



**TITAN MINERALS LIMITED**  
**(ACN 117 790 897)**

**Annual Financial Report**  
**for the year ended 31 December 2021**

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**Corporate Directory**

**Directors**

Peter Cook  
Laurence Marsland  
Matthew Carr  
Nicholas Rowley  
Barry Bourne

**Company Secretary**

Zane Lewis

**Registered Office**

Level 1/35 Richardson Street  
West Perth WA 6005

Telephone: +61 8 6375 2700  
Facsimile: +61 8 6375 2799

**Share Registry**

Automic Share Registry  
Level 5  
191 St Georges Terrace  
Perth WA 6000

**ASX Code**

TTM

**Principal Place of Business**

Level 1/35 Richardson Street  
West Perth WA 6005

**Auditors**

Stantons  
Level 2, 40 Kings Park Road  
West Perth  
Western Australia 6005

**Australian Company Number**

ACN 117 790 897

**Australian Business Number**

ABN 97 117 790 897

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**Directors' Report**

**1. Directors' Information**

The directors and company secretary of Titan Minerals Limited (the "Company" or "Titan") and its controlled entities (together the "Group" or "Consolidated Entity") during the financial year end until the date of this report were as follows:

**2. Directors and Company Secretary**

- Peter Cook** - appointed as director on 31 August 2021, current,
- Laurence Marsland** – appointed as director on 15 July 2019, current,
- Matthew Carr** – appointed as director on 3 February 2017, current,
- Barry Bourne** – appointed as director on 19 October 2021, current,
- Nicholas Rowley** – appointed as a director on 9 August 2016, current,
- Michael Hardy** – appointed as director on 15 July 2019, resigned 31 August 2021,

**Zane Lewis** – appointed as company secretary on 11 August 2016, current.

**3. Directors' Meetings**

Five meetings of the directors of the Company have been held during the financial year ended 31 December 2021.

**4. Principal Activities**

The Company's main undertaking is exploration and development of gold and copper assets in Southern Ecuador.

The Company's main are assets are:

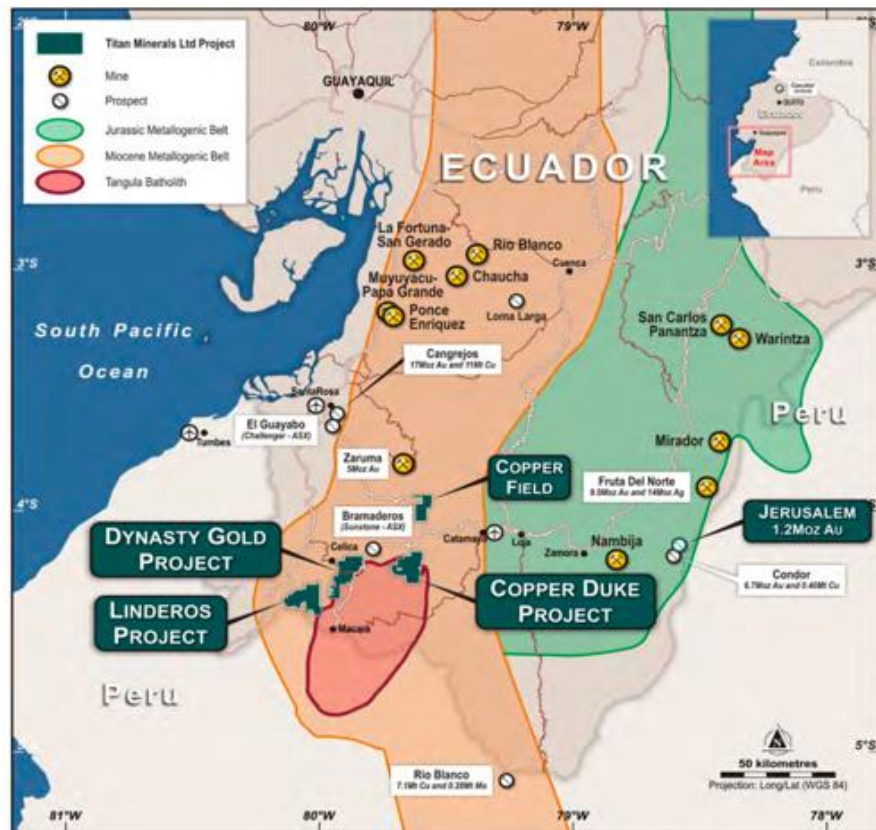
1. The Dynasty Project
2. The Linderos Project
3. The Copper Duke Project
4. The Jerusalem Project
5. The Copper Field Prospect

All the Ecuadorian titles are owned by wholly owned Ecuadorian Company's top-hatted by Panamanian public Company's and enabling transactional flexibility for each asset allowing decisions about investment into each project to be made independently of the others.

The assets lie proximal to a major flexure of the Andean Terrane where porphyry copper and epithermal gold -silver are associated with early to late Miocene aged magmatism along the margin of the extensive Cretaceous aged Tangua Batholith.

Access to the main projects is excellent. all within close proximity to the Pan American and costal highways. Well paved regional all-weather roads enable access to the projects. Regional airports exist approximately two hours by road from the projects with daily connections to Ecuador's capital city, Quito.

Over the past year the Company re-invigorated the activity within its key projects following the completion of the takeover of Core Gold Ltd and the divestment of the troubled Zaruma Project. The Zaruma sale was completed on 26 July 2021 with Titan to receive staged payments of US\$15 million in cash and hold a 2%



NSR royalty on copper production from the Zaruma concessions. During the year US\$7.5million of funds had been received which enabled Titan to deal with many of the legacy debts owed by Core Gold.

A number of other legacy issues were attended to and the Company's social licence to operate in the tenure, it's Government standing and support were re-established enabling exploration works to again recommence.

Along with significant corporate enhancements, a new technical team of highly gifted explorers was injected toward the end of the year enabling a very strong technical focus to endure into future developments at the projects.

## 5. Significant changes in the state of affairs and review of operations

The following significant changes in the state of affairs of the Consolidated Entity occurred during the financial year:

The profit of the Consolidated Entity for the year ended 31 December 2021 amounted to US\$7,523 thousand (31 December 2020: US\$35,635 thousand loss).

### DYNASTY PROJECT (100%)

The Dynasty Project was the main focus of the Company during the past year. After receiving the requisite statutory and community approvals drilling recommenced with a focus on infill and extensional drilling of the previously defined mineralisation. By year end the Company had completed 22,400m of diamond drilling using man-portable diamond rigs. The majority of this was at Cerro Verde Prospect in the southern part of the Dynasty Project with minor amounts of drilling completed at Iguana Prospect (615m) and Papayal-Trapichillo (1,030m).

Assay results from the drilling have been slowly filtering through due to long delays at international laboratories due to Covid impacts.

By year-end approximately half of the results from the program were received returning typical high-grade gold and silver assays which verify, validate and expand upon results from previous drill programs.

Coincident with the drilling over 1,300m of channels were cut from which 1,123m were sampled. The breakdown being: 1,017 metres sampled from the Cerro Verde Prospect; 97m sampled from the Iguana Prospect and 9m from the Papayal-Trapichilo Prospect. Similar to the drilling, this trench channel sampling has returned excellent high-grade gold and silver assays from the epithermal veins and their alteration halo's.

### LINDEROS PROJECT (100%)

Works at Linderos started again with the collation and aggregation of layer geochemical, mapping and geophysical datasets as a baseline in conjunction with dataset validation as part of a systematic process of exploration of porphyry (copper, gold) and epithermal (gold, silver) targets.

A significant campaign of surface reconnaissance works was initiated at Linderos in the second half of the year with a key focus on the advanced Copper Ridge Prospect and Meseta Gold Prospects within the titles.

Exploration activities during 2021 included completion of three thousand one hundred and ninety-one (3,191.4) metres of trenching and two hundred and ninety-four (294) rock chip samples mainly on the Copper Ridge prospect.

#### Copper Ridge Prospect

Copper Ridge is a postulated outcropping porphyritic intrusion complex manifested by strongly coincident copper, gold and molybdenum anomalism all surrounded by distal base metal anomalism. Surface work has revealed strong zonation of phyllic and argillic alteration of country rock around and within a mapped quartz diorite porphyry intrusion of approximately 1km in diameter.

Previous drill campaigns proximal to the intrusion has returned highly anomalous copper results which are considered to be peripheral to a main body of copper mineralisation.

The re-processing and interpretation of historic geophysical data has revealed a conducting body deeper in the system at a postulated 250-300m depth. A detailed airborne magnetic survey is planned for early 2022 along with an additional 3-D Induced Polarisation (IP) survey before drill testing this exciting target.

Additional reconnaissance works by channel and rock chip sampling over the Copper Ridge prospect continues to refine an area of significantly more pervasive and higher tenor copper mineralisation in argillic alteration. Indications suggest the erosional level of the outcropping porphyry copper body is high in the system with scope for higher grades with depth.

Better results from initial channels sampling in un-drilled areas indicating higher grade mineralisation within the prospect returned surface values that include:

- 42m @ 0.31% copper and 0.12g/t gold including 12m @ 0.39% copper (Channel - CRC022)
- 42m @ 0.29% copper and 0.08g/t gold including 8m @ 0.53% copper (Channel - CRC023)
- 90m @ 0.26% copper and 0.13g/t gold (Channel - CRC003)

### Meseta Gold Prospect

Meseta Gold Prospect hosts gold mineralization in steep to sub-vertical epithermal veins at the margins of the porphyry stock. Several features at the prospect suggest the presence of an intermediate to high-sulphidation gold system. Numerous zones of very high-grade gold exists. One specific area was prepared by previous owners for small scale mining which didn't eventuate. In this area intense channel sampling over a 150m x 100m zone revealed a number of bonanza grade veins. During the year Titan continued with surface reconnaissance works including mapping, channel and rock chip sampling returning excellent high-grade gold and silver results. Previous drilling has confirmed mineralisation extending into fresh rock. A thin transported cover over the main veins persists for about 1km and makes for a geochemically blind plateau but with predicted veins continuing at each end.

Better peak assay results from the rock chip results on outcropping veins collected during 2021 included:

- 64g/t gold with >1,500 g/t silver and 26.9g/t gold with 715g/t silver located 500m east of the nearest drilling.
- 61g/t gold with 103g/t silver and 42g/t gold with 9g/t silver located on the western margin of the Meseta Prospect, confirming presence of grade at location of 2017 channel sampling.
- 13g/t gold with 16g/t silver and 7.3g/t gold with 11g/t silver on new veining identified 2.3kilometre southeast of the 2017 channel sampling.

Further work is required to follow-up results of the rock chips received to date that show the gold system at Meseta is clearly far more extensive than what has been previously defined. Drilling is planned for the ensuing year along with baseline water studies to determine the background levels of metal associated with the known high sulphidation mineralisation.

### COPPER DUKE PROJECT (100%)

Copper Duke is an early-stage exploration project comprised of thirteen (13) concessions located approximately 18km east of the Company's more advanced Dynasty Gold Project in the Loja Province of southern Ecuador. The scale, geometry and extent of geophysical anomalism identified at the Copper Duke Project is like many major porphyry districts.

Results of the geophysical survey results show clusters of intrusion related anomalism over an area greater than 12km<sup>2</sup>, on par with many tier-one deposits around the world. Recent surface exploration has confirmed a relatively high tenor of geochemical anomalism outcropping at surface which is exposed through several hundred meters of vertical relief across the project area.

Regionally, the project lies at the northern contact of the Tengula batholith, which comprise Cretaceous volcano-sediments. Local geology comprises outcropping diorite and quartz-diorite composed rocks with small alteration zones. Outcropping copper and gold mineralisation is hosted in veins and tectonic breccias and outcropping copper-gold bearing scans are located at the contact with the Batholite/Celica Formation.

Exploration target deposit models are porphyry copper gold systems, intrusion related gold and gold bearing skarns.

