



ABN 65 009 131 533

Titanium Sands Limited

**Annual Financial Report
For the year ended 30 June 2018**

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Corporate Information

Directors	James Searle Jason Ferris Lee Christensen
Company Secretary	Ms Nicki Farley
Registered Office and Principal Place of Business	Level 24, 44 St Georges Terrace PERTH WA 6000 Telephone: (08) 6211 5099 Facsimile: (08) 9218 8875
Share Registry	Computershare Investor Services Pty Limited Level 11 172 St Georges Terrace PERTH WA 6000
Website	www.titaniumsands.com.au
Place of Incorporation	Western Australia
Auditors	BDO Audit (WA) Pty Ltd 38 Station Street Subiaco WA 6008
Solicitors	Price Sierakowski Corporate Level 24, 44 St Georges Terrace PERTH WA 6000 Telephone: (08) 6211 5000 Facsimile: (08) 6211 5055
Bankers	National Australia Bank 100 St Georges Terrace PERTH WA 6000
Stock Exchange	ASX Limited Exchange Plaza Level 40 152-158 St Georges Terrace PERTH WA 6000
ASX Code	TSL

Titanium Sands Limited

Directors' report

For the year ended 30 June 2018

1. Directors

The directors of the Company at any time during or since the end of the financial year are:

Name, qualifications and independence status	Experience, special responsibilities and other directorships
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James Searle
Managing Director

Dr Searle was appointed as a Director of the Company on 2 March 2016.

Dr Searle has over 34 years' experience in base metals, precious metals and mineral sand deposits. He has led successful exploration, project development and operational teams in Australia, Africa, Northern Europe, and Central Asia. Dr Searle has a BSc(Hons) in geology and a PhD from the University of Western Australia. He is a Member of the Australian Institute of Mining and Metallurgy and has 24 years' experience in executive and non-executive Director roles on Australian Stock Exchange listed public company boards.

Dr Searle holds 500,000 shares in the Company as at the date of this report.

During the past four years, Dr Searle has served as a Director for the following other listed companies:

- Kinetiko Energy Limited – appointed 25 January 2010.

Jason Ferris
Non-Executive Director

Mr Ferris was appointed as a Director of the Company on 31 July 2014.

Mr Ferris currently serves as Executive Chairman of Connected IO Limited an ASX listed wireless communications company. He has worked in financial services, property and corporate finance industries for more than 25 years. Mr Ferris is an experienced company director having served on the board of numerous public and private companies in Australia, South Africa and United Kingdom. He is a Fellow of the Australian Institute of Management (FAIM) and is a Member of the Australian Institute of Company Directors (MAICD). He has also facilitated many joint venture opportunities in both property, tech and mining sectors.

Mr Ferris holds 333,333 shares in the Company as at the date of this report.

During the past three years, Mr Ferris has served as a Director for the following other listed companies:

- Connected IO Limited (formerly G8 Communications Limited) – appointed 28 April 2015.
- Diploma Group Limited – appointed 30 March 2015, resigned 9 December 2016.

Lee Christensen
Non-Executive Director and Chairman

Mr Christensen was appointed as a Director of the Company on 16 April 2015.

Mr Christensen is a senior lawyer in Perth, specialising in dispute resolution, insolvency and restructures. He has many years of commercial litigation and insolvency law experience having acted in major insolvencies in Western Australia. His in-depth understanding and proven application of Insolvency issues sees him regularly advising external administrators, trustees, creditors and bankrupts on all of its ramifications.

Mr Christensen holds 1,220,000 shares in the Company as at the date of this report.

During the past three years, Mr Christensen has not served as a Director of any other listed company.

Titanium Sands Limited

Directors' report

For the year ended 30 June 2018

2. Company Secretary

Ms Nicki Farley was appointed to the position of company secretary on 7 November 2012. Ms Farley holds a Bachelor of Laws and Arts from the University of Western Australia and has over 10 years of experience working within the corporate advisory area providing advice in relation to capital raisings, corporate and securities laws, mergers and acquisitions and general commercial transactions. Ms Farley has also held a number of company secretarial roles for ASX listed companies.

3. Directors' meetings

The number of meetings of the Company's Directors held during the year ended 30 June 2018, whilst each director was in office, and the number of meetings attended by each Director, were:

<i>Director</i>	<i>Board of Directors' Meetings</i>	
	<i>No. eligible to attend</i>	<i>No. attended</i>
James Searle	3	3
Jason Ferris	3	3
Lee Christensen	3	3

The Board of Directors also approved thirteen (13) circular resolutions during the year ended 30 June 2018 which were signed by all Directors of the Company.

4. Principal activities

During the year, the Company was in the process of acquiring a project located in Sri Lanka.

5. Operating and financial review

The net loss of the Company for the financial year ended 30 June 2018 amounted to \$409,811 (2017: loss \$518,476).

The current year loss was incurred from in the ordinary course of the business. The prior year loss is mainly attributable to increased exploration and geology costs and impairment of the Company's tenement M58/272.

The net assets/(liabilities) of the Company for the financial year ended 30 June 2018 amount to (\$161,161) (2017: net liabilities (\$197,804)).

Titanium Sands Limited

Directors' report (continued)

For the year ended 30 June 2018

Corporate

Titanium Sands Ltd shareholders approved the acquisition of Srinel Holdings Ltd at its Annual General Meeting held on the 24 January 2018 (ASX announcement 24 January 2018). The transaction will see the acquisition of Srinel Holdings Ltd which holds five exploration licences covering 166km² that constitute the Mannar Island Heavy Mineral Sands Project in Sri Lanka. The Company is required to re-comply with Chapters 1 and 2 of the ASX Listing Rules to seek re-admission to the official list of ASX.

On 25 January 2018, the Company issued 42,857,142 Unlisted Options exercisable at \$0.007, expiring 25 January 2021 (on a pre-consolidation basis) free attaching to Shares issued under the Company's Placement completed in July 2017. The July Placement raised \$300,000 with 42,857,142 Shares issued at \$0.007 per shares, with funds raised used for working capital purposes.

On the 31 January 2018, the issued capital of the Company was consolidated on a 1 for 3 basis as approved by Shareholders at the Annual General Meeting on 24 January 2018.

The Company issued a prospectus on the 29 March 2018 (followed by a supplementary prospectus on 21 June 2018 and the second supplementary prospectus on 19 September 2018) (together referred to as the "Prospectus") to raise A\$6 million. Funds raised under the Prospectus will enable the Company to accelerate exploration, resource and reserve drilling at Mannar and to commence a scoping study for the potential development of the ilmenite-leucoxene deposit. The Prospectus remains open at this time.

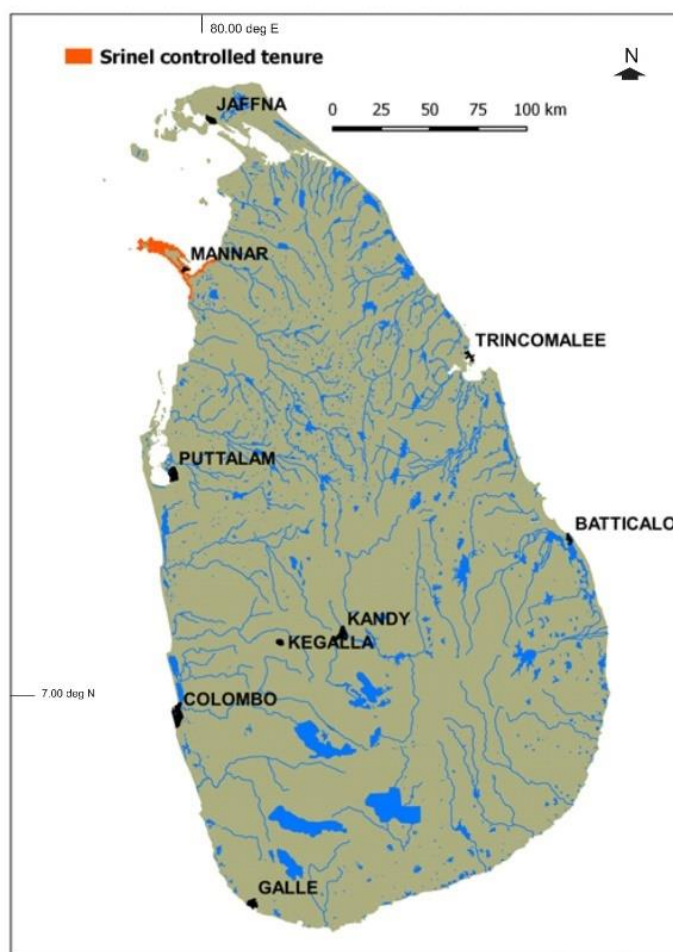


Figure 1 Location of the Mannar Island Project in Sri Lanka

Titanium Sands Limited

Directors' report (continued)

For the year ended 30 June 2018

Sri Lankan Mineral Sands Project

Assay results from the drilling undertaken by Srinel Holdings Ltd (Srinel) reported to the ASX on 30 October 2017 and 30 January 2018 have greatly expanded the known area of heavy mineral concentration on Mannar Island outside the area of the previously reported resource*(Figure 2).

