



8 May 2019

Ms. Jessica Coupe
Adviser, ASX Listings Compliance
ASX Compliance Pty Ltd
Level 40, Central Park
152-158 St. Georges Terrace
Perth, WA 6000

Dear Ms Coupe

Response to ASX Query

Titan Minerals Limited (**TTM**) refers to your letter dated 23 April 2019 and provides the following responses to your queries (using the same numbering and defined terms as were used in your letter).

- 1.1 Yes.
- 1.2 Yes.
2. Yes, on the basis that:
 - (a) TTM considers the key asset acquired under the Acquisition was the Vista gold toll processing plant (**Vista Plant**) together with the accompanying Peruvian operating team and the supply and network relationships in Peru (noting that the property, plant and equipment relating to the Vista Plant were not impaired for the year ended 31 December 2018);
 - (b) the Goodwill detailed in Note 23 is solely attributable to the Vista Plant together with the accompanying Peruvian operating team and the supply and network relationships in Peru;
 - (c) key management of TTM, utilising their experience operating the Tulin Plant (for a period of approximately 8 years) undertook an analysis of the Vista Plant which analysis accounted for (amongst other matters):
 - A. only the initial 150 ton per day nameplate capacity of the Vista Plant (noting the Vista Plant is licensed for 350 tons per day);
 - B. the targeted level of operations and the anticipated outputs for initial stage one (based on a 150 ton / day nameplate capacity); and
 - C. the comparable level of historical operations at the Tulin Plant.

This analysis resulted in an internal net present value which significantly exceeded the Goodwill; and
 - (d) TTM confirms that the Goodwill was calculated in accordance with AASB 3 (Business Combinations) and determined provisionally as at 31 December 2018, pursuant to which TTM has 12 months from the date of the Acquisition to complete the accounting of the Acquisition, including the identification and measurement of all identifiable assets and liabilities acquired as part of the Acquisition.
3. No, on the basis that the Goodwill solely relates to assets that are not the subject of the impairment, being the Vista Plant together with the accompanying Peruvian operating team and the supply and network relationships in Peru.

4. Not applicable.
5. For clarity, the access restrictions relate solely to inventory, plant and equipment at the Tulin Plant whereas the Inventory and Plant and Equipment reported in Note 23 covers the aggregate of inventory, plant and equipment at the Tulin Plant and the Vista Plant (at two separate locations).

Due to the access restrictions detailed in Note 5(b) point 3, the inventory, plant and equipment at the Tulin Plant has been impaired. However, under the Australian accounting standards there is no requirement for the segregation of inventory (by location) and accordingly, the total inventory balance in the Full Year Statutory Accounts is subject to an inventory qualification. On this basis, TTM considers the Inventory to be recoverable.

6. TTM has been working with its Peruvian counsel to resolve the dispute concerning the access restrictions at the Tulin Plant, however, it is not in a position to undertake any additional steps at this stage to obtain an unqualified opinion. TTM anticipates that an unqualified opinion can be obtained once:
- (a) an additional year of trading has occurred (noting that TTM only exited external administration in October 2017); and
 - (b) the aforementioned dispute has been resolved and Titan has the right to access the ore material stockpiles and operating equipment at the Tulin Plant.
7. Yes, on the basis that TTM:
- (a) has sufficient working capital to operate its business for the next 12 months and satisfy its debts as and when they fall due; and
 - (b) anticipates that the Vista Plant will receive its operators permit in the current quarter and will be full permitted and licenced to commence commercial production (refer to the ASX announcement dated 28 February 2019) thereby generating revenue.

8. Not applicable

9. Confirmed

Yours sincerely

A handwritten signature in black ink, appearing to be 'Zane Lewis', written over a horizontal line.

Mr Zane Lewis
Company Secretary
Titan Minerals Limited



23 April 2019

Reference: ODIN00667

Mr Zane Lewis
Company Secretary
Titan Minerals Limited
770 Canning Highway
Perth WA 6151

By email: zane@smallcapcorporate.com.au

Dear Mr Lewis

Titan Minerals Limited ('TTM'): Queries regarding Accounts

ASX refers to:

- A. TTM's announcement titled "Titan completes Compulsory Acquisition of Andina" released on the ASX Market Announcements Platform ("MAP") on 27 September 2018, in which TTM disclosed that it had completed the compulsory acquisition of the remaining ordinary shares in Andina Resources Limited ("Andina") under the compulsory acquisition provisions of the Corporations Act 2001 (Cth) such that it now owns 100% of Andina ("Acquisition").
- B. TTM's Annual Financial Report for the full year ended 31 December 2018 released on MAP on 29 March 2019 ("Full Year Statutory Accounts").
- C. Note 23 of the Full Year Statutory Accounts, which state that TTM acquired the following assets as part of the Acquisition:
 - deferred exploration and evaluation expenditure assets ("E&E Assets") valued at \$5,400,000;
 - property, plant and equipment ("Plant and Equipment") valued at \$3,140,477; and
 - inventory valued at \$1,039,005 ("Inventory").

Note 23 also states that goodwill of \$12,110,496 ("Goodwill") was recognised on the Acquisition (also noted in Note 15). The Goodwill was not impaired in the Full Year Statutory Accounts (i.e. carried at \$12,110,496).