During the year Titan has continued to build systematic exploration datasets with follow-up geochemistry surveys and channel sampling, extending surface geochemistry coverage a further 12km<sup>2</sup>. Toward the end of the year two reconnaissance holes (total of 540 metres) were drilled to oreitate and validate results from two previous diamond holes drilled by the United Nations in the 1970's and assays are still pending. Elsewhere on the titles some two thousand one hundred and forty-eight (2,148) metres of trenching and three hundred and seventy-five (375) rock chip samples were collected with many showing elevated gold and copper mineralisation. A systematic soil sampling program over the key areas was approximately 60% complete by year end.

#### **JERUSALEM PROJECT (100%)**

Only desktop works were completed on the Jerusalem Prospect during the year. The area is currently subject to illegal mining activity by organised artisanal networks. The Company is working with the Government to re-gain access to the titles for addition exploration and mining studies.

#### **COPPER FIELD PROJECT (100%)**

Initial desk top study and prelim surface reconnaissance work to locate the prospect is all that occurred during the year.

### **6. Share Options and Performance Rights**

As at the date of this report there are 34,000,000 unquoted options to corporate advisors and 57,120,000 incentive options to Directors and employees on issue. Refer Note 24 to the financial statements for further details.

### **7. Indemnification and Insurance of Officers**

During or since the end of the financial year the Company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The Company has entered into agreements to indemnify all directors and provide access to documents, against any liability arising from a claim brought by a third party against the Company. The agreement provides for the Company to pay all damages and costs which may be awarded against the directors.

The Company has paid premiums to insure each of the directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the Company. The amount of the premium was US \$42,996 which was paid during the financial year. No indemnity has been sought for or paid to auditors.

### **8. Events Subsequent to Reporting Date**

There have not been any matters or circumstances that have arisen since the end of the financial year, that have significantly affected or may significantly affect, the operations of the Group, the results of the operations, or the state of the affairs of the Group in the future financial years.

### **9. Dividends**

No dividends have been paid or declared since the start of the financial year by the Company. The directors have recommended that no dividend be paid by the Company in respect of the year ended 31 December 2021.

### **10. Likely developments**

The Group will continue to pursue its principal activity of minerals exploration in Ecuador, particularly in respect to its key projects being the Dynasty Gold project, Copper Duke project and the Linderos Gold project plus the

divestment of non-core assets. The Company will also continue to evaluate new business opportunities in South America.

## 11. Environmental Issues

The Group's operations comply with all relevant environmental laws and regulations and have not been subject to any action by environmental regulators.

## 12. Proceedings on behalf of Company

No person has applied for leave of any court to bring proceedings on behalf of the ultimate parent company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

All contingent liabilities as previously disclosed in the annual financial statements as at 31 December 2020, were disposed of with the relinquishment of control over certain Ecuadorian subsidiaries. The Ecuadorian restructuring is detailed in Note 26 of the financial statements.

## 13. Information on Directors and Company Secretary

### Peter Cook

#### Director (Non-Executive Chairman)

Qualifications and Experience:

Peter Cook is a geologist (B Sc Applied Geology – Ballarat 1983) and a mineral economist (MSc Min. Econ WASM 1995), MAusIMM with more than 35 years experience in mineral exploration, mine development, mining operations and corporate management of resource entities.

Directorships of other listed companies in the 3 years prior to the end of the Financial Year:	Non-Executive Chairman of Westgold Resources Limited (ASX:WGX) Non-Executive Chairman of Castile Resources Ltd (ASX:CST) Non-Executive Chairman of Breaker Resources NL
Interest in shares and options of the Company as at the date of resignation:	13,100,962 Fully Paid Ordinary Shares 9,000,000 Incentive Options
Directors meetings attended (where eligible):	1 of 1 held during the financial year
Appointed:	31 August 2021

### Laurence Marsland

#### Director (Managing Director & Chief Executive Officer)

Qualifications and Experience:

Mr Marsland is a graduate of the Western Australia Institute of Technology where he completed a Bachelor of Applied Science in Mechanical Engineering and is a graduate of the Stanford Sloan Fellows Program at the Stanford University Graduate School of Business where he completed a Master of Science in Management degree. Mr Marsland is a Fellow of the Institution of Engineers Australia, a Chartered Professional Engineer.

Directorships of other listed companies in the 3 years prior to the end of the Financial Year:	N/A
Interest in shares and options of the Company:	5,696,154 Ordinary Shares 10,000,000 options
Directors meetings attended:	5 of 5 held during the financial year
Appointed:	15 July 2019



**Matthew Carr****Director (Executive Director)**

## Qualifications and Experience:

Mr Carr is a successful and experienced company director having founded Urban Capital Group. Urban Capital Group is a private equity company with a strong focus on property backed investment and security.

Directorships of other listed companies in the 3 years prior to the end of the Financial Year:	N/A
Interest in shares and options of the Company:	21,051,774 Ordinary Shares 7,000,000 options
Directors meetings attended:	5 of 5 held during the financial year
Appointed:	3 February 2017

**Nicholas Rowley****Director (Non-Executive Director)**

## Qualifications and Experience:

Mr Rowley is an experienced corporate executive with a strong financial background having previously worked in the financial services industry for over 10 years where he gained widespread experience in corporate advisory, M&A transactions and equities markets, advising domestic and international Institutional sales and high net worth individuals. He also advised on the equity financings of numerous ASX and TSX listed companies predominantly in the mining and resources sector. Mr Rowley most recently served as Director of Corporate Development for Galaxy Resources Ltd (ASX:GXY).

Directorships of other listed companies in the 3 years prior to the end of the Financial Year:	Non-Executive Director of Cyprium Metals Limited appoint 31 May 2018 (ASX: CYP). Non-Executive Director of Oro X Mining Corp (TSV:ORO) appoint 8 October 2020 – resigned 28 February 2022
Interest in shares and options of the Company:	10,157,460 Ordinary Shares 5,000,000 options
Directors meetings attended:	5 of 5 held during the financial year
Appointed:	9 August 2016

**Barry Bourne****Director (Non-Executive Director)**

## Qualifications and Experience:

Mr. Bourne is an innovator, who has designed, proposed and implemented a full range of initiatives via his experience gained whilst working within the mining industry. He was shortlisted for the Australian Innovation Awards in 2012 and was the Advance Global Australian of the Year for Mining and Resources in 2013. He is a Fellow of the Australian Institute of Geoscientists and is on the technical advisory committee for UWA Centre for Exploration Targeting.

Directorships of other listed companies in the 3 years prior to the end of the Financial Year:	N/A
Interest in shares and options of the Company:	5,000,000 options
Directors meetings attended (where eligible):	1 of 1 held during the financial year
Appointed:	19 October 2021

**Michael Hardy****Director (Non-Executive Chairman)**

## Qualifications and Experience:

Mr Hardy is a graduate of the University of Western Australia with degrees in Arts and Law. He has practised as a barrister and solicitor for 40 years, having been a partner of Robinson Cox (subsequently Clayton Utz) from 1983 to 2002 before establishing the firm Hardy Bowen in 2002. Mr Hardy is a former Chairman and Director of Fleetwood Corporation Limited.

Directorships of other listed companies in the 3 years prior to the end of the Financial Year:	N/A
Interest in shares and options of the Company as at the date of resignation:	835,531 Ordinary Shares 5,000,000 options
Directors meetings attended (where eligible):	4 of 4 held during the financial year
Appointed:	15 July 2019
Resigned:	31 August 2021

**Zane Lewis****Company Secretary**

## Qualifications and Experience:

Mr Lewis has over 20 of years corporate advisory experience with various ASX and AIM listed companies. Mr Lewis is a fellow of Chartered Secretaries Australia and is a Non-Executive Director and Company Secretary for a number of ASX Listed companies.

Appointed as company secretary on 11 August 2016.

**14. Remuneration Report (Audited)**

The Directors present the remuneration report for the Company and the Consolidated Entity for the year ended 31 December 2021. This remuneration report forms part of the Directors' Report and has been audited in accordance with section 300A of the Corporations Act 2001 and details the remuneration arrangements for the key management personnel.

Key management personnel are those persons who, directly or indirectly, have authority and responsibility for planning, directing and controlling the major activities of the Company and the Consolidated Entity.

Remuneration is based on fees approved by the Board of Directors.

There is no relationship between the performance or the impact on shareholder wealth of the Company for the current financial year or the previous financial years excluding the remuneration of directors and executives or the issue of options to directors. Remuneration is set at levels to reflect market conditions and encourage the continued services of directors and executives.

The names and positions of key management personnel of the Company and of the Consolidated Entity who have held office during the financial year are:

Peter Cook	Non-Executive Chairman (appointed 31 August 2021)
Laurence Marsland	Managing Director & Chief Executive Officer
Matthew Carr	Executive Director
Nicholas Rowley	Non-Executive Director
Barry Bourne	Non-Executive Director (appointed 19 October 2021)
Michael Hardy	Non-Executive Chairman (resigned 31 August 2021)
Michael Skead	Executive Vice-President of Exploration (appointed 1 October 2021)
Travis Schwertfeger	Chief Geologist (resigned 8 June 2021)
David Sadgrove	Chief Financial Officer (resigned 11 October 2021)

*Service Agreements*

Remuneration and other terms of employment for the Executive Directors and other officers are formalised in a service agreement. For Non-Executive Directors these terms are set out in a Letter of Appointment. The major provisions of the agreements relating to remuneration per year are set out below.

<b>Name</b>	<b>Consulting fees / salary (all denominated in AUD unless otherwise stated)</b>	<b>Term of Agreement</b>	<b>Notice Period</b>
<b>Peter Cook</b>	\$120,000	No fixed term	N/A
<b>Laurence Marsland</b>	\$240,000	4 years	2/12 months <sup>(1)</sup>
<b>Matthew Carr</b>	\$180,000	No fixed term	6/12 months <sup>(1)</sup>
<b>Nicholas Rowley</b>	\$72,000	No fixed term	N/A
<b>Barry Bourne</b>	\$72,000	No fixed term	N/A
<b>Michael Hardy (resigned 31 August 2021)</b>	\$108,000 plus superannuation	No fixed term	N/A
<b>Michael Skead</b>	\$250,000 CAD per annum	2 years	2 months
<b>Travis Schwertfeger (resigned 8 June 2021)</b>	\$240,000	No fixed term	3 months
<b>David Sadgrove (resigned 11 October 2021)</b>	\$275,000 plus superannuation	No fixed term	3 months

(1) Termination benefits:

Mr Laurence Marsland:

In the case of termination without cause by the Company, the required notice period is 12 months. In the case of termination without cause by Mr Marsland, the required notice period is 2 months.

Mr Matthew Carr:

In the case of termination without cause by the Company Mr Carr is entitled to receive 12 months' salary. In the case of termination without cause by Mr Carr then he is entitled to receive 6 months' salary on top of the entitlements outlined below. Matthew Carr is entitled to an additional 1 months' salary on top of the notice period for each year of continuous service to the company (pro-rata up to the date of leaving the entity).

Mr David Sadgrove:

In the case of termination without cause by the Company, the required notice period is 3 months. In the case of termination without cause by Mr Sadgrove, the required notice period is 3 months.

## Details of Remuneration

## Compensation 12 months to 31 December 2021

	Short Term Benefits \$ USD	Super- annuation \$ USD	Share based payments \$ USD	Total \$ USD	Percentage of remuneration that is equity based
<b>Compensation of key management based on fees approved by the Board of directors.</b>					
Peter Cook (appointed 31 August 2021)	30,058	-	283,847	313,905	90%
Laurence Marsland	180,348	-	102,949	283,297	36%
Matthew Carr	135,261	-	72,064	207,325	35%
Nicholas Rowley	54,104	-	51,474	105,578	49%
Barry Bourne (appointed 19 October 2021)	4,590	-	157,693	162,283	97%
Michael Hardy (resigned 31 August 2021)	54,104	5,207	34,316	93,627	37%
Michael Skead (appointed 1 October 2021)	50,000	-	236,637	286,637	83%
Travis Schwertfeger (resigned 8 June 2021)	83,185	-	16,086	99,271	16%
David Sadgrove (resigned 11 October 2021)	222,032 <sup>1</sup>	19,240	- <sup>2</sup>	241,272	-
<b>TOTAL COMPENSATION – FOR KEY MANAGEMENT PERSONNEL</b>	<b>813,682</b>	<b>24,447</b>	<b>955,066</b>	<b>1,793,195</b>	<b>53%</b>

(1) Included in Mr Sadgrove's Short Term Benefits are termination benefits totalling \$67,030.