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

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

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

The Mannar mineralisation has an exceptionally low slimes content (~1%) and the total heavy mineral fraction is dominated by ilmenite and leucoxene with subsidiary zircon and rutile. Very little low value magnetite is present. Mineralogical analyses of the heavy mineral suite are being undertaken. Following the acquisition of Srinel, the Company looks forward to completing the work necessary for an updated mineral resource statement and then to progress with evaluating the major exploration potential of the project both adjacent to the known mineralisation and immediately underlying beneath the water table.

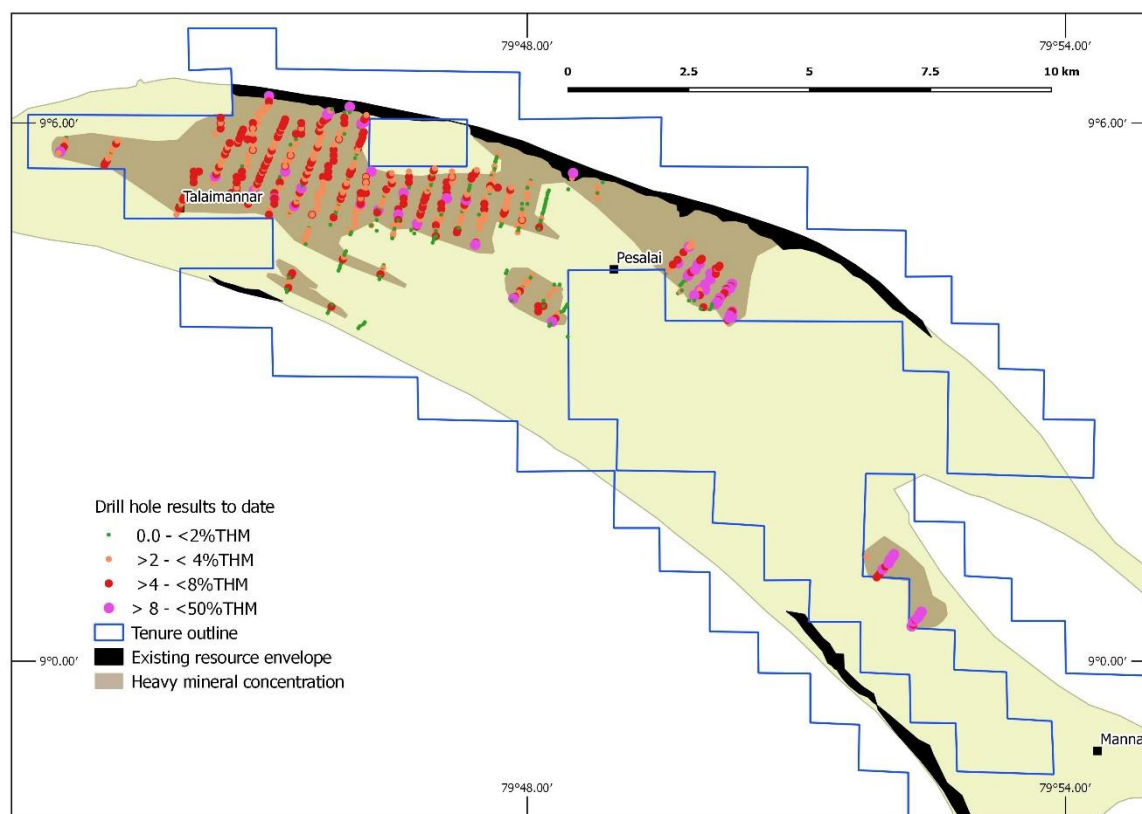


Figure 2 Summary illustration of 2016 and 2017 drilling assay results received to date, with weighted average (Total Heavy Mineral) THM% for each drill hole based on all samples and no lower cut off. The existing resource envelope refers to the previously reported JORC standard resource *.

Titanium Sands Limited

Directors' report (continued)

For the year ended 30 June 2018

Review of Operations

On 23 January 2018 the Company was also pleased to report that the Sri Lankan Geological and Mines Bureau has granted a 40 square kilometre exploration license EL370 (Figure 3) to Kilsythe Exploration Ltd. Kilsythe is a wholly owned subsidiary of Srinel Holdings Ltd. The tenure is for an initial period of two years and is renewable subject to demonstration of satisfactory progress. The license covers a 38km² area of the interior of Mannar Island and 2km² on the mainland shore (Figure 3).

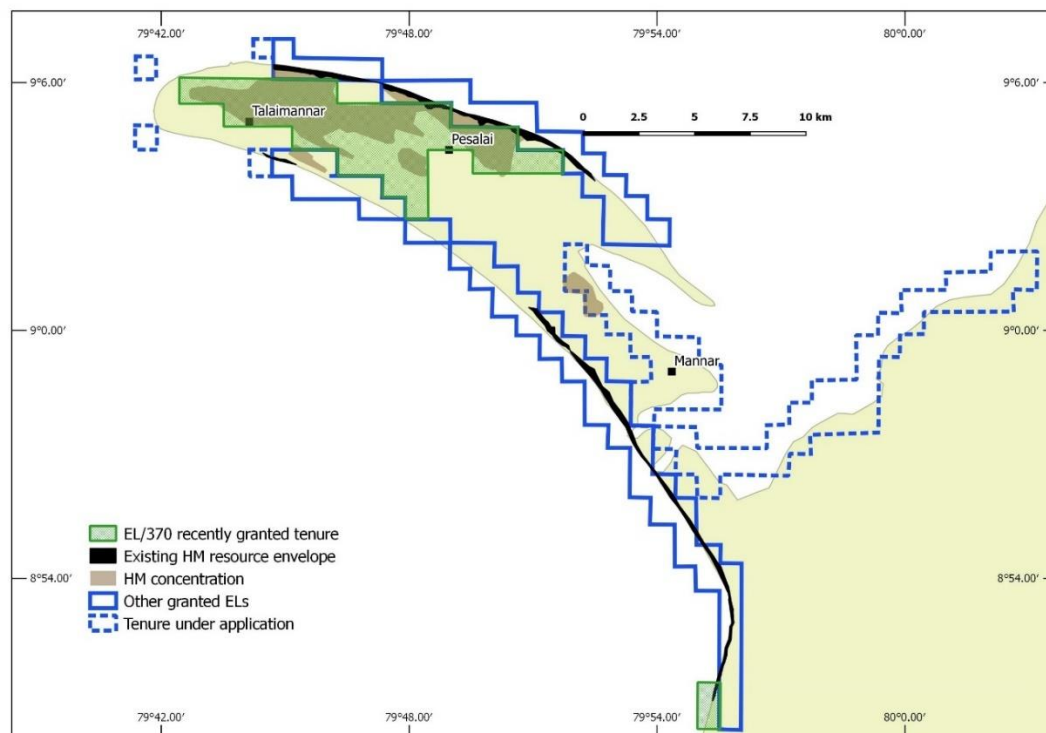


Figure 3 Recently granted exploration license EL/370 and other Srinel Holdings tenure and tenure applications.

On 1 March 2018 the Company also announced that the Sri Lankan Geological and Mines Bureau has granted two further exploration licenses, EL371 and EL372, covering 53 km² adjoining the existing tenure at the Mannar Island Heavy Mineral Sands Project to Hammersmith Ceylon (Pvt) Ltd. Hammersmith Ceylon is a wholly owned subsidiary of Srinel Holdings Ltd. The tenure is for an initial period of two years and is renewable subject to demonstration of satisfactory progress (Figure 4).

Titanium Sands Limited **Directors' report (continued)** For the year ended 30 June 2018

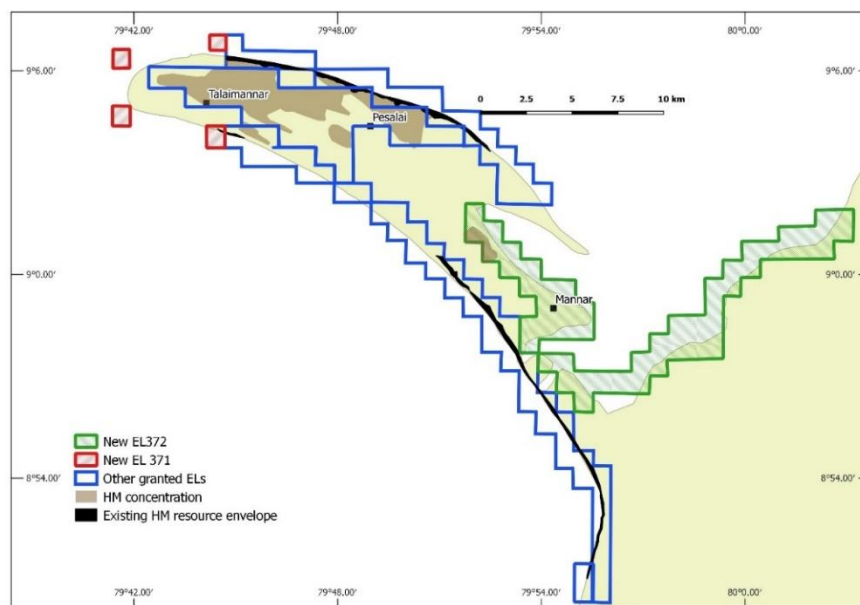


Figure 4 Granted exploration licenses EL371 and EL372, and other Srinel Holdings tenure.