- D. Note 14 of the Full Year Statutory Accounts, which states that TTM impaired the E&E Assets by \$3,838,030.
- E. Note 5(b) point 3 of the Full Year Statutory Accounts, which states that TTM impaired the Plant and Equipment by \$2,003,072.
- F. The Independent Auditor's Report in the Full Year Statutory Accounts ("Auditor's Report"), which contains the following note with respect to Inventory in the Basis for Qualified Opinion:

'The Company, through its foreign subsidiary, carried inventory stated in the financial statements of \$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.'

Note 5(b) point 3 of the Full Year Statutory Accounts states the following:

'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 Institue') 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.'

G. Listing Rule 12.2 which states:

12.2 An entity's financial condition (including operating results) must, in ASX's opinion, be adequate to warrant the continued +quotation of its +securities and its continued listing.

H. Listing Rule 19.11A which states:

19.11A If a listing rule requires an entity to give ASX +accounts, the following rules apply.

- (a) If the entity controls an entity within the meaning of section 50AA of the Corporations Act or is the holding company of an entity, required by any law, regulation, rule or accounting standard, or if ASX requires, the +accounts must be consolidated +accounts.*
- (b) The +accounts must be prepared to Australian accounting standards. If the entity is a +foreign entity the +accounts may be prepared to other standards agreed by ASX.*
- (c) If the listing rule requires audited +accounts, the audit must be conducted in accordance with Australian auditing standards by a registered company auditor. If the entity is a +foreign entity, the audit may be conducted in accordance with other standards agreed by ASX and may be conducted by an overseas equivalent of a registered company auditor.*
- (d) If the listing rule requires +accounts to be reviewed, the review must be conducted in accordance with Australian auditing standards. If the entity is a +foreign entity, the review may be conducted in accordance with other standards agreed by ASX. Unless the listing rule says an independent accountant may conduct the review, it must be conducted by a registered company auditor (or, if the entity is a +foreign entity, an overseas equivalent of a registered company auditor).*
- (e) If there is a +directors' declaration that relates to the +accounts, the +directors' declaration must be given to ASX with the +accounts.*
- (f) If there is a +directors' report that relates to the period covered by the +accounts, the +directors' report must be given to ASX with the +accounts.*

Request for Information

In light of the information above, please respond to each of the following questions:

1. Is TTM able to confirm that in the Directors' opinion the Full Year Statutory Accounts:
 - 1.1 comply with the relevant Accounting Standards; and
 - 1.2 give a true and fair view of TTM's financial performance and position?
2. Given the significant identifiable assets the subject of the Acquisition, being the E&E Assets and the Plant and Equipment, have been impaired by approximately \$5.85 million and the Inventory balance of approximately \$1 million is the subject of a qualified audit opinion, does the Company consider that the carrying value of its Goodwill arising on acquisition is reasonable? In answering this question, please also explain the basis for the conclusion.

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3. Notwithstanding the 'provisional' values ascribed to the Acquisition accounting, given decisions were taken at 31 December 2018 to impair the E&E Assets and Plant & Equipment the subject of the Acquisition, and the Inventory the subject of the Acquisition is subject to a qualified audit opinion, did the Company consider impairing the associated Goodwill arising on acquisition at 31 December 2018? In answering this question, please also explain the basis for the conclusion.
 4. If the Company did consider impairing the Goodwill, were the impairments of the E&E Assets, the Plant & Equipment and access restrictions on Inventory as set out at note 5(b) point 3 of the Full Year Statutory Accounts taken into consideration? In answering this question, please also explain the basis for the conclusion.
 5. Given the Company chose to impair the Plant and Equipment the subject of the access restrictions as set out in Note 5(b) point 3 of the Full Year Statutory Accounts, on what basis does the Company consider the Inventory to be recoverable, given the same access restrictions that apply to the Plant & Equipment appear to also affect the Inventory and those access restrictions were the reason cited for the inventory audit qualification?
 6. What steps has TTM taken since the release of the Full Year Statutory Accounts to obtain an unqualified opinion with regards to its future financial statements?
 7. Does TTM consider that the financial condition of TTM is sufficient to warrant continued listing on ASX as required under Listing Rule 12.2? In answering this question, please also explain the basis for this conclusion.
 8. If the answer to question 7 is "No", please explain what steps TTM has taken, or proposes to take, to warrant continued listing on ASX under the requirements of Listing Rule 12.2.
 9. Please confirm that TTM is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

When and where to send your response

Please note that ASX reserves its right under Listing Rule 18.7A to release this letter and TTM's response to the market. Accordingly, TTM's response should address each question separately and be in a format suitable for release to the market.

Unless the information is required immediately under Listing Rule 3.1, a response is requested as soon as possible and, in any event by no later than **9:00 am AWST Wednesday, 1 May 2019**.

Any response should be sent to me by return email at ListingsCompliancePerth@asx.com.au. It should not be sent to the ASX Market Announcements Office.

Enquiries

If you have any queries regarding any of the above, please contact me.

Yours sincerely

Jessica Coupe
Adviser, Listings Compliance (Perth)