(2) During the year, as a result of the cancellation of incentive options, \$43,716 was recognised in the profit or loss as a result of the cancellation.

## Compensation 12 months to 31 December 2020

	Short Term Benefits \$ USD	Super- annuation \$ USD	Share based payments \$ USD	Total \$ USD	Percentage of remuneration that is equity based
<b>Compensation of key management based on fees approved by the Board of directors.</b>					
Michael Hardy	69,060	5,905	251,750	326,715	77%
Laurence Marsland	165,744	-	503,499	669,243	75%
Matthew Carr	145,026	-	352,449	497,475	71%
Nicholas Rowley	48,342	-	251,750	300,092	84%
Travis Schwertfeger	164,708	-	176,084	340,792	52%
David Sadgrove	79,143	7,182	76,228	162,553	47%
<b>TOTAL COMPENSATION – FOR KEY MANAGEMENT PERSONNEL</b>	<b>672,023</b>	<b>13,087</b>	<b>1,611,760</b>	<b>2,296,870</b>	<b>70%</b>

**Shares and performance rights held by Key Management Personnel**

Shareholdings	1 January 2021 or Appointment	Number of Ordinary Shares		31 December 2021
		Issued as Compensation	Net Change Other	
Peter Cook	3,100,962 <sup>1</sup>	-	10,000,000	13,100,962
Laurence Marsland	5,696,154	-	-	5,696,154
Matthew Carr	9,314,493	-	11,737,281	21,051,774
Nicholas Rowley	5,157,460	-	5,000,000	10,157,460
Barry Bourne	- <sup>1</sup>	-	-	-
Michael Hardy	836,231	-	(836,231) <sup>2</sup>	-
Michael Skead	- <sup>1</sup>	-	-	-
Travis Schwertfeger	11,000	-	(11,000) <sup>2</sup>	-
David Sadgrove	-	-	- <sup>2</sup>	-
	24,116,300	-	25,890,050	50,006,350

(1) Number of shares held as at date of appointment.

(2) Number of shares held at date of resignation / date of ceasing to be a key management personnel.

Performance rights / options	1 January 2021 or Appointment	Number of Performance Rights / Options		31 December 2021
		Issued as Compensation	Net Change Other	
Peter Cook	-	9,000,000	-	9,000,000
Laurence Marsland	10,000,000	-	-	10,000,000
Matthew Carr	7,000,000	-	-	7,000,000
Nicholas Rowley	5,000,000	-	-	5,000,000
Barry Bourne	-	5,000,000	-	5,000,000
Michael Hardy	5,000,000	-	(5,000,000) <sup>1</sup>	-
Michael Skead	-	7,500,000	-	7,500,000
Travis Schwertfeger	4,500,000	-	(4,500,000) <sup>1</sup>	-
David Sadgrove	3,000,000	-	(3,000,000) <sup>1</sup>	-
	34,500,000	21,500,000	(12,500,000)	43,500,000

(1) These amounts represent performance rights held as at the date of resignation.

For further details on Performance rights and options please refer to Note 24 to the financial statements "Share based payments".

**Other Information**

During the year, the Group received a loan from Director Matthew Carr of \$660,000 AUD. Following obtaining shareholder approval on 8 December 2021, the loan and accrued interest was settled via the issue of 7,157,723 shares in Titan Minerals Limited. The interest component on this amount was A\$62 thousand (US\$47 thousand). Refer Note 13 for further information regarding this loan.

There were no other loans made to any Key Management Personnel during the year or outstanding at year end.

Refer to Notes 21 and 22 for further detail regarding transactions with Key Management Personnel during the year.

During the year the Company did not engage remuneration consultants to review its remuneration policies.

**End of Remuneration Report (Audited)**

## 15. Business Risks and Uncertainties

There are a number of risks that may have a material and adverse impact on the future operating and financial performance of the Company. These include the risks discussed in Note 23 of the consolidated financial statements, along with risks that are widespread and associated with any form of business and specific risks associated with the Company's business and its involvement in the exploration and mining industry generally. While most risk factors are largely beyond the control of the Company, the Company will seek to mitigate the risks where possible.

## 16. Non-audit Services

The Board of Directors is satisfied that the provision of any non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. All non-audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board

## 17. Lead Auditor's Independence Declaration

In accordance with the Corporations Act 2001 section 307C the auditors of the Company have provided a signed Auditor's Independence Declaration to the directors in relation to the year ended 31 December 2021. A copy of this declaration appears on page 12.

Signed in accordance with a resolution of the directors.



Matthew Carr  
**Executive Director**  
31<sup>st</sup> day of March 2022  
Perth, Western Australia



PO Box 1908  
West Perth WA 6872  
Australia

Level 2, 40 Kings Park Road  
West Perth WA 6005  
Australia

Tel: +61 8 9481 3188  
Fax: +61 8 9321 1204

ABN: 84 144 581 519  
www.stantons.com.au

31 March 2022

Board of Directors  
Titan Minerals Limited  
Level 1, 35 Richardson Street  
WEST PERTH WA 6005

Dear Directors

**RE: TITAN MINERALS LIMITED**

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Titan Minerals Limited.

As Audit Director for the audit of the financial statements of Titan Minerals Limited for the year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**  
**(Trading as Stantons International)**  
**(An Authorised Audit Company)**

A handwritten signature in black ink, appearing to read "Samir", written over a light blue horizontal line.

**Samir Tirodkar**  
**Director**



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**Directors' Declaration**

In accordance with a resolution of the directors of Titan Minerals Limited A.C.N. 117 790 897 ("Company"),

In the opinion of the directors

- 1) As set out in Note 2, the Directors are of the opinion that the consolidated financial statements:
  - give a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the year ended 31 December 2021; and
  - complying with Australian Accounting Standards and the *Corporations Act 2001*;
- 2) The consolidated financial statements and notes also comply with the International Financial Reporting Standards as disclosed in Note 2; and
- 3) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 31 December 2021.

On behalf of the Board of Directors.



Matthew Carr  
**Executive Director**  
31<sup>st</sup> day of March 2022  
Perth, Western Australia

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## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	Note	Consolidated Year ended	
		31-Dec-21	31-Dec-20
		US\$000's	US\$000's
<b>CONTINUING OPERATIONS</b>			
<b>Expenses</b>			
General and administration	5(a)	(1,920)	(2,795)
Salary and wages		(844)	(1,920)
Professional fees		(1,688)	(1,196)
Share based payments – directors and employees	24	(1,070)	(3,607)
<b>Loss from operations</b>		<b>(5,522)</b>	<b>(9,518)</b>
Finance costs		(816)	(936)
Derivative liability gain – warrants			70
Impairment	5(b)	(55)	(2,625)
Foreign exchange gain / (loss)		421	(50)
Fair value movements of financial assets		(1,073)	538
Other income		410	1,228
Gain / (loss) on extinguishment of financial liabilities	5(c)	1,253	(3,599)
Gain on disposal of subsidiary	5(d)	5,261	-
Corporate transaction expense		-	(17,677)
<b>Loss before income tax from continuing operations</b>		<b>(121)</b>	<b>(32,569)</b>
Income tax expense	6	-	-
<b>Loss after income tax from continuing operations</b>		<b>(121)</b>	<b>(32,569)</b>
<b>Discontinued operations</b>			
Profit/(Loss) for the year from discontinued operations	7	7,644	(3,066)
<b>Profit/(Loss) for the year</b>		<b>7,523</b>	<b>(35,635)</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
- Exchange differences on translating foreign operations		1,127	(414)
<b>Total comprehensive profit / (loss) for the year</b>		<b>8,650</b>	<b>(36,049)</b>
<b>EARNINGS PER SHARE (cents)</b>			
<b>Basic and diluted earnings per share</b>			
From continuing operations	16	(0.01)	(2.93)
<b>Basic and diluted earnings per share</b>			
From discontinued operations	16	0.638	(0.28)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

**Consolidated Statement of Financial Position**

As at 31 December 2021

	Note	Consolidated	
		31-Dec-21 US\$000's	31-Dec-20 US\$000's
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	19(a)	8,762	3,272
Receivables and prepaid expenses	8	9,108	2,501
Inventories		-	95
Financial assets	9	228	2,300
Assets classified as held for sale	7	872	1,145
<b>TOTAL CURRENT ASSETS</b>		<b>18,970</b>	<b>9,313</b>
<b>NON-CURRENT ASSETS</b>			
Receivables and prepaid expenses	8	1,783	470
Property, plant and equipment	10	171	472
Exploration and evaluation expenditure	11	28,133	18,374
<b>TOTAL NON-CURRENT ASSETS</b>		<b>30,087</b>	<b>19,316</b>
<b>TOTAL ASSETS</b>		<b>49,057</b>	<b>28,629</b>
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued liabilities	12	6,552	11,007
Loans payable	13	1,088	5,819
Lease liabilities		-	22
Liabilities classified as held for sale	7	2,543	2,413
<b>TOTAL CURRENT LIABILITIES</b>		<b>10,183</b>	<b>19,261</b>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		-	51
Provisions for closure and restoration		494	508
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>494</b>	<b>559</b>
<b>TOTAL LIABILITIES</b>		<b>10,677</b>	<b>19,820</b>
<b>NET ASSETS</b>		<b>38,380</b>	<b>8,809</b>
<b>EQUITY</b>			
Issued capital	14	170,383	150,494
Reserves	15	22,117	19,958
Accumulated losses		(154,120)	(161,643)
<b>TOTAL EQUITY</b>		<b>38,380</b>	<b>8,809</b>

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

## Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Issued Capital US \$000's	Foreign currency translation reserve US \$000's	Share Based Payment Reserve US \$000's	Convertible Debenture Reserve US \$000's	Accumulated losses US \$000's	Total Equity US \$000's
<b>Balance at 1 January 2020</b>	110,949	-	16,437	35	(126,008)	1,413
Net loss for the year	-	-	-	-	(35,635)	(35,635)
Other comprehensive income	-	(414)	35	(35)	-	(414)
Total comprehensive loss for the year	-	(414)	35	(35)	(35,635)	(36,049)
<i>Transactions with owners in their capacity as owners</i>						
Issue of shares - acquisition of Core Gold Inc.	19,834	-	-	-	-	19,834
Issue of shares	20,300	-	-	-	-	20,300
Capital raising costs	(589)	-	-	-	-	(589)
Share based payments	-	-	3,900	-	-	3,900
<b>As at 31 December 2020</b>	<b>150,494</b>	<b>(414)</b>	<b>20,372</b>	<b>-</b>	<b>(161,643)</b>	<b>8,809</b>
<b>Balance at 1 January 2021</b>	150,494	(414)	20,372	-	(161,643)	8,809
Net loss for the year	-	-	-	-	7,523	7,523
Other comprehensive income	-	1,127	-	-	-	1,127
Total comprehensive loss for the year	-	1,127	-	-	7,523	8,650
<i>Transactions with owners in their capacity as owners</i>						
Issue of shares	20,578	-	-	-	-	20,578
Capital raising costs	(689)	-	-	-	-	(689)
Share based payments	-	-	1,032	-	-	1,032
<b>As at 31 December 2021</b>	<b>170,383</b>	<b>713</b>	<b>21,404</b>	<b>-</b>	<b>(154,120)</b>	<b>38,380</b>

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes

**Consolidated Statement of Cash Flows**

For the year ended 31 December 2021

	Year ended	
	31-Dec-2021 US \$000's	31-Dec-2020 US \$000's
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	-	20,858
Payments to suppliers and employees	(8,212)	(29,162)
Interest and other costs of finance paid	(590)	(222)
<b>NET CASH (USED IN) IN OPERATING ACTIVITIES</b>	<b>(8,802)</b>	<b>(8,526)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for property, plant & equipment	(133)	(36)
Proceeds from the sale of property, plant and equipment	273	-
Proceeds from the sale of financial assets	781	-
Payments of exploration and evaluation costs	(9,759)	(4,053)
Proceeds from the sale of exploration assets	-	1,500
Proceeds from repayments of loans provided	-	241
Net cash inflow as a result of acquisition	-	3,094
Net cash inflow as a result of disposal of subsidiaries	8,850	612
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>12</b>	<b>1,358</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares (net of capital raising costs)	13,421	9,459
Proceeds from borrowings	4,366	3,412
Repayment of borrowings	(3,258)	(2,813)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>14,529</b>	<b>10,058</b>
Net increase in cash and cash equivalents	5,739	2,890
Cash and cash equivalents at the beginning of the period	3,272	181
Effects of exchange rate changes on the balance of cash held in foreign currencies	(249)	201
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>8,762</b>	<b>3,272</b>

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

# Notes to the Consolidated Financial Statements

TITAN MINERALS LIMITED – YEAR ENDED 31 DECEMBER 2021

## 1. GENERAL INFORMATION

### Corporate Information

The consolidated financial statements of Titan Minerals Limited (“Parent Entity” or “Company”) and its controlled entities (collectively as “Consolidated Entity” or “the Group”) for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the directors on 31 March 2022. The Parent Entity is a for-profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

Further information on the nature of the operations and principal activities of the Group is provided in the directors’ report. Information on the Group’s structure and other related party relationships are provided in Notes 17 and 22.