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

Except where indicated, exploration results above have been reviewed and compiled by James Searle BSc (hons), PhD, a Member of the Australian Institute of Mining and Metallurgy, with over 34 years of experience in metallic and energy minerals exploration and development, and as such has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Dr Searle is the Managing Director of Titanium Sands Limited and consents to the inclusion of this technical information in the format and context in which it appears.

The area applied for was 42.5km, the area granted as EL/370 was 40km².

Events Subsequent to the Reporting Date

On 19 September 2018, the Company issued a second supplementary prospectus which is to be read with the prospectus dated 29 March 2018 and the supplementary prospectus dated 21 June 2018 (together referred to as the "Prospectus"). The Prospectus is for the offer of 300,000,000 Shares at an issue price of \$0.02 each to raise \$6,000,000 before costs. Funds raised will enable the Company to accelerate exploration, resource and reserve drilling at Mannar and to commence a scoping study for the potential development of the ilmenite-leucoxene deposit. The Prospectus remains open at this time. On 19 September 2018 the Company also announced that CPS Capital Group Pty Ltd has been appointed as Managing Lead Broker to capital raising under the Prospectus.

Titanium Sands Limited

Directors' report (continued)

For the year ended 30 June 2018

6 Remuneration report (audited)

6.1 Principles of compensation

This report outlines the remuneration arrangements in place for directors of Titanium Sands Limited in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purpose of this annual financial report, Key Management Personnel (KMP) of the Company are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly.

Details of Key Management Personnel during the year ended 30 June 2018

James Searle (appointed 2 March 2016)

Jason Ferris (appointed 31 July 2014)

Lee Christensen (appointed 16 April 2015)

Remuneration Policy

The Board is responsible for determining and reviewing compensation arrangements for the Directors. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. The Company does not link the nature and amount of the emoluments of such officers to the Company's financial or operational performance with the exception of options to be issued to the directors which will be issued and vested on completion of the proposed acquisition of Srinel Holdings Limited. The expected outcome of this remuneration structure is to retain and motivate Directors. During the financial year, the Group did not employ the use of remuneration consultants.

6.2

Relationship between the Remuneration Policy and Company Performance

	30 June 2018	30 June 2017	30 June 2016	30 June 2015	30 June 2014
	\$	\$	\$	\$	\$
Revenue	-	-	-	-	-
Basic loss per share (cents) ¹	(0.24)	(0.33)	(0.60)	(0.21)	(2.1)
Diluted loss per share (cents) ¹	(0.24)	(0.33)	(0.60)	(0.21)	(2.1)

1. Basic and diluted loss per share has been restated to reflect the share consolidation as if it has taken place at the beginning of the period.

6.3 Directors' and executive officers' remuneration - audited

In January 2013, the Board approved the remuneration of directors; being \$5,000 per month for the Chairman and \$4,000 per month for each Non-Executive Director for their services, commencing from 1 January 2014.

On 28 March 2018, the Company entered into an Executive Director Agreement with the Managing Director James Searle for the provision of services to the Company. Pursuant to the terms of the Agreement (as varied), the Company has agreed to remunerate Dr Searle \$5,000 (plus GST) per month from the commencement date to completion of the acquisition of Srinel Holdings Limited pursuant to the Prospectus. Following completion of the acquisition, director fees will increase to \$13,000 (plus GST) per month, in consideration for services provided. In addition to the board fees, consultancy fees will be payable at a daily rate of \$1,200 (plus GST) per day based upon an 8 hour working day, or pro rata for part days. The agreement is for a period of 12 months, subject to early termination and renewal terms.

Titanium Sands Limited

Directors' report (continued)

For the year ended 30 June 2018

Executive Remuneration

The following table discloses the contractual arrangements with the Group's executive Key Management Personnel.

COMPONENT	CEO – Dr James Searle
Fixed remuneration	\$60,000 pa
Contract duration	Expires on 28 March 2019
Termination notice by the individual/company	1 month
Other entitlements	N/A

Unlisted Options approved but unissued

The following Options were approved by Shareholders at the Annual General Meeting held on 24 January 2018. These Options remain unissued and are to be issued on completion of the proposed acquisition of Srinel Holdings Limited.

Directors	Grant Date	Exercise Price	Expiry Date	Number of Unlisted Options
Mr Jason Ferris	21 December 2017	\$0.05	18 January 2021	10,875,000
Dr James Searle	21 December 2017	\$0.05	18 January 2021	10,875,000
Mr Lee Christensen	21 December 2017	\$0.05	18 January 2021	8,250,000
Total	-	-	-	30,000,000¹

¹The 30 million Unlisted Options are exercisable at \$0.05, expiring 18 January 2021. The Options approved by Shareholders at the 2017 Annual General Meeting remain unissued. The Option will be issued and vested on completion of the proposed acquisition of Srinel Holdings Limited. The options remained unvested and not exercised at the end of the financial year.

The following table lists the inputs to the model used in the valuation of the class B options granted on 21 December 2017.

Grant Date	21/12/2017
Expected Volatility	95%
Expected Life	3 years
Fair Value	\$0.008
Number Issued	30,000,000
Dividend Yield	Nil
Weighted Average Exercise Price (\$)	\$0.050
Share Price at Grant Date (\$)	\$0.020

Titanium Sands Limited

Directors' report (continued)

For the year ended 30 June 2018

Details of the nature and amount of each major element of the remuneration for the year ended 30 June 2018 and 30 June 2017 of each director of the Company and other key management personnel are:

	Short-term		Other	Post employment benefits	Share-based payments		Proportion of remuneration
2018	Salary & fees	Bonus		Superannuation	Class B Options	Total	performance related %
Directors	\$	\$	\$	\$	\$	\$	
Executive directors							
Dr James Searle ¹	60,000	-	-	-	53,089	113,089	46.9%
Non-executive directors							
Mr Jason Ferris ²	48,000	-	-	-	53,089	101,089	52.5%
Mr Lee Christensen	60,000	-	-	-	40,275	100,275	40.2%
Total	168,000	-	-	-	146,454	314,454	46.6%

¹ Dr Searle's director fees are paid to Earthsciences Pty Ltd, of which Dr Searle is a Director.

² Mr Ferris' director fees are paid to J2J Investments Pty Ltd, of which Mr Ferris is a Director.

	Short-term		Other	Post employment benefits	Share-based payments		Proportion of remuneration
2017	Salary & fees	Bonus		Superannuation	Options	Total	performance related %
Directors	\$	\$	\$	\$	\$	\$	
Executive directors							
Dr James Searle ¹	60,000	-	-	-	-	60,000	0%
Non-executive directors							
Mr Jason Ferris ²	48,000	-	-	-	-	48,000	0%
Mr Lee Christensen	60,000	-	-	-	-	60,000	0%
Total	168,000	-	-	-	-	168,000	0%

¹ Dr Searle's director fees are paid to Earthsciences Pty Ltd, of which Dr Searle is a Director.

² Mr Ferris' director fees are paid to J2J Investments Pty Ltd, of which Mr Ferris is a Director.

Titanium Sands Limited

Directors' report (continued)

For the year ended 30 June 2018

6 Remuneration report (audited) (continued)

6.3.1 Loans to Directors

There were no loans to directors during the financial year ending 30 June 2018 (2017: \$nil)

6.3.2 Other Transactions with Key Management Personnel

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. A number of these entities transacted with the Company in the reporting period. These are as follows:

Consultancy services:

Jason Ferris is a Director of J2J Investments Pty Ltd ("J2J"), which provided the Company with consultancy services. These services provided were based upon normal commercial terms and conditions no more favourable than those available to other parties. The amount incurred for the year ended 30 June 2018 was \$72,000 (2017: \$72,000). In March 2018 J2J had a total of \$121,000 (incl GST) of outstanding fees forgiven.

Dr James Searle is a Director of Earthsciences Pty Ltd ("Earthsciences"), which provided the Company with consultancy services. These services provided were based upon normal commercial terms and conditions no more favourable than those available to other parties. In March 2018 Earthsciences had a total of \$112,452 (incl GST) of outstanding fees forgiven.

