*

On February 11, 2019, Core Gold entered into a binding arrangement agreement (the "Arrangement Agreement"), with Titan, pursuant to which Titan will acquire all of the issued and outstanding Core Gold common shares by way of a share exchange (the "Merger"). The Merger will create a diversified Latin America focused ASX-listed gold company (the "Company") with a portfolio of exploration, development and production assets in both Ecuador and Peru.

The Merger will be affected by means of a statutory plan of arrangement (the "Arrangement") under the Business Corporations Act (British Columbia).

Under the Arrangement:

- Each Core Gold shareholder will receive twenty (20) fully paid ordinary shares in Titan pre-consolidation ("Titan Shares") for every one (1) Core Gold common share (the "Exchange Ratio"); and
- Holders of Core Gold Options and Warrants will receive options in Titan on comparable terms, taking into account the Exchange Ratio under the Merger.

#### *Additional Capital Raising*

In connection with the Merger, Titan will conduct a placement of new Titan Shares to certain eligible institutional and high net worth investors to raise a minimum of A\$20 million at an issue price to be agreed by Titan and Core Gold (each acting reasonably and taking into account the then current market conditions) (the "Placement"). If a minimum of A\$20 million is raised under the Placement, assuming an issue price of A\$0.024 (being the closing price of Titan Shares on the ASX on February 15, 2019), approximately

# Notes to the Pro Forma Financial Statements

(amount expressed in thousands of United States dollars, except where indicated)

833,333,333 new Titan Shares will be issued under the Placement. The issue of new Titan Shares under the Placement will be subject to Titan shareholder approval. Completion of the Merger is conditional on completion of the Placement.

In addition, it is a condition of the Merger that prior to completion of the Arrangement, Titan enters into a credit committee approved term sheet or subscription commitments with a view to undertaking an additional financing to raise gross proceeds of US\$10 million. The additional financing may be comprised of a credit facility, other borrowing or the issue of new Titan securities, or a combination thereof. Completion of the additional financing would be subject to customary conditions precedent, including:

- (i) completion of the Arrangement,
- (ii) completion of the Placement detailed above, and
- (iii) if the additional financing is by way of borrowing, the provision of first ranking security over the Ecuadorian assets of Core Gold.

Subsequent to the Merger, the Company expects a 10:1 share consolidation.

## 2 Pro Forma Assumptions and Adjustments

### a) Reverse acquisition accounting

The unaudited pro forma consolidated financial statements incorporate the following pro forma assumptions and adjustment which gives effect to the amalgamation of Core Gold and Titan as if it had occurred on December 31, 2018.

In accordance with reverse acquisition accounting:

- (i) The assets and liabilities of Core Gold are included in the unaudited pro forma consolidated financial position at their historic value.
- (ii) The net assets of Titan are included at fair value;
- (iii) Share capital, reserves and deficit of Titan are eliminated.

Despite the legality of the Acquisition, these unaudited pro forma was accounted for based on reverse acquisition accounting because of the expected post-merger control of the combined entity.

Fair value of the shares issued to acquire Core Gold was based on the market capitalisation of Core Gold as at December 31, 2018 in addition to the value of the replacement options for Core Gold warrants and vested options (see note 1(a)(iv)), which in total is \$35,486. The preliminary allocation of estimated consideration transferred is subject to change and is summarised as follows:

	Year ended December 31, 2018
Purchase price	28,674
Replacement options for Core Gold warrants (see note 1(a)(iv))	4,708
Replacement options for Core Gold stock options (vested) – (see note 1(a)(v))	2,104
<b>Total consideration</b>	<b>35,486</b>
Less: net asset of Titan	
Cash and cash equivalents	17,122
Trade and other receivables – current and non current	1,649
Inventory	763
Current tax assets	582
Asset classified as held for sale	1,211
Property, plant and equipment	2,414
Exploration and evaluation assets	594
Intangible assets	8,606
Trade and other payables – current and non current	(841)
Borrowing – current and non current	(3,500)
<b>Total fair value of identifiable net assets</b>	<b>\$ 28,600</b>
<b>Goodwill</b>	<b>\$ 6,886</b>