The Group’s registered office is in Level 1, 35 Richardson Street, West Perth, WA 6005 Australia.

## 2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

### a) Statement of compliance

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (“AASB”) and the Corporations Act 2001. Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. The consolidated financial statements and notes also comply with International Financial Reporting Standards as issued by the International Accounting Standard Board (IASB). Material accounting policies adopted in the preparation of the financial statements are presented below. They have been consistently applied unless otherwise stated.

### b) Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for certain financial assets carried at fair value. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in United States Dollars unless otherwise noted.

The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

### c) Critical accounting judgements and key sources of estimation uncertainty

In the application of accounting standards management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Refer to Note 3 for a discussion of critical judgements in applying the entity’s accounting policies and key sources of estimation uncertainty.

### d) Reverse acquisition (comparative year)

Titan Minerals Limited (“Titan”) is listed on the Australian Securities Exchange. Titan Minerals Limited acquired control of greater than 50% of the common shares and voting rights of Core Gold Inc (“Core”) on 30 January 2020 and completed the legal acquisition of 100% of the common shares in Core on 26 May 2020.

# Notes to the Consolidated Financial Statements

TITAN MINERALS LIMITED – YEAR ENDED 31 DECEMBER 2021

Under the principles of AASB 3, with the previous shareholders of Core holding a larger portion of voting rights of the combined entity than the continuing Titan shareholders and Core reflecting larger assets and revenues than Titan, the transaction between Titan and Core is treated as a reverse acquisition. As such, the assets and liabilities of the legal subsidiary (the accounting acquirer), being Core, are measured at their pre-combination carrying amounts. The assets and liabilities of the legal parent (accounting acquiree), being Titan are measured at fair value on the date of acquisition. The date of acquisition has been assessed on the basis of the change in shareholdings in Titan as a result of the transaction between Titan and Core and has been considered to be 30 January 2020. Accordingly, the consolidated financial statements of Titan have been prepared as a continuation of the financial statements of Core from 30 January 2020.

The impact of the reverse acquisition on each of the primary statements is as follows:

- The consolidated statement of profit or loss and other comprehensive income:
  - For the year to 31 December 2021 comprises 12 months of both Core and Titan; and
  - For the comparative period comprises the 12 month period to 31 December 2020 of Core and the period from 30 January 2020 to 31 December 2020 of Titan.
- The consolidated statement of financial position:
  - As at 31 December 2021 represents both Titan and Core as at that date; and
  - As at 31 December 2020 represents both Titan and Core as at that date.
- The consolidated statement of changes in equity:
  - For the year ended 31 December 2021 comprises 12 months of both Core and Titan; and
  - For the year ended 31 December 2020 comprises Core's balance sheet at 1 January 2020, its loss for the period and transactions with equity holders for 12 months. It also comprises Titan's transactions within equity from 30 January 2020 to 31 December 2020 and the equity value of Core and Titan at 31 December 2020. The number of shares on issue at year end represent those of Titan only; and
- The consolidated statement of cash flows:
  - For the year to 31 December 2021 comprises 12 months of both Core and Titan; and
  - For the comparative period comprises 1 January 2020 to 31 December 2020, comprises:
    - The cash balance of Core as at 1 January 2020;
    - The cash transactions for the 12 months to 31 December 2020 of months of Core and the period from 30 January 2020 to 31 December 2020 of Titan; and
    - The cash balances of Core and Titan at 31 December 2020.

## e) New and Revised Standards that are effective for these Financial Statements

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

### *Interest Rate Benchmark Reform – Phase 2: Amendments to AASB 9, AASB 139, AASB 7, AASB 4 and AASB 16*

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

# Notes to the Consolidated Financial Statements

TITAN MINERALS LIMITED – YEAR ENDED 31 DECEMBER 2021

These amendments had no impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

## *AASB 2021-3 Amendments to Australian Accounting Standards - Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to AASB 16*

The amendments provide relief to lessees from applying AASB 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under AASB 16 16, if the change were not a lease modification. The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the AASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Group has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

### **f) Standards issued but not yet effective and not early adopted by the Group**

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the group. These standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods.

### **g) Going Concern**

The consolidated financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity, realisation of assets and the settlement of liabilities in the normal course of business. The Consolidated Entity incurred a net loss from continuing operations for the 31 December 2021 financial year of \$121 thousand (2020: \$32,569 thousand) and had a net operating cash outflow of \$8,802 thousand (2020: \$8,526 thousand).

The directors have prepared a cash flow forecast, which indicates that Group will have sufficient cash flows to meet all commitments and working capital requirements for the 12 month period from the date of signing this financial report. Included in the forecast are receipts of consideration receivable expected to be received within the next 12 months. Should there be any delays in receiving these funds, the Company may need to raise additional capital through debt or equity raisings.

The Directors are confident that the Group will have sufficient cash to fund its activities within the next 12 months from the date the financial statements are approved and will be able to meet existing commitments as they fall due. The Directors will also continue to carefully manage discretionary expenditure in line with the Group's cashflow.

Should the Group be unsuccessful in its plans detailed above, there is uncertainty as to whether the Group would continue as a going concern and therefore whether it would realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or to the amount and classification of liabilities that might result should the Group be unable to continue as a going concern and meet its debts as and when they fall due.

### **Significant Accounting Policies**

The following significant policies have been adopted in the preparation of the Financial Report:

# Notes to the Consolidated Financial Statements

TITAN MINERALS LIMITED – YEAR ENDED 31 DECEMBER 2021

## h) Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect those returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary as the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

## i) Revenue recognition

The Group's primary product is gold and silver bullion.

Revenue is recognised at an amount that reflects the consideration to which the group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

## j) Interest revenue

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.



# Notes to the Consolidated Financial Statements

TITAN MINERALS LIMITED – YEAR ENDED 31 DECEMBER 2021

## k) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at the date of acquisition.

Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

## l) Trade and other receivables

Trade receivable (without a significant financing component) are initially recognised at their transaction price and all other receivables are initially measured at fair value. Receivables are measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within a business model with the objective to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For the purposes of the assessment whether contractual cash flows are solely payments of principal and interest, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non recourse features).

The Group recognises an allowance for expected credit losses ("ECLs") for all receivables not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate ("EIR").

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and other receivables due in less than 12 months, the Group applies the simplified approach in calculating ECLs, as permitted by AASB 9. Therefore, the Group does not track changes in credit risk, but instead, recognises a loss allowance based on the financial asset's lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. For any other financial assets carried at amortised cost (which are due in more than 12 months), the ECL is based on the 12-month ECL. The 12-month ECL is the proportion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since

# Notes to the Consolidated Financial Statements

TITAN MINERALS LIMITED – YEAR ENDED 31 DECEMBER 2021

initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment including forward-looking information.

## m) Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight-line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value commencing from the date the asset is available for use. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

Depreciation on assets utilised in exploration, evaluation and mine development during the pre-production phase is included in the carrying value of Deferred Exploration Expenditure and Mine Assets reflected on the balance sheet. On commencement of production, depreciation is expensed to the Income Statement, and recognised on a units of production basis.

The following estimated useful lives / methodologies are used in the calculation of depreciation:

Plant and equipment	3 – 10 years
Computer equipment	3 years
Buildings	20 years

## Impairment of assets

At each reporting date, the Consolidated Entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Consolidated Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use.

In assessing fair value less costs of disposal, the Consolidated entity considers any relevant quoted market prices and/or subsequent arms-length transactions between two willing parties in determining fair value less costs of disposal.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

# Notes to the Consolidated Financial Statements

TITAN MINERALS LIMITED – YEAR ENDED 31 DECEMBER 2021

## n) Exploration expenditure

Exploration and evaluation expenditure for each area of interest is carried forward as an asset provided that one of the following conditions is met:

- Such costs are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or
- Exploration activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing.

Exploration and evaluation expenditure, which fails to meet at least one of the conditions outlined above, is written off.

Identifiable exploration assets acquired from another mining company are carried as assets at their cost of acquisition. Exploration assets acquired are reassessed on a regular basis and these costs are carried forward provided that at least one of the conditions outlined above are met. Exploration and evaluation expenditure incurred subsequent to acquisition in respect of an exploration asset acquired, is accounted for in accordance with the policy outlined above for exploration incurred by or on behalf of the entity. Exploration and evaluation expenditure assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.

The recoverable amount of the exploration and evaluation asset is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years. Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to mine assets.

## o) Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except with the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with AASB 5. Under the equity method, an investment in an associate or joint venture is initially recognised in the consolidated statements of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

# Notes to the Consolidated Financial Statements

TITAN MINERALS LIMITED – YEAR ENDED 31 DECEMBER 2021

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interest in the associate or joint venture that are not related to the Group.

## p) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 112 'Income Taxes' and AASB 119 'Employee Benefits' respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 'Share-based Payment' at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations' are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 139 'Financial Instruments: Recognition and Measurement'; or AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

# Notes to the Consolidated Financial Statements

TITAN MINERALS LIMITED – YEAR ENDED 31 DECEMBER 2021

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

## q) Trade and other payables

Trade payables and other accounts payable are recognised when the Consolidated Entity becomes obliged to make future payments resulting from the purchase of goods and services.

## r) Provisions

Provisions are recognised when the Consolidated Entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

### Provision for closure and restoration

A provision for closure and restoration is recognised when there is a present obligation as a result of exploration, development, production, transportation or storage activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount of the provision can be measured reliably.

The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation as at the reporting date. Future restoration costs are reviewed annually and any change in the estimates are reflected in the present value of the restoration provision at reporting date.

The initial estimate of the restoration and rehabilitation provision relating to exploration, development and production facilities is capitalised into the cost of the related asset and amortised on the same basis as the related asset, unless the present value arises from the production of inventory in the period, in which case the amount is included in the cost of production for the period. Changes in the estimate of the provision for restoration and rehabilitation are treated in the same manner, except that the unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the cost of the related asset.

## s) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled wholly within twelve months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within twelve months are measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

### *Defined contribution plans*

Contributions to defined contribution superannuation plans are expensed when incurred.

# Notes to the Consolidated Financial Statements

TITAN MINERALS LIMITED – YEAR ENDED 31 DECEMBER 2021

## t) Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

### Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

#### *Financial assets at amortised cost (debt instruments)*

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables and loans receivable.

#### *Financial assets at fair value through OCI (debt instruments)*

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

#### *Financial assets designated at fair value through OCI (equity instruments)*

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under AASB 132

# Notes to the Consolidated Financial Statements

TITAN MINERALS LIMITED – YEAR ENDED 31 DECEMBER 2021

Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group's financial assets carried at fair value through OCI are listed equity instruments.