Amounts recognised as Liabilities:

At the end of the reporting period the following aggregate amounts were recognised in relation to the above transactions:

	2018
Current Liabilities	\$72,000

6.3.3 Directors' interests in shares

Fully paid ordinary shares issued by Titanium Sands Limited to Key Management Personnel during the year and as at 30 June 2018 are as follows:

2018	Balance at 1 July 2017	Allotment of Shares	Net other changes ¹	Balance at 30 June 2018
DIRECTORS				
Mr Jason Ferris	1,000,000	-	(666,667)	333,333
Dr James Searle	1,500,000	-	(1,000,000)	500,000
Mr Lee Christensen	3,660,000	-	(2,440,000)	1,220,000
Mr Graham Chapman	-	-	-	-
	6,160,000	-	(4,106,667)	2,053,333

1. Other changes above represent a 1:3 share consolidation that took place during the year ended 30 June 2018.

2. At the date of this report, there were no unissued ordinary shares of the Company.

6.3.4 Share options

30,000,000 options were granted to the Directors during or since the end of the financial year. These represent the only options issued to KMP's of the Company throughout the year.

6.3.5 Analysis of bonuses included in remuneration

There were no short term cash bonuses paid during the reporting period.

Titanium Sands Limited

Directors' report (continued)

For the year ended 30 June 2018

6.3.6 Options over equity instruments granted as compensation

The options referred to in 6.3.4 above were approved by Shareholders at the Annual General Meeting held on 24 January 2018. These Options remain unissued and are to be issued only on completion of the proposed acquisition of Srinel Holdings Limited.

7. Voting and comments made at the Company's 2017 Annual General Meeting

The Company received 100% of votes, of those shareholders who exercised their right to vote, in favour of the remuneration report for the 2017 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

This is the end of the Audited Remuneration Report.

8. Dividends

No dividends have been paid or declared by the Company to members during the 2018 or 2017 financial years.

9. Going Concern

For the year ended 30 June 2018 the company recorded a loss of \$409,811 (2017: \$518,476) and experienced net cash outflows from operating and investing activities of \$286,233 (2017: \$96,305). At 30 June 2018, the company had total current liabilities of \$1,459,941 (2017: \$894,496) and cash of \$17,715 (2017: \$3,948).

The ability of the company to continue as a going concern is dependent upon the future successful raising of necessary funding through debt or equity and the continued support of its creditors and shareholders.

These conditions indicate a material uncertainty that may cast a significant doubt about the company's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors believe that the Company will continue as a going concern and be able to pay its debts as and when they fall due.

The financial statements have been prepared on the basis that the company is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons:

- The Company is in the process of raising \$6 million pursuant to the Company's Prospectus dated 29 March 2018 (followed by a supplementary prospectus on 21 June 2018 and the second supplementary prospectus on 19 September 2018). The Company anticipates that the capital raising under the Prospectus will be completed by the end of October 2018.
- The majority of creditors have provided confirmation that they will extend payment terms until such time as the Company has the ability to pay.
- Remaining creditors are in discussion for repayment extensions and will be settled upon funding through a debt or equity event.
- The Company has received a letter of support from Srinel Holdings Limited dated 20 September 2018, with Srinel Holdings agreeing to provide financial support up to \$250,000 to enable Titanium Sands Limited to meet its debts as and when they fall due and to enable the Company to carry on its business as a going concern and maintain its assets in good standing for a period until the Company completes adequate fund raising or for the period of 12 months.

Should the company not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements and that the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the company not continue as a going concern.

Titanium Sands Limited

Directors' report (continued)

For the year ended 30 June 2018

10. Likely Developments and Expected Result of Operation

The Company is proceeding with its acquisition of Srinel and is working towards finalising its notice of meeting to obtain the required shareholder approvals to complete the acquisition. The Company has been advised by ASX that it is required to re-comply with Chapters 1 and 2 of the Listing Rules as if it were applying for admission to the Official List of the ASX.

11. Environmental Regulations

The Company's operations are not subject to significant environmental regulations under the law of the Commonwealth or of a State, or Territory.

12. Indemnification and insurance of officers and auditors

Indemnification

The Company has agreed subject to and so far as may be permitted by the Corporations Act 2001 to indemnify each current director and officer at the date of the report against all liabilities that may arise from their position as directors and officers of the Company. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses. No indemnification has been paid with respect to the Company's auditors.

13. Corporate governance

The Company continued to follow best practice recommendations as set out by 3rd edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. Where the Company has not followed best practice for any recommendation, explanation is given in the Corporate Governance Statement which is available on the Company's website at <http://titaniumsands.com.au/corporate-governance/>.

14. Non-audit services

The Directors are also satisfied that the provision of non-audit services, during the year, by the auditor or a related practice of the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

During the 2017 and 2018 years, the Group's auditors assisted the Group through the provision of taxation services and the attendance of the AGM. No other non – audit services have been provided by the Group's auditors. Remuneration paid to the Group's auditors is as below:

	2018 \$	2017 \$
<i>BDO Advisory (WA):</i>		
Advisory services	5,497	1,570
<i>BDO Corporate Finance (WA):</i>		
Corporate finance services	22,678	15,923
	28,175	17,493

Titanium Sands Limited

Notes to the financial statements (continued)

For the year ended 30 June 2018

The Directors are also satisfied that the provision of non-audit services by the auditor, as set out in Note 24 to the financial statements, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed by the Board of Directors to ensure they do not impact the impartiality and objectivity of the auditor, and
- None of the services undermine the general principles relating to auditor's independence as set out in APES110: Code of Ethics for Professional Accountants.

15. Audit Services

BDO Audit (WA):

Audit and review of financial reports

	2018	2017
	\$	\$
	30,897	29,314
	30,897	29,314

16. Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 38 forms part of the directors' report for financial year ended 30 June 2018.

This report is made with a resolution of the directors:



James Searle

Director

Dated at Perth this 28th day of September 2018

Titanium Sands Limited
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2018

	Note	2018 \$	2017 \$
Administrative expenses	7	(395,353)	(331,565)
Exploration, evaluation and geological consultancy fees	9	-	(16,625)
Director fees	20	(168,000)	(168,000)
Debt Forgiven	7	307,029	-
Share Based Payments		(146,454)	-
Loss before financing expenses		(402,778)	(516,190)
Financial income	8	424	-
Financial expenses	8	(7,458)	(2,286)
Net financing income		(7,034)	(2,286)
Loss before tax		(409,811)	(518,476)
Income tax expense	11	-	-
Loss for the year after income tax		(409,811)	(518,476)
Other comprehensive income		-	-
Total comprehensive loss for the year		(409,811)	(518,476)
Loss per share for the year attributable to the members of TSL			
Basic and diluted loss per share (cents)	15	(0.24)	(0.33)

The above Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the notes to the financial statements.

Titanium Sands Limited
Statement of Financial Position
As at 30 June 2018

	Note	2018 \$	2017 \$
Current assets			
Cash and cash equivalents	12(a)	17,715	3,948
Restricted Cash	12(b)	542,984	-
Trade and other receivables	13	73,933	28,595
Total current assets		634,632	32,543
Non-current assets			
Investment in Srinel Projects	6	599,149	599,149
Loan receivable	10	65,000	65,000
Total non-current assets		664,149	664,149
Total assets		1,298,781	696,692
Current liabilities			
Trade and other payables	14	(1,357,655)	(798,649)
Borrowings	14	(102,287)	(95,847)
Total current liabilities		(1,459,942)	(894,496)
Total liabilities		(1,459,942)	(894,496)
Net assets/(liabilities)		(161,161)	(197,804)
Equity			
Issued capital	16	3,559,868	3,259,868
SBP Reserve	17	146,454	-
Accumulated losses		(3,867,483)	(3,457,672)
Total equity		(161,161)	(197,804)

The above Statement of Financial Position is to be read in conjunction with the notes to the financial statements.

Titanium Sands Limited
Statement of Changes in Equity
For the year ended 30 June 2018

	Share Capital	Reserves	Accumulated Losses	Total Equity
	\$	\$	\$	\$
Balance at 1 July 2016	3,259,868	-	(2,939,196)	320,672
Total other Comprehensive loss	-	-	(518,476)	(518,476)
<i>Transactions with owners:</i>				
Shares issued (net of share issue cost)	-	-	-	-
Balance at 30 June 2017	3,259,868	-	(3,457,672)	(197,804)
Balance at 1 July 2017	3,259,868	-	(3,457,672)	(197,804)
Total other Comprehensive loss	-	-	(409,811)	(409,811)
<i>Transactions with owners:</i>				
Share based payment Reserve	-	146,454	-	146,454
Shares Issued (net of share issue costs)	300,000	-	-	300,000
Balance at 30 June 2018	3,559,868	146,454	(3,867,483)	(161,161)

The above Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements.