## Notes to the Pro Forma Financial Statements

(amount expressed in thousands of United States dollars, except where indicated)

### (iv) Replacement options for Core Gold warrants

Upon the Merger, the Core Gold share purchase warrants would be replaced with newly issued replacement options (“Warrant Replacements”). As a result, \$967 of warrant liability was reversed and recorded as a gain. The Company is to issue Warrant Replacements with a fair value of \$4,708. The fair value of the options is calculated using the Black-Scholes Option Pricing Model. The option pricing model requires the input of highly speculative assumptions, including the expected future price volatility of a Company’s shares. Changes in these assumptions can materially affect the fair value estimate and, therefore, existing models do not necessarily provide a reliable single measure of the fair value of the Company’s options. The Warrant Replacements are to be issued based on the 20 to 1 ratio and foreign exchange rate of CAD\$1.00 to AUD\$1.0397 and based on the following weighted average assumptions:

	Pre-Consolidation Assumptions	Post-Consolidation Assumptions (10:1)
Expected option life	1.01 years	1.01 years
Expected stock price volatility	128%	128%
Dividend payment during life of option	Nil	Nil
Expected forfeiture rate	Nil	Nil
Risk free interest rate	1.50%	1.50%
Weighted average strike price (AUD\$)	\$ 0.023	\$ 0.231
Weighted average fair value per option (AUD\$)	\$ 0.012	\$ 0.121
Weighted average fair value per option (US\$)	\$ 0.008	\$ 0.085
Weighted average share price – as at December 31, 2018 (AUD\$)	\$ 0.025	\$ 0.250

The following table is the Warrant Replacements outstanding upon the completion of the Merger:

Expiry date	Pre-consolidation		Post – consolidation (10:1)	
	Number of options	Exercise price (AUD\$)	Number of options	Exercise price (AUD\$)
June 30, 2019	59,350,060	0.023	5,935,006	0.234
July 14, 2019	32,856,660	0.023	3,285,666	0.234
August 3, 2019	16,229,140	0.023	1,622,914	0.234
September 1, 2019	25,550,860	0.023	2,555,086	0.234
September 15, 2019	20,332,440	0.023	2,033,244	0.234
October 13, 2019	35,816,640	0.023	3,581,664	0.234
December 18, 2019	31,630,000	0.023	3,163,000	0.234
December 28, 2019	41,333,320	0.023	4,133,332	0.234
February 1, 2020	75,224,400	0.023	7,522,440	0.234
April 2, 2020	54,116,700	0.023	5,411,670	0.234
May 4, 2020	45,099,400	0.023	4,509,940	0.234
May 29, 2020	10,963,580	0.023	1,096,358	0.234
September 28, 2020	92,700,000	0.023	9,270,000	0.234
	<b>541,203,200</b>	<b>Weighted average-0.023</b>	<b>54,120,320</b>	<b>Weighted average -0.234</b>

For accounting purposes, the fair value of the Warrant Replacement at the date of the merger of \$4,708 is deemed to be consideration as part of the business combination.

## Notes to the Pro Forma Financial Statements

(amount expressed in thousands of United States dollars, except where indicated)

### (v) Replacement options for Core Gold stock options

Upon the Merger, the Core Gold stock options would be replaced with newly issued replacement options (“Option Replacements”). The Company is to issue Option Replacements with a fair value of \$2,572 with vested options with a value of \$2,104 (unvested \$468). The fair value of the Option Replacements is calculated using the Black-Scholes Option Pricing Model. The option pricing model requires the input of highly speculative assumptions, including the expected future price volatility of a Company’s shares. Changes in these assumptions can materially affect the fair value estimate and, therefore, existing models do not necessarily provide a reliable single measure of the fair value of the Company’s options. The Option Replacements are to be issued based on the 20 to 1 ratio and foreign exchange rate of CAD\$1.00 to AUD\$1.0397 and based on the following weighted average assumptions:

	Pre-Consolidation Assumptions	Post-Consolidation Assumptions (10:1)
Expected option life	3.39 years	3.39 years
Expected stock price volatility	158%	158%
Dividend payment during life of option	Nil	Nil
Expected forfeiture rate	Nil	Nil
Risk free interest rate	1.50%	1.50%
Weighted average strike price (AUD\$)	\$ 0.019	\$ 0.188
Weighted average fair value per option (AUD\$)	\$ 0.020	\$ 0.199
Weighted average fair value per option (US\$)	\$ 0.014	\$ 0.141
Weighted average share price – as at December 31, 2018 (AUD\$)	\$ 0.025	\$ 0.250

The following table is the Option Replacements outstanding upon the completion of the Merger:

Expiry date	Pre-consolidation		Post – consolidation (10:1)	
	Number of options	Exercise price (AUD\$)	Number of options	Exercise price (AUD\$)
November 21, 2019	27,060,000	0.048	2,706,000	0.478
December 7, 2021	78,000,000	0.011	7,800,000	0.119
February 27, 2023	44,100,000	0.015	4,410,000	0.156
May 15, 2023	5,000,000	0.016	500,000	0.161
October 1, 2023	28,800,000	0.016	2,880,000	0.156
	<b>182,960,000</b>	<b>Weighted average-0.017</b>	<b>18,296,000</b>	<b>Weighted average-0.172</b>

### b) Concurrent financing

In connection with the Merger, Titan will conduct a placement of new Titan Shares to certain eligible institutional and high net worth investors to raise a minimum of \$13,269 (AUD\$20,000) at an issue price to be agreed by Titan and Core Gold (each acting reasonably and taking into account the then current market conditions) (the "Placement"). If a minimum of \$13,269 (AUD\$20,000) is raised under the Placement, assuming an issue price of AUD\$0.024 (being the closing price of Titan Shares on the ASX on February 15, 2019), approximately 833,333,333 new Titan Shares will be issued under the Placement. The issue of new Titan Shares under the Placement will be subject to Titan shareholder approval. Completion of the Merger is conditional on completion of the Placement.

### c) Convertible debenture conversion

In connection with the Merger, Core Gold’s carrying value of the convertible debentures of \$2,756 are converted and recorded in share capital. A total of 13,472,975 common shares would be issued from the conversion.



## Notes to the Pro Forma Financial Statements

(amount expressed in thousands of United States dollars, except where indicated)

### d) Transaction cost

In connection with the Merger, the Company incurred the following cash and non-cash transaction costs:

- (i) The Company will pay a success fee to PI Financial (Core Gold's advisor), legal fees and other direct general cost totalling approximately \$1,100 upon the completion of the Merger.
- (ii) The Company will issue \$2,710 worth of shares to various consultants upon the completion of the Merger.

### e) Treasury shares

As announced on 12 March 2019, Titan and Core entered into any arrangement agreement whereby Titan agreed to purchase 9,151,363 common shares of Core Gold on a private placement basis, at a price of C\$0.44 per share for total subscription proceeds of approximately US \$3.0 million. Subsequent to the Merger, Titan will hold 183,027,260 of Treasury shares.

## 3 Pro Forma Share Capital:

Share capital as at December 31, 2018 in the unaudited pro forma consolidated statement of financial position is comprised of the following:

	Shares (Pre-consolidation)	Shares (Post-consolidation, see note 1)	Share Capital	Reserves
Share capital and contributed surplus – Core	146,050,189	14,605,019	\$ 105,572	\$ 16,418
Convertible debenture conversion	13,412,975	1,341,298	2,756	-
Share reversal for the reverse acquisition	(159,463,164)	(15,946,315)	-	-
Shares, Replacement Warrants, Replacement Options issued for the reverse	3,189,263,280	318,926,328	28,674	7,280
Shares inherited from Titan from reverse acquisition	3,397,039,398	339,703,940	-	-
Success fee (note 2(a)(v))	160,000,000	16,000,000	2,710	-
	6,746,302,678	674,630,268	\$ 139,712	\$ 23,698

## 4 Pro Forma Loss Per Share:

Pro Forma basic and diluted loss per share for the year ended December 31, 2018, has been calculated based on the number of Core Gold shares outstanding for the period and the number of shares issued under the Acquisition:

	Shares (Pre-consolidation)	Shares (Pre-consolidation)
<i>Numerator</i>		
<b>Pro forma net loss available to shareholders</b>	<b>\$ (14,862)</b>	<b>\$ (14,862)</b>
<i>Denominator (in '000 common shares)</i>		
Share reversal for the reverse acquisition	3,189,263	318,926
Shares issued for the reverse acquisition	3,397,039	339,704
Shares inherited from Titan from reverse acquisition	160,000	16,000
<b>Pro forma weighted average shares outstanding</b>	<b>6,746,303</b>	<b>674,630</b>
<b>Basic and diluted pro forma loss per share</b>	<b>\$ (0.00)</b>	<b>\$ (0.02)</b>

## Notes to the Pro Forma Financial Statements

(amount expressed in thousands of United States dollars, except where indicated)

### 5 Translation of Titan

The financial statement of Titan are report in Australian Dollars (“AUD”). Below is a schedule that translates the statements of Titan as at December 31, 2018 into US Dollars. The financial statements were translated from AUD to US Dollars. The financial statements were translated from AUD to US Dollar at the December 31, 2018 exchange rate of 0.7058.

	<b>Titan as at December 31, 2018 (AUD Dollars)</b>	<b>Titan as at December 31, 2018 (US Dollars)</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalent	\$ 5,459	\$ 3,853
Trade and other receivables	2,257	1,593
Inventory	1,081	763
Current tax asset	825	582
Asset classified as held for sale	1,716	1,211
	11,338	8,002
<b>Trade and other receivables</b>	79	56
<b>Properties, plant and equipment</b>	2,540	1,793
<b>Exploration and evaluation properties</b>	842	594
<b>Intangible assets</b>	12,193	8,606
<b>Total assets</b>	\$ 26,992	\$ 19,051
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 1,074	\$ 758
Loan Payable	1,417	1,000
	2,491	1,758
<b>Other long term liabilities</b>	118	83
Loan payable – non current	3,542	2,500
<b>Total liabilities</b>	6,151	4,341
<b>Shareholders’ deficiency</b>		
<b>Share capital</b>	117,125	82,667
<b>Reserves</b>	4,102	2,895
<b>Deficit</b>	(100,385)	(70,852)
<b>Total shareholders’ deficiency</b>	20,842	14,710
<b>Total liabilities and shareholders’ deficiency</b>	\$ 26,992	\$ 19,051

## Notes to the Pro Forma Financial Statements

(amount expressed in thousands of United States dollars, except where indicated)

	Year ended December 31, 2018	
	AUD Dollars	US Dollars
<b>Revenue</b>	\$ 5,802	\$ 4,095
<b>Operating Costs</b>	(5,211)	(3,678)
	<b>591</b>	<b>417</b>
<b>Expenses</b>		
Amortization	(88)	(62)
General and administration	(3,097)	(2,186)
Foreign exchange	298	210
Finance cost	(10)	(7)
Impairment on long term assets	(7,066)	(4,987)
Share-based compensation	(1,230)	(868)
Other revenue	16	11
Other expense	(153)	(108)
<b>Net loss after tax</b>	<b>(10,740)</b>	<b>(7,580)</b>
<b>Income from discontinued operations</b>	2,932	2,069
<b>Net loss</b>	<b>(7,808)</b>	<b>(5,511)</b>
<b>Other comprehensive income</b>	298	210
<b>Net loss and comprehensive loss for the year</b>	<b>(7,511)</b>	<b>(5,301)</b>

**Any questions and requests for assistance may be directed to  
Titan Minerals Limited's Information Agent:**



**North American Toll Free Phone: 1-833-461-3651  
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North American Toll-Free Facsimile: 1-877-218-5372  
Facsimile: 1 (416) 214-3224**

**By Registered Mail, Hand or by Courier**

**GRYPHON ADVISORS INC.  
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M5J 1A7**

**The Depository for the Offer is:**



**AST TRUST COMPANY (CANADA)  
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Toll Free: 1-800-387-0825  
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**By Mail (*Except Registered Mail*)**

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