## *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

## Impairment

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

## **u) Financial Liabilities**

### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

# Notes to the Consolidated Financial Statements

TITAN MINERALS LIMITED – YEAR ENDED 31 DECEMBER 2021

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and loans and borrowings. The Group has no hedging instruments.

## Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings)

### *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by AASB 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in AASB 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

### *Financial liabilities at amortised cost (loans and borrowings)*

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 13.

### *Derecognition*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

## **v) Issued Capital**

Ordinary share capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.



# Notes to the Consolidated Financial Statements

TITAN MINERALS LIMITED – YEAR ENDED 31 DECEMBER 2021

## w) Foreign currency

### *Foreign currency transactions*

The individual financial statements of each group entity are presented in its functional currency being the currency of the primary economic environment in which the entity operates. For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in United States dollars.

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Exchange differences are recognised in profit or loss in the year in which they arise except that exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur, which form part of the net investment in a foreign operation, are recognised in the foreign currency translation reserve in the consolidated financial statements and recognised in consolidated profit or loss on disposal of the net investment.

### *Foreign operations*

On consolidation, the assets and liabilities of the Consolidated Entity's overseas operations are translated at exchange rates prevailing at the year end closing rate. Income and expense items are translated at the average exchange rates for the year unless exchange rates fluctuate significantly. Exchange differences arising, if any, are recognised in the foreign currency translation reserve, and recognised in profit or loss on disposal of the foreign operation.

## x) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- (i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- (ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

## y) Share-based payments

Equity-settled share-based payments with employees are measured at the fair value of the equity instrument at the grant date. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

# Notes to the Consolidated Financial Statements

TITAN MINERALS LIMITED – YEAR ENDED 31 DECEMBER 2021

## z) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

### Current tax

Current tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other periods and items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting year.

### Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

### Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

## aa) Leases

### **The Group as lessee**

At inception of a contract, the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability are recognised by the Group where the Group is a lessee. However, all contracts that are classified as short-term leases (ie a lease with a remaining

# Notes to the Consolidated Financial Statements

TITAN MINERALS LIMITED – YEAR ENDED 31 DECEMBER 2021

lease term of 12 months or less) and leases of low-value assets are recognised as an operating expenses on a straight-line basis over the term of the lease.

Initially the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate.

Lease payments that may be included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- lease payments under extension options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, any lease payments made at or before the commencement date and any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

## bb) Rounding of Amounts

The Parent Entity has applied the relief available to it under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. Accordingly, amounts in the financial statements have been rounded off to the nearest US\$1,000.

## 3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key estimates that management has made in the process of applying the Group's accounting policies and that have the most significant effects on the amounts recognised in the financial statements.

### (a) *Impairment of property, plant and equipment*

The Group reviews for impairment of property, plant and equipment, in accordance with its accounting policy. The recoverable amount of these assets has been determined based on the higher of the assets' fair value less costs to sell and value in use. These calculations require the use of estimates and judgements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. The Group may engage the assistance of third parties to establish the appropriate valuation techniques and inputs to the valuation model.

### (b) *Exploration expenditure*

The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage that permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility

# Notes to the Consolidated Financial Statements

TITAN MINERALS LIMITED – YEAR ENDED 31 DECEMBER 2021

studies in such areas have not yet concluded. Such capitalised expenditure is carried at the end of the reporting period at \$28,133 thousand.

(c) *Impairment of Exploration expenditure*

The future recoverability of deferred exploration and evaluation expenditure is dependent on several factors, including whether the Group decides to exploit the related tenement/lease/concession itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, costs of drilling and production, production rates, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

(d) *Provision for closure and restoration costs*

A provision for restoration and rehabilitation is recognised when there is a present obligation as a result of development activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the costs of abandoning sites, removing facilities and restoring the affected areas.

The provision for future restoration costs is the best estimate of the present value (including an appropriate discount rate relevant to the time value of money plus any risk premium associated with the liability) of the expenditure required to settle the restoration obligation at the reporting date. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision.

The initial estimate of the restoration and rehabilitation provision is capitalised into the cost of the related asset and amortised on the same basis as the related asset, unless the present obligation arises from the production of inventory in the period, in which case the amount is included in the cost of production for the period. Changes in the estimate of the provision for restoration and rehabilitation are treated in the same manner, except that the unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the cost of the related asset.

## 4. SEGMENT INFORMATION

### Identification of Reportable Segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board (the chief operating decision-maker) in assessing performance and in determining the allocation of resources.

In the prior year, the Group reported two operating segments, being gold sales in Ecuador and Exploration in Ecuador and Peru.

Following the disposal of the gold sales in Ecuador segment as described in Note 7, the Group's principal activities is exploration and development of gold and copper assets in Ecuador. These activities are all located in the same geographical area being Ecuador and Peru. Given there is only one segment being in one geographical area, the financial results from this segment are equivalent to the financial statements of the Consolidated Entity as a whole.

# Notes to the Consolidated Financial Statements

TITAN MINERALS LIMITED – YEAR ENDED 31 DECEMBER 2021

## 5. REVENUE AND EXPENSES

The following is an analysis of the Group's revenue for the year from continuing operations:

	Consolidated	
	31-Dec-21 US \$000's	31-Dec-20 US \$000's
<b>(a) General and Administration expenses</b>		
Compliance expenses	117	288
Insurance costs	104	162
Advertising and investor relations	332	754
Travel and accommodation	32	144
Municipal taxes	-	202
Fines and penalties	-	101
Depreciation and amortisation	53	17
Other Administration costs	1,282	1,127
	<b>1,920</b>	<b>2,795</b>

### (b) Impairment

Impairment expense of totalling \$55 thousand relates to the impairment of VAT in Ecuador no longer considered recoverable.

The prior year included impairment of VAT of \$2,274 thousand and impairment of property, plant and equipment of \$351 thousand.

### (c) Gain / (loss) on extinguishment of financial liabilities

Loss on extinguishment – issue of Titan Mineral Shares	(i)	(1,490)	(3,599)
Gain on extinguishment – issue of financial assets		124	-
Gain on extinguishment – Silverstream liability	(ii)	2,619	-
		<b>1,253</b>	<b>(3,599)</b>

(i) In consideration for the settlement \$4,273 thousand (2020: \$2,966 thousand) of financial liabilities (being loans and associated accrued fees and interest), Titan Minerals Limited issued 67,218,337 shares (2020: 69,521,000 shares). As a result of the settlement of these liabilities in equity, a loss on extinguishment of \$1,490 thousand (2020: \$3,599 thousand) representing the difference between the fair value of the shares at settlement and the carrying value of the loans and interest.

(ii) During the year, the Group agreed to a Deed of Settlement with Silverstream SECZ ("Silverstream") whereby liabilities owed by Titan Minerals Limited of \$2,619 thousand (after payment of US \$1,000 thousand) were extinguished in exchange for a gross smelter royalty over four Peru exploration concessions. The Peru exploration concessions had no carrying value at the date of extinguishment.

### (d) Gain on disposal of subsidiary

During the year the Company completed the restructuring of its Ecuadorian operations. This resulted in the disposal of two Ecuadorian subsidiaries (refer to Note 26). The Management have determined that the operations of these subsidiaries were within the operations of the group and not material to the group. The sale of the subsidiaries is considered a corporate transaction. As such these have not been reported as discontinued operations.

The net gain on disposal represents the net liabilities of the subsidiaries as at 7 June 2021 of US\$5,261 thousand.

# Notes to the Consolidated Financial Statements

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## 6. INCOME TAX EXPENSE

<u>Income tax recognised in profit or loss</u>	Consolidated	
	31-Dec-21 US \$000's	31-Dec-20 US \$000's
Tax expense comprises:		
Current tax expense	-	-
Deferred tax expense	-	-
Total tax expense	-	-

The prima facie income tax expense on pre-tax accounting loss from continuing operations reconciles to the income tax expense in the consolidated financial statements as follows:

(Loss) from continuing operations	(121)	(33,124)
Income tax benefit calculated at 30% (2020: 30% Canada)	36	9,937
Expenses that are (not deductible) / income that is exempt in determining taxable profit	1,886	(6,620)
Effect of different tax rates of subsidiaries operating in other jurisdictions	-	(122)
Tax benefit not recognised as recovery not probable	(1,922)	(3,195)
	-	-

The tax rate used in the above reconciliation is the tax rate of 30% (2020: 30%) payable by Australian corporate entities on taxable profits under Australian tax law. The corporate tax rate in Peru is 29.5%, Canada 27.0% and Ecuador 25.0%.

Deferred tax balances as at 31 December 2021 were not recognised in the consolidated statement of financial position.

The deferred tax balances relate to the Parent entity and the Australian tax group.

The Australian deferred tax assets not recognised relate to the following accounts:

Temporary differences	2,427	926
Tax losses – revenue	12,346	9,482
Tax losses – capital	16,407	16,816
	31,180	27,224

# Notes to the Consolidated Financial Statements

TITAN MINERALS LIMITED – YEAR ENDED 31 DECEMBER 2021

## 7. DISCONTINUED OPERATIONS

### Assets and liabilities classified as held for sale

	Consolidated	
	31 Dec 2021 US \$000's	31 Dec 2020 US \$000's
<b>Assets classified as held for sale</b>		
PP&E – Land surface rights: Zaruma & Portovelo <sup>1</sup>	872	1,145
<b>Liabilities classified as held for sale</b>		
Tax liabilities: Coriorcco and Las Antas	(563)	-
Tax liabilities: Zaruma & Portovelo	(756)	-
Provision for closure and restoration: Zaruma & Portovelo <sup>1</sup>	(1,224)	(1,850)
<b>Net Liabilities classified as held for sale</b>	<b>(1,671)</b>	<b>(705)</b>

- (1) These balances represent the assets and liabilities requiring the legal transfer of title to Pelorus Minerals Limited under the Share Sale Agreement as described below. The transfer process is awaiting completion by the relevant government authorities.

### Profit / (Loss) from discontinued operations

	Consolidated	
	31 Dec 2021 US \$000's	31 Dec 2020 US \$000's
Loss on disposal - Coriorcco and Las Antas (Peru)	-	(325)
Loss on disposal - Vista Gold S.A.C	-	(2,186)
Profit on disposal - Zaruma mine & Portovelo plant (Ecuador)	7,644	(555)
<b>Gain / (Loss) from discontinued operations</b>	<b>7,644</b>	<b>(3,066)</b>

Prior year disclosures have been restated to reflect the results of discontinuing operations.

A summary of the material terms is as follows:

#### Current year:

#### **Zaruma mine & Portovelo plant (Ecuador)**

On 26 July 2021, the Consolidated Group completed the sale of Zaruma mine and Portovelo process plant in Ecuador for US\$15.0 million pursuant to a Share Sale Agreement with Pelorus Minerals Limited.

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

- US\$2.0 million non-refundable cash deposit received on 30 April 2021
- US\$3.5 million Initial Consideration payment received in August 2021
- US\$2.0 million First Deferred Consideration Payment received in September 2021
- US\$2.5 million Second Deferred Consideration Payment, due upon the earlier of:
  - 1 December 2021; and
  - receipt by Pelorus of the capital raising proceeds from its IPO, which Pelorus is proposing to complete by 31 October 2021. However, this was not received as at balance date.
- US\$2.5 million Third Deferred Consideration Payment due by 1 March 2022. As at the date of this report, this has not yet been received.
- US\$2.5 million Fourth Deferred Consideration Payment due by 1 June 2022

# Notes to the Consolidated Financial Statements

## TITAN MINERALS LIMITED – YEAR ENDED 31 DECEMBER 2021

As at 31 December 2021, the consideration amount receivable is \$7,500 thousand. No provision for impairment has been made at the reporting date.