Titanium Sands Limited
Statement of Cash Flows
For the year ended 30 June 2018

	Note	2018 \$	2017 \$
Cash flows from operating activities			
Cash paid to suppliers and administrators		(287,656)	(94,129)
Interest received		424	-
Interest paid		999	(2,176)
Exploration and evaluation outflows		-	-
Net cash used in operating activities	19	(286,233)	(96,305)
Cash flows from investing activities			
Restricted cash		(542,984)	-
Net cash used in investing activities		(542,984)	-
Cash flows from financing activities			
Proceeds from shares issued		300,000	-
Loan from other entities		-	92,000
Proceeds from capital raising- restricted cash		542,984	-
Net cash from financing activities		842,984	92,000
Net increase / (decrease) in cash and cash equivalents		13,767	(4,305)
Opening cash and cash equivalents at 1 July		3,948	8,253
Closing cash and cash equivalents	12	17,715	3,948

The above Statement of Cash Flows is to be read in conjunction with the notes to the financial statements.

Titanium Sands Limited

Notes to the financial statements

For the year ended 30 June 2018

1. Reporting entity

This annual financial report includes the financial statements and notes of Titanium Sands Limited ("the Company"). The Company is a for-profit entity primarily involved in exploration of mineral reserves and is domiciled in Australia. Its registered address is Level 24, 44 St George's Terrace, Perth, Western Australia.

2. Basis of preparation

(a) Statement of compliance

The annual financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') (including Australian Interpretations) adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. The annual financial report complies with International financial Reporting Standards as adopted by the International Accounting Standards Board. The annual financial report was authorised for issue by the directors on 28 September 2018.

(b) Basis of measurement

The annual financial report has been prepared on the historical cost basis. The methods used to measure fair values are discussed further in note 4.

(c) Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Company's functional currency.

(d) Going concern

For the year ended 30 June 2018 the company recorded a loss of \$409,811 (2017: \$518,476) and experienced net cash outflows from operating and investing activities of \$286,233 (2017: \$96,305). At 30 June 2018, the company had total current liabilities of \$1,459,941 (2017: \$894,496) and cash of \$17,715 (2017: \$3,948).

The ability of the company to continue as a going concern is dependent upon the future successful raising of necessary funding through debt or equity and the continued support of its creditors and shareholders. These conditions indicate a material uncertainty that may cast a significant doubt about the company's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The Directors believe that the Company will continue as a going concern and be able to pay its debts as and when they fall due.

The financial statements have been prepared on the basis that the company is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons:

- The Company is in the process of raising \$6 million pursuant to the Company's Prospectus dated 29 March 2018 (followed by a supplementary prospectus on 21 June 2018 and the second supplementary prospectus on 19 September 2018). The Company anticipates that the capital raising under the Prospectus will be completed by the end of October 2018.
- The majority of creditors have provided confirmation that they will extend payment terms until such time as the Company has the ability to pay.
- Remaining creditors are in discussion for repayment extensions and will be settled upon funding through a debt or equity event.
- The Company has received a letter of support from Srinel Holdings Limited dated 20 September 2018, with Srinel Holdings agreeing to provide financial support up to \$250,000 to enable Titanium Sands Limited to meet its debts as and when they fall due and to enable the Company to carry on its business as a going concern and maintain its assets in good standing for a period until the Company completes adequate fund raising or for 12 months.

Should the company not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements and that the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the company not continue as a going concern.

Titanium Sands Limited

Notes to the financial statements (continued)

For the year ended 30 June 2018

3. Significant accounting policies

The accounting policies of the Company are consistent with prior period. New standards applicable from 1 July 2017 have had no material effect on the Company.

(a) Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables. Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Company commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled. Cash and cash equivalents comprise cash balances and call deposits. Accounting for finance income and expense is discussed in note 3(f).

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Company, on or before the end of the financial year but not distributed at reporting date.

(b) Operating lease payments

Payments made under operating leases are recognised in the Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Statement of Profit or Loss and Other Comprehensive Income as an integral part of the total lease expense and spread over the lease term.

(c) Exploration and evaluation assets

Exploration and evaluation costs, comprising net direct costs (including the costs of acquiring licences) and an appropriate portion of related overhead expenditure directly attributable to the exploration property, relating to current areas of interest are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Company has obtained the legal rights to explore an area are recognised in Statement of Profit or Loss and comprehensive income.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

- (i) the exploration and evaluation costs are expected to be recouped through successful development and exploitation of the area of interest; or
- (ii) activities in the area of interest have not at the reporting 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 in relation to, the area of interest are continuing.

Titanium Sands Limited

Notes to the financial statements (continued)

For the year ended 30 June 2018

3. Significant accounting policies (continued)

(c) Exploration and evaluation assets (continued)

Exploration and evaluation assets are assessed for impairment if one or more of the following facts and circumstances arise:

- (i) the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- (ii) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- (iii) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- (iv) sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

In any such case, or similar cases, the entity shall perform an impairment test in accordance with AASB 136. Any impairment loss is recognised as an expense in accordance with AASB 136.

For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from intangible assets to mining property and development assets.

In the event that an area of interest is abandoned, accumulated costs carried forward are written off to the Statement of Profit or Loss and Other Comprehensive Income in the year in which that assessment is made. Expenditure is not carried forward in respect of any area of interest, unless the Company's right of tenure to that area of interest is current.

(d) Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Financial assets are tested for impairment on an individual basis.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in profit or loss.

Titanium Sands Limited

Notes to the financial statements (continued)

For the year ended 30 June 2018

3. Significant accounting policies (continued)

(d) Impairment (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(e) Provisions

A provision is recognised in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(f) Finance income and expenses

Finance income comprises interest income on funds invested, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss and foreign currency gains that are recognised in profit or loss. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets, that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(g) Income tax

Income tax on the Statement of Profit or Loss and Other Comprehensive Income for the year comprises current and deferred tax. Income tax is recognised in the Statement of Profit or Loss and Other Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the Statement of Financial Position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Titanium Sands Limited

Notes to the financial statements (continued)

For the year ended 30 June 2018

3. Significant accounting policies (continued)

(h) Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

(i) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated with the amount of GST included. 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 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) New standards and interpretations not yet adopted

There has been no new and amended accounting standards adopted by the Company for the first time for the financial year beginning 1 July 2017 or any prior periods.

AASB 2014-10 - Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

This amending standard requires a full gain or loss to be recognised when a transaction involves a business (even if the business is not housed in a subsidiary), and a partial gain or loss to be recognised when a transaction involves assets that do not constitute a business (even if those assets are housed in a subsidiary).

Application date - Financial years beginning on or after 1 January 2018

Expected Impact - No expected impact

AASB 9 - Financial Instruments

AASB 9 (December 2014) is a new standard which Replaces AASB 139. This new version supersedes AASB issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting.

AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early adoption. The own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments.

Application date - Financial years beginning on or after 1 January 2018

Expected Impact - No expected impact

AASB 15 - Revenue from Contracts with Customers

This Standard establishes principles (including disclosure requirements) for reporting useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

Application date - Financial years beginning on or after 1 January 2018

Expected Impact - No expected impact

Titanium Sands Limited

Notes to the financial statements (continued)

For the year ended 30 June 2018

(j) New standards and interpretations not yet adopted (continued)

AASB 16 – Leases

AASB 16 eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 Leases. It instead requires an entity to bring most leases onto its Statement of Financial Position in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use asset in its Statement of Financial Position for most leases.

There are some optional exemptions for leases with a period of 12 months or less and for low value leases.

Lessor accounting remains largely unchanged from AASB 117.

Application date - Financial years beginning on or after 1 January 2019

Expected Impact - No expected impact

IFRS 2 (Amendments) - Classification and Measurement of Share-based Payment Transactions Amendments to IFRS 2

This standard amends to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for:

- The effects of vesting and non-vesting conditions on the measurement of cash settled share-based payments
- Share-based payment transactions with a net settlement feature for withholding tax obligations

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

Application date - Financial years beginning on or after 1 January 2018

Expected Impact - No expected impact

(k) Comparative Figures

When received by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

4. Critical accounting estimates and judgement

- Recoverability of Cuprum Loan

The Directors have made an assessment of the recoverability of the loan and believe it to be recoverable on the basis that the Srinel Acquisition will proceed in the near future. Further consideration is also taken into account to determine whether there is objective evidence that the amount is impaired by assessing the underlying assets held by Srinel being the Mannar Island tenements. Based on the progress of the project and the positive commodity prices of Mineral Sands, the Directors are of the opinion that the loan receivable is recoverable at reporting date. In the event the acquisition does not proceed and the loan becomes repayable, the Company would seek repayment of the loan in accordance with the Loan Agreement. In the event that the loan becomes payable, the Company has the right in its absolute discretion to require Cuprum to grant security in favour of TSL (see further details of the loan under note 10).

- Recoverability of Other Asset- Srinel Option

The Srinel Option is carried at cost of \$599,149 as at 30 June 2018. Srinel option relates to consideration paid to purchase 100% shares in Srinel (see details in note 6). On completion of the acquisition the purchase will be accounted for as an asset acquisition whereby the company is essentially acquiring the Exploration asset being the Mannar Island tenements. Management has made an assessment of the recoverability of the Srinel option which is based on the progress and completion of the acquisition of Srinel Holdings Limited. The Directors expect to complete the acquisition in the next 12 months. Other factors are also considered to determine whether there are other objective evidence to suggest that the Mannar Island tenements are impaired. Given the progress of the Mannar Island project to date and the positive commodity prices of Mineral Sands, the Directors are of the opinion that the Srinel Option is recoverable at reporting date.

Titanium Sands Limited

Notes to the financial statements (continued)

For the year ended 30 June 2018

- Valuation of Class B Options

The Company measures the cost of equity-settled transactions with directors and employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of options with non-market conditions is determined by an internal valuation using a Black-Scholes option pricing model taking into account the terms and conditions upon which the instruments were granted. The fair value of shares is determined by the market price of the Company's shares at the date of grant. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

5. Financial risk management

Overview

The Company has exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk.

This note presents information about the Company's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this annual financial report. The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers as cash and cash equivalent.

Cash and cash equivalents

The Company holds cash and cash equivalents with reputable Australian banks.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company continually monitors its cash flow requirements. Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 90 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Titanium Sands Limited

Notes to the financial statements (continued)

For the year ended 30 June 2018

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, affect the Company's financial performance or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

Interest rate risk arises as a result of the fluctuations in variable interest rates.

Capital management

Capital is defined as the share capital of the Company. The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company is not subject to externally imposed capital requirements.

6. Investment in Srinel Projects

	2018 \$	2017 \$
Non Current Assets		
Opening balance	599,149	599,149
Net Movements	-	-
Investment in Srinel Projects balance	599,149	599,149

As announced to ASX on 29 December 2014, the Company exercised its option to acquire 100% of the issued share capital of Srinel Holdings Limited (**Srinel**) from Cuprum Holdings Limited (**Seller**) in accordance with an option agreement dated 19 March 2014 (as subsequently amended) (**Option Agreement**).

At the Company's Annual General Meeting on 24 January 2018, Shareholders approved the resolutions required to complete the Proposed Transaction. Under the Proposed Transaction, the Company will:

- consolidate its securities on a 1 for 3 basis (completed on 31 January 2018) (**Consolidation**);
- raise up to \$6,000,000 by issuing up to 300,000,000 shares at an issue price of \$0.02 each under a prospectus (**Public Offer**);
- issue to the Seller:
 - 58,095,239 shares;
 - 66,666,667 Class A Performance Shares;
 - 33,333,333 Class B Performance Shares; and
 - 133,333,333 Class C Performance Shares;
 - pay to the Seller a 5% royalty on the amount received by the Company from the sale of mineral product extracted from mining activities on the Sri Lankan Project, net of all transport and sales costs; and
 - make a cash payment of \$450,000 to the Seller in reimbursement of expenditure in accordance with Listing Rule 1.1 (Condition 11(a)) or, to the extent that the Company is not permitted to pay the full amount of \$450,000 in cash to the Seller, shares in lieu of cash valued at \$0.02 each.

Titanium Sands Limited

Notes to the financial statements (continued)

For the year ended 30 June 2018

6. Investment in Srinel Projects (continued)

- issue:
 - 20,000,000 shares to Trident Capital in consideration of services provided to the Company in connection with the Proposed Transaction; and
 - 30,000,000 Class B Options to the directors to remunerate and incentivise their performance; and
- re-comply with Chapters 1 and 2 of the Listing Rules and re-commence trading on the ASX

(together, the **Proposed Transaction**).

The Company issued a prospectus on the 29 March 2018 (followed by a supplementary prospectus on 21 June 2018 and the second supplementary prospectus on 19 September 2018) (together referred to as the "Prospectus") to raise A\$6 million. Funds raised under the Prospectus will enable the Company to accelerate exploration, resource and reserve drilling at Mannar and to commence a scoping study for the potential development of the ilmenite-leucoxene deposit. The Prospectus remains open at this time.

Each Performance Share will convert into a Share in the event that the relevant performance milestone (**Milestone**) is satisfied within 5 years of the Performance Shares being issued:

Performance Share	Milestone
Class A	In respect of the Sri Lankan Project, the Company achieving either: (a) a total Mineral Resource of 20 million tonnes of heavy mineral content of not less than 5% discovered (or equivalent tonnage to heavy mineral content discovered ratio. For example, 10 million tonnes of heavy mineral content of not less than 10% discovered); or (b) any metal equivalent (as that term is used in paragraph 50 of the JORC Code) Mineral Resource (including silver, copper, lead, zinc, nickel, cobalt, platinum, palladium, iron, graphite, lithium, tin, tantalum, niobium and tungsten) independently valued by a qualified technical person as equivalent to the Mineral Resource in paragraph (a) of this definition.
Class B	The Company obtaining a grant of one or more mining licences in respect of all or part of the land the subject of the Sri Lankan Project.
Class C	(c) The Company commencing commercial scale heavy mineral sand concentrate production or treatment of 250,000 tonnes of heavy mineral content of not less than 5% discovered in respect of any part of the Sri Lankan Project; or (d) The Company achieving a Mineral Resource of 70 million tonnes of heavy mineral content of not less than 5% discovered (or equivalent tonnage to heavy mineral content discovered ratio. For example, 35 million tonnes of heavy mineral content of not less than 10% discovered).

Titanium Sands Limited
Notes to the financial statements (continued)
For the year ended 30 June 2018

6. Investment in Srinel Projects (continued)

	2018	2017
	\$	\$
Opening balance	599,149	599,149
Change in value	-	-
Additional option fee	-	-
Write-down to cost	-	-
Closing balance	599,149	599,149

7. Administrative expenses

	2018	2017
	\$	\$
Legal expenses	51,123	60,326
Accounting and audit expenses	82,600	67,030
Other administrative expenses	261,630	204,209
Debt Forgiven ¹	(307,029)	-
	88,324	331,565

1. During the period, certain creditors with significant amounts owing to them agreed to forgive a portion of the amount owing to them by the Company, which resulted in a total of \$307,029 in debts forgiven.

8. Finance income and expense

	2018	2017
	\$	\$
Interest received	424	-
Total finance income	424	-
Bank fees	(329)	(242)
Loss on foreign exchange	-	(2,044)
Loan Interest Payable	(7,129)	-
Total finance expenses	(7,458)	(2,286)
Net finance income/(expenses)	(7,034)	(2,286)

9. Exploration, evaluation and geological consultancy fees

	2018	2017
	\$	\$
Geological consultancy expenses	-	16,500
Mining lease costs	-	-
Other exploration and evaluation expenses	-	125
	-	16,625

10. Loan Receivable

	2018	2017
	\$	\$
Loan receivable	65,000	65,000
	65,000	65,000

In September 2014, the Company entered into a loan agreement with Cuprum Holdings Limited ("Cuprum") and advanced \$65,000 to Cuprum. The Loan will become immediately repayable if the Transaction does not proceed for any reason other than the Option Deed being terminated as a result of a breach by the Company. The Loan is interest free. In the event the Loan becomes repayable, the Company may in its absolute discretion require Cuprum to grant Security in favour of the Company.

Titanium Sands Limited
Notes to the financial statements (continued)
For the year ended 30 June 2018

11. Tax

a. The components of tax expense comprise:

Current tax

Deferred tax

b. the prima facie tax on profit before income tax is reconciled to the income tax as follows

Loss before income tax

Prima facie tax payable on loss before income tax at 30% (2017: 30%)

Tax effect of amounts which are not deductible/(taxable) in calculating taxation income:

- Non assessable, non-exempt income, non-deductible
- -40-880

Under/over provision

Net deferred tax asset arising from carried forward losses not recognised

Income tax expense

	2018	2017
	\$	\$
	-	-
	-	-
	-	-
	(409,811)	(518,475)
	(122,943)	(155,543)
	42,804	43,796
	-	(30,550)
	(80,139)	(142,297)
	80,139	142,297
	-	-

The company has unrecognised tax losses carried forward to the year ended 30 June 2018 of \$1,307,220 (2017: \$837,733) to which a deferred tax asset has not been recognized as there is no certainty of probable future taxable income to which they can be utilised.

12a. Cash and cash equivalents

Current

Bank balances

	2018	2017
	\$	\$
	17,715	3,948
	17,715	3,948

12b. Restricted cash

Current

Restricted Cash¹

	2018	2017
	\$	\$
	542,984	-
	542,984	-

1. Represents shareholder subscription monies received in respect of the Prospectus.

13. Trade and other receivables

Current

Prepayment

Other Assets¹

GST receivable

	2018	2017
	\$	\$
	-	13,759
	67,888	
	6,046	14,836
	73,933	28,595

1. Other Assets represents share issue costs from the ongoing capital raising. These amounts will be reclassified to capital raising costs and equity upon finalisation of the Prospectus on issue.