	Year ended 31 Dec 2020 US \$000's	Year ended 31 Dec 2020 US \$000's
<b>Loss for the period from discontinued operations</b>		
Revenue	-	6,025
Cost of goods sold	-	(4,376)
Gross profit	-	1,649
Other expenses	(1,122)	(2,204)
<b>Loss before income tax</b>	<b>(1,122)</b>	<b>(555)</b>
Sale consideration	15,000	-
Less: carrying value at disposal and costs to sell	(5,300)	-
Attributable income tax expense	(934)	-
<b>Net gain on disposal</b>	<b>8,766</b>	<b>-</b>
<b>Profit/(Loss) for the period from discontinued operations (attributable to owners of the company)</b>	<b>7,644</b>	<b>(555)</b>
	Year ended 31 Dec 2021 US \$000's	Year ended 31 Dec 2020 US \$000's
<b>Cash flows from discontinued operations</b>		
Net cash outflows from operating activities	(1,122)	(3,342)

### Prior year:

#### **Coriorcco and Las Antas:**

Western Pacific Resources Corp ("Western Pacific", and subsequently renamed Oro X Limited) acquired Titan's legal and beneficial right, title, and interest in options to acquire: (a) 100% of the legal and beneficial and interest in a 2,000-hectare concession known as the Coriorcco property pursuant to a cession and option agreement; and (b) up to 85% of the legal and beneficial and interest in a 1,400-hectare concession known as the Las Antas Property pursuant to an earn-in agreement (together, the "Properties").

As consideration for the sale of the option rights over the Properties, Titan received:

- (a) cash consideration of US\$1,500,000; and
- (b) 4,250,000 common shares in the capital of Western Pacific (the "Shares").

In the event that Western Pacific exercises its option to acquire the Coriorcco property:

- (a) Western Pacific will grant to Titan a 1% NSR over the Coriorcco property; and
- (b) Western Pacific has agreed to make a conditional payment to Titan (in cash, Shares (priced at a 10-day VWAP of Shares prior to the relevant technical report) or a combination of both, at Western Pacific's option) on the basis of the size of any mineral resource (in the measured and indicated category) that is established on the Coriorcco property in a technical report prepared in accordance with National Instrument 43-101 as follows:
  - (i) US\$1,000,000 (cash and/or shares) if a measured and indicated resource of 500,000 to 999,999 ounces of gold is established;
  - (ii) US\$1,500,000 (cash and/or shares) if a measured and indicated resource of 1,000,000 to 1,499,000 ounces of gold is established; and
  - (iii) US\$2,000,000 (cash and/or shares) if a measured and indicated resource in excess of 1,500,000 ounces of gold is established.



# Notes to the Consolidated Financial Statements

## TITAN MINERALS LIMITED – YEAR ENDED 31 DECEMBER 2021

The transaction was completed during the prior year, with the Group recognising a loss on disposal of the exploration assets after income tax of \$325 thousand.

### Vista Gold Plant:

The sale was completed on 24 December 2020 via the sale 100% of the Group's shares in its wholly owned subsidiary, Vista Gold S.A.C, to AC 081 S.A.C.

The consideration for the sale receivable by Titan is:

- (a) a non-refundable payment of US\$300,000 in cash, received in the prior year
- (b) a further US\$1,000,000 instalment due on 31 December 2020, of which US\$500,000 was received in the prior year and US\$500,000 was received in January 2021.
- (c) further instalments totalling US\$1,670,000 due approximately quarterly over the coming 18 month period.

As at 31 December 2021, the consideration amount receivable is US \$820 thousand.

	Year ended 31 Dec 2021 US \$000's	Year ended 31 Dec 2020 US \$000's
<b>Loss for the period from discontinued operations</b>		
Revenue	-	15,074
Cost of goods sold	-	(13,522)
Gross profit	-	1,552
Other expenses	-	(772)
<b>Profit before income tax</b>	-	<b>780</b>
Loss on disposal	-	(2,966)
Attributable income tax expense	-	-
<b>(Loss) for the period from discontinued operations (attributable to owners of the company)</b>	-	<b>(2,186)</b>
	Year ended 31 Dec 2021 US \$000's	Year ended 31 Dec 2020 US \$000's
<b>Cash flows from discontinued operations</b>		
Net cash inflow from operating activities	-	368

# Notes to the Consolidated Financial Statements

TITAN MINERALS LIMITED – YEAR ENDED 31 DECEMBER 2021

## 8. RECEIVABLES AND PREPAID EXPENSES

	Consolidated	
	31 Dec 2021 US \$000's	31 Dec 2020 US \$000's
<b>CURRENT</b>		
Other receivables	697	293
Prepaid – taxes	-	347
Prepaid – other	91	80
Consideration receivable (refer Note 7)	8,320	1,700
Advances – suppliers	-	81
	<b>9,108</b>	<b>2,501</b>
<b>NON CURRENT</b>		
Other receivables <sup>1</sup>	1,783	-
Consideration receivable (refer Note 7)	-	470
	<b>1,783</b>	<b>470</b>

The Group does not hold any trade receivables as at 31 December 2021 (2020: nil). None of the receivables disclosed above are past due or impaired, other than as described in Note 7.

- (1) Other receivables (non-current) relate to VAT recoverable from foreign taxation authorities. The recoverability of this VAT is based on the commencement of mining operations and as such, have been classified as non-current assets.

## 9. FINANCIAL ASSETS

	Consolidated	
	31 Dec 2021 US \$000's	31 Dec 2020 US \$000's
Shares in listed entities	228	2,300
	<b>228</b>	<b>2,300</b>

The shares held as at 31 December 2021 was 1.0 million shares (2020: 4.25 million shares) in Silver X Mining Corp (TSXV: AGX).

These shares are classified as at fair value through profit or loss. These financial assets have been valued based on the share price at the reporting date (Level 1).

# Notes to the Consolidated Financial Statements

TITAN MINERALS LIMITED – YEAR ENDED 31 DECEMBER 2021

## 10. PROPERTIES, PLANT AND EQUIPMENT

Amounts denominated in US \$000's	Zaruma Mines	Plant and Equipment	Dynasty Goldfields	Land and Buildings	Total
<b>Cost:</b>					
<b>Balance as at 31 December 2019</b>	<b>29,104</b>	<b>34,350</b>	<b>15,041</b>	<b>3,129</b>	<b>81,624</b>
Additions	-	36	-	-	36
Right of use asset – head office lease	-	-	-	80	80
Acquired as part of business combination	-	48	-	-	48
Transferred to held for sale assets	(29,104)	(34,350)	-	(2,791)	(66,245)
Transferred to exploration and evaluation	-	-	(15,041)	-	(15,041)
<b>Balance as at 31 December 2020</b>	<b>-</b>	<b>84</b>	<b>-</b>	<b>418</b>	<b>502</b>
Additions	-	133	-	-	133
Disposed	-	-	-	(418)	(418)
<b>Balance as at 31 December 2021</b>	<b>-</b>	<b>217</b>	<b>-</b>	<b>-</b>	<b>217</b>
<b>Accumulated Depreciation and Amortisation:</b>					
<b>Balance as at 31 December 2019</b>	<b>(29,104)</b>	<b>(34,350)</b>	<b>(792)</b>	<b>(360)</b>	<b>(64,606)</b>
Depreciation and amortisation / impairment	-	(9)	(54)	(1,303)	(1,366)
Acquired as part of business combination	-	(4)	-	-	(4)
Transferred to held for sale assets	29,104	34,350	-	1,646	65,100
Transferred to exploration and evaluation	-	-	846	-	846
<b>Balance as at 31 December 2020</b>	<b>-</b>	<b>(13)</b>	<b>-</b>	<b>(17)</b>	<b>(30)</b>
Depreciation and amortisation	-	(33)	-	(20)	(53)
Disposed	-	-	-	37	37
<b>Balance as at 31 December 2021</b>	<b>-</b>	<b>(46)</b>	<b>-</b>	<b>-</b>	<b>(46)</b>
<b>Net Book Value</b>					
<b>As at 31 December 2020</b>	<b>-</b>	<b>71</b>	<b>-</b>	<b>401</b>	<b>472</b>
<b>As at 31 December 2021</b>	<b>-</b>	<b>171</b>	<b>-</b>	<b>-</b>	<b>171</b>

# Notes to the Consolidated Financial Statements

TITAN MINERALS LIMITED – YEAR ENDED 31 DECEMBER 2021

## 11. EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	31 Dec 2021 US \$000's	31 Dec 2020 US \$000's
Capitalised exploration and evaluation expenditure	28,133	18,374
Reconciliation of the carrying amounts of exploration and evaluation assets at the beginning and end of the current financial year:		
Carrying amount at the beginning of the year	18,374	248
- additions	9,814	3,719
- acquisitions through business combination (Peru)	-	3,492
- impairment	(55)	-
- disposals	-	(3,280)
- transferred from property, plant and equipment	-	14,195
Carrying amount at the end of the year	28,133	18,374

## 12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Consolidated	
	31 Dec 2021 US \$000's	31 Dec 2020 US \$000's
<b>CURRENT</b>		
Trade payable	5,948	9,602
Government payable – IVA, Taxes, Royalty, Concessions	249	202
Other payables	355	1,203
	<b>6,552</b>	<b>11,007</b>

Certain trade payables in Ecuador are on deferred payment terms with payment plans agreed between the Company's subsidiaries and a number of suppliers. Other than the above, creditors are typically settled within standard credit terms of 45 days.

Other payables include employee liabilities, social security and PAYG.

## 13. LOANS PAYABLE

	Consolidated	
	31 Dec 2021 US \$000's	31 Dec 2020 US \$000's
<b>CURRENT</b>		
Silverstream SECZ loan (i)	-	2,619
Sophisticated and professional investors loan – December 2020 (ii)	-	3,200
Sophisticated and professional investors loan – August 2021 (iii)	1,088	-
	<b>1,088</b>	<b>5,819</b>

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# Notes to the Consolidated Financial Statements

TITAN MINERALS LIMITED – YEAR ENDED 31 DECEMBER 2021

## (i) Silverstream SECZ Loan

As described in Note 5(c)(ii), Titan completed a settlement agreement with Silverstream SEZC whose parent company is Vox Royalty Corp. whereby Titan paid US\$1.0 million in full and final settlement of the Silverstream SEZC loan. As part of the agreement Titan received royalties in advance on four prospective tenement or concession areas held by Titan subsidiaries in Peru. A 3% revenue royalty is payable on any production from these four concession areas.

## (ii) Sophisticated and professional investors – December 2020

On 21 December 2020, the Group entered into a secured debt facility with a group of sophisticated and professional investors.

The material terms of the debt facility are:

- Amount: AUD \$4,155,280
- Interest: 15% interest per annum payable at the repayment date.
- Security: the Loan amount is secured against the Dynasty Gold, Copper Duke & Linderos assets of Titan in Ecuador.
- Repayment: the Company must repay the Loan Amount it has drawn and all other amounts accrued or outstanding by 28 February 2022 (Termination Date).

This facility was fully repaid during the year.

## (iii) Sophisticated and professional investors – August 2021

In August 2021, the Group entered into an unsecured debt facility with a group of sophisticated and professional investors.

The material terms of the debt facility are:

- Amount: A\$1,500,000
- Repayment date: 1 April 2022
- Interest: 15% per annum payable at repayment date
- Facility establishment fee: 5%

### **Finance costs:**

#### Sophisticated and professional investors – December 2020

During the year, interest of A\$412 thousand (US\$309 thousand) was repaid at settlement.

#### RM Hunter Fund Pty Ltd

On 2 January 2020 Titan entered into an unsecured debt facility with RM Hunter Fund Pty Ltd, an entity controlled by Mr Raymond Meadowcroft, an experienced debt funding investor.

The key terms of the Loan Facility are:

- the amount available to be drawn is US\$10 million;
- amounts drawn may be repaid and redrawn over the term;
- repayment date has been extended to 31 December 2021;
- the interest rate on amounts drawn is 12% per annum (and no interest or fees accrue on undrawn amounts);
- Titan can use the amounts drawn as it chooses;
- no security has been, or is required to be, provided to the Lenders in connection with the Loan Facility; and
- as consideration for the Lenders agreeing to provide the Loan Facility, Titan issued to the Lenders fully paid ordinary shares in Titan having an aggregate value equal to US\$500,000, which is 5% of the total loan amount. These shares were issued on 24 August 2020.