There have been no trade receivables during the financial year ended 30 June 2018.

Titanium Sands Limited
Notes to the financial statements (continued)
For the year ended 30 June 2018

14. Trade and other payables

	2018 \$	2017 \$
Current		
Trade creditors	528,770	596,500
Accrued expenses	280,885	202,149
Subscription monies received	548,000	-
Borrowings ¹	102,287	95,847
	1,459,941	894,496

¹ The loan facility in aggregate expired on 31 March 2018 and was renewed under the terms to be converted to shares upon completion of the Prospectus. The total amount advanced by IML Holdings totalling \$67,000. In addition, a loan of \$25,000 was made to the Company by Aegean Capital Pty Ltd pursuant to a loan agreement entered into in November 2016 (as varied). These loans are subject to interest of 7% per annum, accruing monthly. A total interest amount of \$10,287 was accrued as at 30 June 2018. In March 2018 the parties agreed to convert the loan amounts and accrued interest into ordinary shares at \$0.02 per share in full satisfaction of the loans. The conversion is to take place on completion of the Company raising not less than \$6 million and the Company's acquisition of Srinel Holdings Limited as set out in the Company's Prospectus.

Please refer to Note 20 for Related Party payables

15. Loss per share

Basic and diluted loss per share

The calculation of basic loss per share at 30 June 2018 of (\$0.24) (2017: (\$0.33)) was based on the loss attributable to ordinary shareholders of \$409,811 (2017: \$518,476) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2018 of 172,035,318 (2017: 158,297,888). Note that the weighted number of shares used in the 2017 calculation has been adjusted retrospectively to reflect the share consolidation as per AASB133.

Weighted average number of ordinary shares

Weighted average number of ordinary shares at 30 June 2018

2018	2017
172,035,318	158,297,888

16. Capital and reserves

Share capital

Fully Paid Ordinary Shares

On issue at 1 July 2016

No movements during the year

On issue at 30 June 2017

On issue at 1 July 2017

Movements during the year

Investor Placement¹

Share Consolidation²

On issue at 30 June 2018

Number	\$
474,893,655	3,259,868
-	-
474,893,655	3,259,868
474,893,655	3,259,868
42,857,142	300,000
(345,168,015)	
172,582,782	3,559,868

¹ On 14th of July 2017 \$300,000 was raised by way of a sophisticated investor placement of 42,857,142 fully paid ordinary shares at \$0.007 per share.

² On the 31st of January 2018 a 1:3 share consolidation was affected.

Titanium Sands Limited

Notes to the financial statements (continued)

For the year ended 30 June 2018

17. Share Based Payment Reserve

The following Options were approved by Shareholders at the Annual General Meeting held on 24 January 2018. These Options remain unissued and are to be issued on completion of the proposed acquisition of Srinel Holdings Limited.

Directors	Grant Date	Exercise Price	Expiry Date	Number of Unlisted Options
Mr Jason Ferris	21 December 2017	\$0.05	18 January 2021	10,875,000
Dr James Searle	21 December 2017	\$0.05	18 January 2021	10,875,000
Mr Lee Christensen	21 December 2017	\$0.05	18 January 2021	8,250,000
Total	-	-	-	30,000,000¹

¹The 30 million Unlisted Options are exercisable at \$0.05, expiring 18 January 2021. The Options approved by Shareholders at the 2017 Annual General Meeting remain unissued. The Option will be issued on completion of the proposed acquisition of Srinel Holdings Limited. The options remain unvested and not exercised at the end of the financial year.

The following table lists the inputs to the inputs to the model used in the valuation of the class B options granted on 21 December 2017.

Grant Date	21/12/2017
Expected Volatility	95%
Expected Life	3 years
Fair Value	\$0.008
Number Issued	30,000,000
Dividend Yield	Nil
Weighted Average Exercise Price (\$)	\$0.050
Share Price at Grant Date (\$)	\$0.020

The Share Based Payments Reserve is used to record the value of equity incentives issued to Directors. Total expenses arising from share-based payment transactions recognised during the year was \$146,454.

18. Financial instruments

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to the financial statements, are as follows:

	2018 \$	2017 \$
Financial assets		
Cash and cash equivalents	17,715	3,948
Restricted Cash	542,984	-
Loan receivable	65,000	65,000
Total financial assets	625,698	68,948

Titanium Sands Limited

Notes to the financial statements (continued)

For the year ended 30 June 2018

Financial liabilities

Trade and other payables	1,357,655	798,649
Borrowings	102,287	95,847
Total financial liabilities	1,459,941	894,496
Total net financial (liabilities)	(834,243)	(825,548)

Credit risk

Exposure to credit risk

The carrying amount of the Company's financial assets represents the maximum credit exposure. The Company's maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2018	2017
Cash and cash equivalents	17,715	3,948
Restricted Cash	542,984	-
	560,698	3,948

The Company does not currently earn revenue from operating assets, thus there is currently no credit risk on trade receivables at the reporting date by geographic region, customer type or by significant customer.

Impairment losses

The Company does not have any receivables that are past due, nor is there a requirement to make any allowances for impairment in respect of other receivables.

18. Financial instruments (continued)

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

Company 30 June 2018	Carrying amount	Contractual cash flows	1-12 mths	1-2 years	2-5 years	More than 5 years
	\$	\$	\$	\$	\$	\$
Trade and other payables	1,357,655	1,357,655	1,357,655	-	-	-
Borrowings	102,287	102,287	102,287			

Company 30 June 2017

Trade and other payables	798,649	798,649	798,649	-	-	-
Borrowings	95,847	95,847	95,847			

Currency risk

Exposure to currency risk

During the year ended 30 June 2018 and 30 June 2017, the Company was exposed to currency risk to the extent that there is a mismatch between the currencies in which purchase are denominated and the respective functional currency of the Company. Generally, purchases are denominated in the currency that matches the cash flows generated by the underlying operations of the Company; being Australian dollars.

Titanium Sands Limited
Notes to the financial statements (continued)
For the year ended 30 June 2018

Interest rate risk

The Company's exposure to interest rate risk and the effective interest rate for classes of financial assets and financial liabilities is set out below:

	Floating interest rate \$	Fixed interest rate \$	2018 total \$	Floating interest rate \$	Fixed interest rate \$	2017 total \$
Financial assets						
-Within one year						
Cash and cash equivalents	17,715	-	17,715	3,948	-	3,948
Total financial assets	17,715	-	17,715	3,948	-	3,948
Effective interest rate	0.00%	-	-	1.00%	-	-
Financial liabilities						
-Within one year						
Borrowings	-	102,287	102,287	-	95,847	95,847
Effective interest rate	-	7.00%	-	-	7.00%	-
Total financial liabilities	-	102,287	102,287	-	95,847	95,847

The Company is exposed to interest rate risk as the Company hold funds on deposit at floating interest rates.

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to Directors and represents management's assessment of the possible change in interest rates.

At reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Company's net revenue would increase by \$20 and decrease by \$20 respectively (2017: \$41).

19. Reconciliation of cash flows from operating activities

	2018 \$	2017 \$
Cash flows from operating activities		
Loss for the period	(409,811)	(518,476)
Impairment	-	-
Share Based Payment	146,454	-
(Increase) in trade and other receivables	(54,128)	(4,988)
Increase/(Decrease) in trade and other payables	31,252	427,159
Net cash from operating activities	(286,233)	(96,305)

Titanium Sands Limited

Notes to the financial statements (continued)

For the year ended 30 June 2018

20. Related Party Transactions

Key management personnel compensation

	2018 \$	2017 \$
The key management personnel compensation are as follows:		
Short-term employee benefits	168,000	168,000
Share Based Payments	146,454	-
	314,454	168,000

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. A number of these entities transacted with the Company in the reporting period. These are as follows on the following page.

Consultancy services:

Jason Ferris is a Director of J2J Investments Pty Ltd ("J2J"), which provided the Company with consultancy services. These services provided were based upon normal commercial terms and conditions no more favourable than those available to other parties. The amount incurred for the year ended 30 June 2018 was \$72,000 (2017: \$72,000). As at 30 June 2018, the amount payable to J2J is \$99,000 (incl GST) (2017: \$111,600 (incl GST)). In March 2018 J2J had a total of \$121,000 (incl GST) of outstanding fees forgiven.

Dr James Searle is a Director of Earthsciences Pty Ltd ("Earthsciences"), which provided the Company with consultancy services. These services provided were based upon normal commercial terms and conditions no more favourable than those available to other parties. The amount incurred for the year ended 30 June 2018 was \$nil (2017: \$15,300). As at 30 June 2018, the amount payable to Earthsciences is \$120,000 (incl GST) (2017: \$35,860 (incl GST)). In March 2018 Earthsciences had a total of \$112,452 (incl GST) of outstanding fees forgiven. Refer to note 7 for further details on debts forgiven throughout the year.