# Notes to the Consolidated Financial Statements

TITAN MINERALS LIMITED – YEAR ENDED 31 DECEMBER 2021

During the year, the Company drew down US\$1.1 million of this loan, and repaid during the year via the issue of 15,000,000 shares in Titan Minerals Limited. Interest of US\$82 thousand was paid in cash as part of settlement.

## Director loan

During the year, the Group received a loan from Director Matthew Carr of AUD \$660,000, under the following terms:

- Interest of 12% per annum;
- Unsecured; and
- Repayment date: within 10 business day of 1 December 2021

Following obtaining shareholder approval on 8 December 2021, the loan and accrued interest was settled via the issue of 7,157,723 shares (valued at A\$751,561) in Titan Minerals Limited. The interest component on this amount was A\$62 thousand (US\$47 thousand).

## Sophisticated and professional investors – August 2021

As at 31 December 2021, A\$76 thousand (US\$55 thousand) of interest was accrued in relation to the current loan from sophisticated and professional investors and recognised as finance costs. Facility establishment fees of A\$75 thousand (US\$56 thousand) were paid during the year and recognised as finance costs.

## 14. ISSUED CAPITAL

### (a) Issued capital reconciliation

Issued capital	31 December 2021	
	Number	US \$000's
Ordinary shares fully paid	1,409,720,582	170,383
<b>Movements in shares on issue</b>		
Balance at the beginning of the financial year	1,139,452,483	150,494
Shares issued 26 July 2021 to lenders and suppliers in lieu of cash	21,060,927	1,861
Shares issued 8 October 2021 to lenders in lieu of cash	27,800,137	2,346
Shares issued 13 October 2021 for share placement	180,000,000	13,212
Shares issued 14 October 2021 to lenders and suppliers in lieu of cash	23,000,000	1,810
Shares issued 22 December 2021 to suppliers in lieu of cash	9,399,762	670
Shares issued 31 December 2021 for Director participation in share placement	1,850,000	134
Shares issued 31 December 2021 to lenders in lieu of cash	7,157,273	545
Less: capital raising costs	-	(689)
<b>Balance at end of the year</b>	<b>1,409,720,582</b>	<b>170,383</b>

### Terms and conditions of contributed equity

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

# Notes to the Consolidated Financial Statements

TITAN MINERALS LIMITED – YEAR ENDED 31 DECEMBER 2021

## (b) Shares under option – unlisted

Recipient	Number of shares under option	Exercise Price AUD \$	Expiry date	Vested
Canaccord Genuity (Australia) Limited	10,000,000	\$0.125	31 Dec 2023	100%
Canaccord Genuity (Australia) Limited	10,000,000	\$0.175	31 Dec 2023	100%
Canaccord Genuity (Australia) Limited	14,000,000	\$0.15	31 Dec 2023	100%
Directors, Management and Consultants	57,120,000	\$0.0001	24 August 2024	0%

As at 31 December 2021, there are 34,000,000 unlisted options issued to corporate advisors, and 57,120,000 incentive options issued to Directors, Managements and Consultants (refer Note 24 for further details).

Unquoted share options granted carry no rights to dividends and no voting rights and details of the movement in unissued shares or interests under option as at the date of this report are:

	Number of Options (Unlisted)
<b>Total number of options outstanding as at 1 January 2021</b>	<b>75,620,000</b>
Share options issued	21,500,000
Share options cancelled	(1,500,000)
Share options expired	(4,500,000)
<b>Total number of options outstanding as at 31 December 2021</b>	<b>91,120,000</b>

No options were exercised during the year.

	Number of Performance Rights)
<b>Total number of performance rights outstanding as at 1 January 2021</b>	<b>15,000,000</b>
Performance rights expired	(15,000,000)
<b>Total number of performance rights outstanding as at 31 December 2021</b>	<b>-</b>

## 15. RESERVES

	Consolidated	
	31-Dec-21 US \$000's	31-Dec-20 US \$000's
Share based payments reserve	21,404	20,372
Foreign currency translation reserve	713	(414)
	<b>22,117</b>	<b>19,958</b>
<i>Movements in Share based payments reserve</i>		
At the beginning of the financial year	20,372	16,437
Share based payments for the year	1,032	3,900
Transfer from convertible debenture reserve	-	35
	<b>21,404</b>	<b>20,372</b>

# Notes to the Consolidated Financial Statements

## TITAN MINERALS LIMITED – YEAR ENDED 31 DECEMBER 2021

The share based payments reserve is used to accumulate the fair value of share based payments issued, including options and performance rights.

	Consolidated	
	31-Dec-21	31-Dec-20
<i>Movements in Foreign currency translation reserve</i>		
At the beginning of the financial year	(414)	-
Movement	1,127	(414)
	<b>713</b>	<b>(414)</b>

### 16. EARNINGS PER SHARE

	Consolidated	
	31-Dec-21	31-Dec-20
	Cents	Cents
Basic and diluted earnings per share from continuing operations	(0.01)	(2.934)
	<b>US \$000's</b>	<b>US \$000's</b>
Loss from Continuing Operations Attributable to Equity Holders of Titan Minerals Ltd	(121)	(32,569)
	<b>No.</b>	<b>No.</b>
Weighted average number of ordinary shares used in the calculation of basic EPS	1,199,032,047	1,110,085,798
Potential ordinary shares not considered to be dilutive at year end	-	-
	<b>Cents</b>	<b>Cents</b>
Basic and diluted earnings / (loss) per share from discontinued operations	0.638	(0.276)
	<b>US \$000's</b>	<b>US \$000's</b>
Profit / (Loss) from Discontinued Operations Attributable to Equity Holders of Titan Minerals Ltd	7,644	(3,066)
	<b>No.</b>	<b>No.</b>
Weighted average number of ordinary shares used in the calculation of basic EPS	1,199,032,047	1,110,085,798
Potential ordinary shares not considered to be dilutive at year end	-	-

There were no potential ordinary shares considered to be dilutive at year end.



# Notes to the Consolidated Financial Statements

TITAN MINERALS LIMITED – YEAR ENDED 31 DECEMBER 2021

## 17. SUBSIDIARIES

Name of entity	Country of incorporation	Ownership interest 2021	Ownership interest 2020	Principal Activity
Mundo Minerals USA Inc	USA	100%	100%	Administrative holding company
Compañía Minera Austrandina S.A.C	Peru	100%	100%	Administrative holding company
Compañía Minera Santa Raquel S.A.C	Peru	100%	100%	Administrative holding company
Compañía Minera Santa Carmela S.A.C	Peru	100%	100%	Administrative holding company
Andina Resources Limited	Australia	100%	100%	Administrative holding company
Mantle Mining S.A.C	Peru	100%	100%	Administrative holding company
Andean Metals S.A.C	Peru	100%	100%	Administrative holding company
Porphyry Assets S.A.C	Peru	100%	100%	Administrative holding company
Core Gold Inc.	Canada	100%	100%	Holding company
1165412 B.C. Ltd	Canada	-%	100%	Holding company
GV Gold Holdings Limited	Canada	-%	100%	Holding company
Empire Sun Investment Limited	British Virgin Islands	100%	100%	Holding company
Elipe S.A	Ecuador	-	100%	Mineral exploration and concession holder
Green Valley Resources – GVR S.A	Ecuador	-	100%	Plant operator and producer
Golden Valley Planta S.A.	Ecuador	100%	100%	Plant owner
Greentrade Ecuador Overseas Inc.	Panama	100%	100%	Holding company
Minsupport S.A.(in administration)	Ecuador	100%	100%	General and administration
Helles Mining Corp	Ecuador	100%	-	Mineral concession holder
Mooro Mining Inc.	Ecuador	100%	-	Mineral concession holder
Black Flag Minerals Inc.	Ecuador	100%	-	Mineral concession holder
Cloudstreet International Corp.	Ecuador	100%	-	Mineral concession holder
Titan Minerals S.A.S.	Ecuador	100%	100%	Operating company for exploration services
NEK Development Corp.	Panama	100%	100%	Mineral concession holder

## 18. CONTINGENCIES AND COMMITMENTS

All contingent liabilities as previously disclosed in the annual financial statement as at 31 December 2020, were disposed of with the relinquishment of control over certain Ecuadorian subsidiaries. The Ecuadorian restructuring is detailed in Note 26 below.

The Group has no other significant commitments or contingent liabilities as at 31 December 2021.

# Notes to the Consolidated Financial Statements

TITAN MINERALS LIMITED – YEAR ENDED 31 DECEMBER 2021

## 19. NOTES TO THE CASH FLOW STATEMENT

### (a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money markets instruments. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

	Consolidated	
	31-Dec-21 US \$000's	31-Dec-20 US \$000's
Cash at bank and deposits at call	7,377	2,772
Cash in transit	1,385	500
	8,762	3,272

### (b) Reconciliation of loss for the year to net cash flows used in operating

Profit / (Loss) for the year	7,523	(35,635)
Adjustments for:		
Depreciation and amortisation of non-current assets	53	1,175
Share based payments	1,070	3,607
Foreign exchange	(421)	50
Finance costs	190	936
Finance costs – Asset Retirement Obligations	-	136
Impairment	55	2,625
Gain/Loss on extinguishment of financial liabilities	(1,253)	3,599
Fair value movement of financial assets	1,073	(538)
Derivative liability gain – warrants	-	(70)
Corporate Transaction Expense	-	17,677
Profit on disposal of property, plant and equipment	(399)	-
Gain on disposal of subsidiaries	(5,261)	-
<i>(Increase)/decrease in assets:</i>		
Trade and other receivables, prepaid expenses and long-term assets	(7,920)	(818)
Inventories	95	1,048
<i>Increase/(decrease) in liabilities:</i>		
Trade and other payables	(4,363)	(2,882)
Current tax liability	756	564
Net cash used in operating activities	(8,802)	(8,526)

# Notes to the Consolidated Financial Statements

TITAN MINERALS LIMITED – YEAR ENDED 31 DECEMBER 2021

## (c) Non-cash financing and investing activities

During the year, a total of US \$4,272 thousand of financial liabilities, fees and interest was settled in equity. As a result of the settlement of these liabilities in equity, the Company recognised a loss on extinguishment of US \$1,491 thousand.

Other liabilities of US \$320 thousand were paid with investments in listed entities. As a result of the settlement of these liabilities in financial assets, the Company recognised a gain on extinguishment of US \$105 thousand.

As part of the deed of settlement with Silverstream SECZ as described in Note 5(c), the Company extinguished liabilities of US \$2,619 thousand in exchange for a gross smelter return royalty over four Peru exploration concessions.

There were no other non-cash financing activities.

## 20. EVENTS AFTER THE REPORTING PERIOD

There have not been any matters or circumstances that have arisen since the end of the financial year, that have significantly affected or may significantly affect, the operations of the Group, the results of the operations, or the state of the affairs of the Group in the future financial years.

## 21. KEY MANAGEMENT PERSONNEL

	31-Dec-21 US \$000's	31-Dec-20 US \$000's
Remuneration of key management personnel		
Short term employee benefits	746,652	672,023
Post-employment benefits	24,447	13,087
Share based payments	955,066	1,611,760
Termination benefits	67,030	-
	<u>1,793,195</u>	<u>2,296,870</u>

The disclosure above represents the full financial years ending 31 December 2021 and 31 December 2020 for the key management personnel of Titan Minerals Limited.

### Other transactions:

As described in Note 13, during the year, the Group received a loan from Director Matthew Carr of \$660,000 AUD.

Following obtaining shareholder approval on 8 December 2021, the loan and accrued interest was settled via the issue of 7,157,723 shares in Titan Minerals Limited. The interest component on this amount was A\$62 thousand (US\$47 thousand).

Refer to the Remuneration Report on pages 7 to 10 of the Directors Report for further details.