In March 2018 Lee Christensen had a total of \$94,875 (incl GST) of outstanding fees forgiven.

There were no other transactions with Directors and key management personnel in the current financial year.

21. Segment Reporting

The Company operates in one reportable segment, being mineral exploration in Sri Lanka. The Board of Directors review internal management reports on a regular basis that is consistent with the information provided in the statement of profit or loss and other comprehensive income, statement of financial position and statement of cash flows. As a result no reconciliation is required because the information as presented is what is used by the Board to make strategic decisions.

The tenement relating to mineral exploration in Australia was surrendered at the start of the year with all assets relating to this geographic segment written off in the prior year.

Titanium Sands Limited

Notes to the financial statements (continued)

For the year ended 30 June 2018

22. Events Occurring after the Reporting Period

Subsequent to year end and as announced on 19 September 2018, the Company issued a second supplementary prospectus which is to be read with the prospectus dated 29 March 2018 and the supplementary prospectus dated 21 June 2018 (together referred to as the "Prospectus"). The Prospectus is for the offer of 300,000,000 Shares at an issue price of \$0.02 each to raise \$6,000,000 before costs. Funds raised will enable the Company to accelerate exploration, resource and reserve drilling at Mannar and to commence a scoping study for the potential development of the ilmenite-leucoxene deposit. The Prospectus remains open at this time.

On 19 September 2018 the Company also announced that CPS Capital Group Pty Ltd has been appointed as Managing Lead Broker to capital raising under the Prospectus.

Other than set out above, there were no other significant events after the reporting date.

23. Commitments and Contingencies

Office Accommodation Services

Beginning from 1 July 2018, the Company had entered into a service agreement with Trident Capital Pty Ltd of a period of 1 year.

Commitments no longer than 1 year

Annual office accommodation services

2018 \$	2017 \$
24,000	24,000
24,000	24,000

The Company has no contingent assets or liabilities at reporting date.

24. Auditors' Remuneration

Audit and other non-audit services

BDO Audit (WA):

Audit and review of financial reports

2018 \$	2017 \$
30,897	29,314
30,897	29,314

BDO Advisory (WA):

Advisory services

2018 \$	2017 \$
5,497	1,570
5,497	1,570

BDO Corporate Finance (WA):

Corporate finance services

2018 \$	2017 \$
22,678	15,923
22,678	15,923

Titanium Sands Limited Directors' Declaration

The directors of Titanium Sands Limited ("the Company") declare that:

- 1) the financial statements and notes thereto are in accordance with the Corporations Act 2001, including:
 - a) giving a true and fair view of the financial position of the Company as at 30 June 2018 and of its performance, as represented by the results of its operations and cash flows, for the financial year ended on that date; and
 - b) comply with Accounting Standards in Australia, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- 2) whilst drawing attention to the disclosure as set out in Note 2, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- 3) The financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295(a) of the Corporations Act 2001.

Dated at Perth this 28th day of September 2018

Signed in accordance with a resolution of the directors:

A handwritten signature in dark ink, consisting of a series of loops and a long horizontal stroke extending to the right.

James Searle
Director

DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF TITANIUM SANDS LIMITED

As lead auditor of Titanium Sands Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.



Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 28 September 2018

INDEPENDENT AUDITOR'S REPORT

To the members of Titanium Sands Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Titanium Sands Limited (the Company), which comprises the statement of financial position as at 30 June 2018 the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of Titanium Sands Limited, is in accordance with the Corporations Act 2001, including:

- (i) Giving a true and fair view of the Company's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; 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 Company in accordance with 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.

Material uncertainty related to going concern

We draw attention to Note 2(d) in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern and therefore the entity may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

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. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Carrying value of Srinel Project assets

Key audit matter	How the matter was addressed in our audit
As disclosed in notes 6 and 10 of the financial report, the Company holds a significant investment in Srinel and a loan receivable. The investment relates to the exercise of an option paid to purchase 100% of the shares in Srinel Holdings Limited and the loan relates to an advance made to the vendor of Srinel Holdings Limited and will form part of consideration on the completion of the acquisition. Refer to Note 3 and Note 4 of the financial report for a description of the accounting policy and significant estimates and judgements applied to these assets. In accordance with Australian Accounting Standards, the fair value of the unlisted investment cannot be reliably measured and accordingly is recognised at cost. At the end of each reporting period, management are required to assess whether there is any objective evidence that these assets are impaired. Due to the quantum, of these assets and the subjectivity involved in determining whether there is any objective evidence of impairment on these assets, we have determined that the carrying value of these assets is a key audit matter.	Our procedures included, but were not limited to the following: • Reviewing the terms and conditions of the relevant agreements and obtaining loan confirmations; • Reviewing management's assessment that there were no indicators of impairment for reasonableness; • Holding discussions with management as to the progress of the acquisition, and whether this information is consistent with management's impairment assessment position; • Considering whether any other data exists which would constitute indicators of impairment; and • Assessing the adequacy of the related disclosures of the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Company's annual report for the year ended 30 June 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 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 Company's ability 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 Company 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf

This description forms part of our auditor's report.



Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 14 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Titanium Sands Limited, for the year ended 30 June 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.

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink, appearing to read 'Dean Just', is written over a faint, stylized 'BDO' logo.

Dean Just

Director

Perth, 28 September 2018

Titanium Sands Limited

ASX Additional Information

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below. The information was applicable as at 19 September 2018.

A. Distribution of Equity Securities

Analysis of numbers of security holders by size of holding:

Distribution	Number of Shareholders	Number of Shares	%
1 - 1,000	1,898	426,088	0.25
1,001 - 5,000	203	384,094	0.22
5,001 - 10,000	23	170,595	0.10
10,001 - 100,000	92	4,517,761	2.62
100,001 Over	151	167,084,244	96.81
Total	2,367	172,582,782	100.00

There were 2,145 shareholders holding less than a marketable parcel of ordinary shares (at a consolidated price of \$0.021).

B. Substantial Shareholders

An extract of the Company's Register of Substantial Shareholders (who hold 5% or more of the issued capital) is set out below:

Shareholder Name	Listed Ordinary Shares	
	Number	Percentage
HEEDFUL PTY LTD <ASSURED S/F A/C>	19,052,380	11.04
KING GEORGE V NOMINEES LTD	14,965,000	8.67
MR LAURENT LEYENDECKER	12,714,000	7.37
SUNSET CAPITAL MANAGEMENT PTY LTD <SUNSET SUPERFUND A/C>	11,000,000	6.37

C. Twenty Largest Shareholders

The names of the twenty largest holders of quoted shares are listed below:

	Shareholder Name	Listed Ordinary Shares	
		Number	Percentage
1.	HEEDFUL PTY LTD <ASSURED S/F A/C>	19,052,380	11.04
2.	KING GEORGE V NOMINEES LTD	14,965,000	8.67
3.	MR LAURENT LEYENDECKER	12,714,000	7.37
4.	SUNSET CAPITAL MANAGEMENT PTY LTD <SUNSET SUPERFUND A/C>	11,000,000	6.37
5.	HEEDFUL PTY LTD <ASSURED S/F A/C>	8,075,000	4.68
6.	TRIDENT CAPITAL PTY LTD	5,833,333	3.38
7.	AEGEAN CAPITAL PTY LTD <THE SPARTACUS A/C>	4,266,666	2.47
8.	AGENS PTY LTD <THE MARK COLLINS FAMILY A/C>	3,333,333	1.93
9.	KINGSTON VALE PTY LTD <YOU'D FAMILY A/C>	3,333,333	1.93
10.	MR ADAM SIERAKOWSKI <THE WARSAW A/C>	3,333,333	1.93
11.	IML HOLDINGS PTY LTD	3,206,666	1.86
12.	DR NIMAL MARTIN FERNANDO	2,266,666	1.31
13.	DOF NOMINEES PTY LTD <DAVID FARRIS SUPER FUND A/C>	2,112,079	1.22
14.	PAUL BATE	2,000,000	1.16
15.	CITIBANK NOMINEES PTY LTD	2,000,000	1.16
16.	GEORGE ROBINSON	2,000,000	1.16
17.	BLOCK CAPITAL GROUP LIMITED	1,833,333	1.06
18.	SHARIC SUPERANNUATION PTY LTD <FARRIS SUPER FUND A/C>	1,816,666	1.05
19.	KOSHER HOLDINGS PTY LTD <HANNAH FAMILY A/C>	1,805,000	1.05
20.	MS NENI BUDI ASTUTIK	1,714,444	0.99
	TOTAL	106,661,232	61.80

D. Voting Rights

In accordance with the Company's Constitution, voting rights in respect of ordinary shares are on a show of hands whereby each member present in person (or representing a corporation who is a member) shall have one vote and upon a poll, each share will have one vote.

E. On-market buy-back

There is no current on-market buy-back.

F. Restricted Securities

There are currently no restricted securities.