# Notes to the Consolidated Financial Statements

TITAN MINERALS LIMITED – YEAR ENDED 31 DECEMBER 2021

## 22. RELATED PARTY TRANSACTIONS

### a) Subsidiaries

The ultimate parent entity of the group is Titan Minerals Limited. Details of the ownership of ordinary shares held in subsidiaries are disclosed in Note 17 to the Consolidated Financial Statements. Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in the Note. Details of transactions between the Group and other related parties, if any, are disclosed below.

Transactions and balances between the Company and its subsidiaries were eliminated in the preparation of consolidated financial statements of the Group.

### b) Parent entity

The ultimate parent entity of the Group is Titan Minerals Limited. The Statement of Comprehensive Income and Financial position on the parent entity are summarised below:

	Parent	
	31-Dec-21 US \$000's	31-Dec-20 US \$000's
<b>Statement of Financial Position</b>		
Current assets	7,772	2,259
Non-current assets	228	2,458
<b>Total assets</b>	<b>8,000</b>	<b>4,717</b>
Current liabilities	1,929	6,473
Non-current liabilities	14,374	4,701
<b>Total liabilities</b>	<b>16,303</b>	<b>11,174</b>
<b>Net Assets</b>	<b>(8,303)</b>	<b>(6,457)</b>
Issued capital	181,810	161,920
Reserves	7,789	5,668
Accumulated losses	(197,902)	(174,045)
<b>Shareholder Equity</b>	<b>(8,303)</b>	<b>(6,457)</b>
<b>Parent</b>		
	<b>31-Dec-21</b>	<b>31-Dec-20</b>
	<b>US \$000's</b>	<b>US \$000's</b>
<b>Statement of Comprehensive Income</b>		
Loss after tax	(23,857)	(83,356)
<b>Total comprehensive loss</b>	<b>(23,857)</b>	<b>(83,356)</b>
c) Expenditure commitments by the parent entity:		
Not longer than 1 year	-	-
Longer than 1 year and not longer than 5 years	-	-

There are no material guarantees by the Parent Company to its subsidiaries.

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# Notes to the Consolidated Financial Statements

TITAN MINERALS LIMITED – YEAR ENDED 31 DECEMBER 2021

## 23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, price and foreign exchange risks and ageing analysis for credit and liquidity risk.

Risk management is carried out by senior management under direction of the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas. The consolidated entity is not materially exposed to changes in interest rates in its activities.

The material financial instruments to which the Group has exposure include:

- (i) Cash and short-term deposits;
- (ii) Trade and other receivables;
- (iii) Financial assets
- (iv) Accounts payable
- (v) Borrowings

The carrying values of these financial instruments approximate their fair values. The carrying values of the Group's financial instruments are as follows:

	31-Dec-21	31-Dec-20
	US \$000's	US \$000's
<b>Financial Assets</b>		
Cash and Cash Equivalents	8,762	3,272
Receivables	9,108 <sup>1</sup>	2,463
Financial assets	228	2,300
<b>Total Financial Assets</b>	<b>18,098</b>	<b>8,035</b>
<b>Financial Liabilities</b>		
Trade and other payables	5,948	11,007
Borrowings	1,088	5,892
<b>Total Financial Liabilities</b>	<b>7,036</b>	<b>16,899</b>
<b>Net Exposure</b>	<b>11,062</b>	<b>(8,864)</b>

(1) Excludes VAT receivable of US \$1,783 thousand.

The table reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity as well as management's expectations of settlement period for all other financial instruments.

	31-Dec-21	31-Dec-20
	US \$000's	US \$000's
<i>Receivables and prepaid expenses maturing as follows:</i>		
Less than 6 months	9,108	1,993
6 months to 1 year	-	-
Later than 1 year but not longer than 5 years	-	470
Over 5 years	-	-
	<b>9,108</b>	<b>2,463</b>
<i>Trade and other payables maturing as follows:</i>		
Less than 6 months	5,948	11,007
6 months to 1 year	-	-
Later than 1 year but not longer than 5 years	-	-
Over 5 years	-	-
	<b>5,948</b>	<b>11,007</b>

# Notes to the Consolidated Financial Statements

TITAN MINERALS LIMITED – YEAR ENDED 31 DECEMBER 2021

	31-Dec-21 US \$000's	31-Dec-20 US \$000's
<i>Borrowings maturing as follows:</i>		
Less than 6 months	1,088	5,830
6 months to 1 year	-	11
Later than 1 year but not longer than 5 years	-	51
Over 5 years	-	-
	1,088	5,892

## (a) Market Risk

### Foreign Exchange Risk

The Group operates internationally and is exposed to foreign exchange risk arising primarily from its parent company operating in Australian dollars and raising equity on the ASX in Australian dollars while its principal operations are all denominated in US dollars.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency of US dollars.

The carrying amounts of the Group's foreign currency denominated assets and monetary liabilities at the end of the reporting year are as follows:

	Assets		Liabilities	
	31-Dec-21 US\$ 000's	31-Dec-20 US\$ 000's	31-Dec-21 US\$ 000's	31-Dec-20 US\$ 000's
Australian dollars (AUD)	1,992	2,463	(1,566)	(4,570)
Canadian dollars (CAD)	1	23	(2,019)	(2,699)

### Interest Rate Risk

All the consolidated entity's financial instruments that are exposed to interest rate risk are either non-interest bearing, bear interest at commercial interest rates or at fixed rates. The weighted average interest rate on cash and short-term deposits at 31 December 2021 was 0.05% (31 December 2020: 0.05%). All trade and other receivables, other financial assets and trade payables are non-interest bearing.

Interest bearing liabilities include short term loans. The interest rate on short term loans payable is currently 15.0% (2020:15%), refer Note 13. A change in interest rate on short term loans of +/- 1.0% would result in an increase (decrease) in interest expenses of US \$11 thousand.

## (b) Credit Risk

Financial instruments, which potentially subject the consolidated entity to credit risk, consist primarily of cash and short-term deposits. Credit risk on cash, short term deposits and trade receivables is largely minimised by dealing with companies with acceptable credit ratings.

The group is exposed to credit risk with regard to the consideration receivable from the Zaruma/Portovelo sale and the Vista Gold SAC sale (refer Notes 7 and 8) totalling US\$8.3 million. Titan has assessed the credit risk of the purchaser and concluded that there is no impairment of the receivable as at 31 December 2021.

The consolidated entity has no reason to believe credit losses will arise from any of the above financial instruments. However, the maximum amount of loss, which may possibly be realised, is the carrying amount of the financial instrument.

# Notes to the Consolidated Financial Statements

TITAN MINERALS LIMITED – YEAR ENDED 31 DECEMBER 2021

Cash in Australia is held with National Australia Bank Limited which is an appropriate financial institution with an external credit rating of AA-. Cash in Ecuador is held with Banco Pichincha Quito Ecuador which is an appropriate financial institution with an external credit rating of B-.

## (c) Liquidity Risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. Management monitors the rolling forecasts of the Group's cash and fair value assets based on expected cash flows. This is generally carried out at a local level in the operating companies of the Group in accordance with the practise and limits set by the Group.

## (d) Capital Risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that the Group can continue to maintain a suitable capital structure and fulfil the objectives of the Group.

## 24. SHARE-BASED PAYMENTS

### Incentive Options

	31 December 2021
	Number
Incentive Options	57,120,000
	<b>57,120,000</b>
<b>Movements in incentive options</b>	
Balance at the beginning of the year	37,120,000
Issued on 8 December 2021 – Directors and staff	21,500,000
Cancelled during the year	(1,500,000)
Balance at the end of the year	<b>57,120,000</b>

During the year, the Company issued incentive options with the following terms to Directors and staff.

Vesting category	Vesting Condition	Options	Exercise Price (AUD)	Expiry Date
A	The Company announcing on its ASX Market Announcements Platform a minimum 2,000,000 ounces of gold (Au) or gold equivalent (in accordance with clause 50 of the JORC code) at the Dynasty Gold Project in Ecuador.	5,375,000	\$0.0001	24 August 2024
B	The Company announcing on its ASX Market Announcements Platform a minimum 2,500,000 ounces of gold (Au) or gold equivalent (in accordance with clause 50 of the JORC code) at the Dynasty Gold Project in Ecuador.	5,375,000	\$0.0001	24 August 2024
C	The VWAP of Company Shares is at least \$0.15 for 10 consecutive trading days	5,375,000	\$0.0001	24 August 2024
D	The VWAP of Company Shares is at least \$0.30 for 10 consecutive trading days or at 24 months after the issue of the Incentive Options.	5,375,000	\$0.0001	24 August 2024

# Notes to the Consolidated Financial Statements

TITAN MINERALS LIMITED – YEAR ENDED 31 DECEMBER 2021

Below is a summary of the key inputs and valuation methodology of the incentive options issued:

Directors, Key Management Personnel and Consultants – granted on 8 December 2021

Vesting Category	A	B	C	D
Valuation model	Black-Scholes	Black-Scholes	Hoadleys Hybrid ESO Model	Hoadleys Hybrid ESO Model
Options exercisable at (AUD):	\$0.0001	\$0.0001	\$0.0001	\$0.0001
Grant date	8 December 2021	8 December 2021	8 December 2021	8 December 2021
Expiry date	24 August 2024	24 August 2024	24 August 2024	24 August 2024
Estimated volatility	90%	90%	90%	90%
Risk-free interest rate	1.16%	1.16%	1.16%	1.16%
Fair value (AUD):	\$0.099	\$0.099	\$0.0677	\$0.05

## Expenses Arising from Share-based Payment Transactions

Total expenses arising from share-based payment transactions recognised during the year were as follows:

	31-Dec-21 \$000's USD	31-Dec-20 \$000's USD
Performance rights	20	16
Incentive options	1,050	1,671
Options	-	1,920
<b>Total share-based payments expense</b>	<b>1,070</b>	<b>3,607</b>
Impact of foreign exchange translation	(38)	293
<b>Total share based payments impact on the share based payment reserve</b>	<b>1,032</b>	<b>3,900</b>

During the year, the Company issued shares to the lead manager and consultants for services rendered. The fair value of these shares amounted to US \$1,640 thousand, which have been allocated to:

- Professional fees:..... US \$1,049 thousand
- Capital raising costs: ..... US \$591 thousand

## 25. REMUNERATION OF AUDITORS

	31-Dec-21 \$000's USD	31-Dec-20 \$000's USD
<i>Auditor of the consolidated entity</i>		
Audit and review of the annual and half year financial report	107	125
Audit and review of other financial reports	-	-
	<b>107</b>	<b>125</b>
<i>Other auditors</i>		
Audit or review of the financial report	92	182



# Notes to the Consolidated Financial Statements

TITAN MINERALS LIMITED – YEAR ENDED 31 DECEMBER 2021

## 26. BUSINESS REORGANISATION & SUBSIDIARIES

On 9 June 2021 the Company announced it had completed a restructuring of its Ecuadorian operations as part of its strategic review. The following key subsidiary companies of the Titan consolidated group were impacted:

Wholly owned Panamanian subsidiaries with Ecuadorian branches – entities which now hold Ecuadorian projects and mining concessions which are being retained by Titan:

- NEK Development Corp. – Dynasty Gold project
- Helles Mining Corp. – Copper Duke project
- Mooro Mining Inc. – Linderos project
- Black Flag Minerals Inc. – Copperfield project
- Cloudstreet International Corp. – Jerusalem Gold project

Wholly owned Panamanian subsidiaries (of NEK Development Corp.) with Ecuadorian branches – entities sold as part of the Zaruma mine sale (refer Note 7):

- Round House Mining Inc. – Zone 1
- Third Ridge Corp. – Zone 3
- Block Minerals Corp. – Los Cipreces
- Bulla Resources Corp. – Machay

Wholly owned Ecuadorian subsidiaries (of Titan Minerals Limited) – entities sold as part of the Zaruma mine & Portovelo plant sale (refer Note 7):

- Lone Pine S.A.S. – Zone 2
- Hartog S.A.S. – Zone 4
- Sugarloaf S.A.S. – Malvas 1
- Sandlewood AU25 S.A.S. – Portovelo plant and related assets (being transferred)

Wholly owned Ecuadorian subsidiary (of Titan Minerals Limited) – the main operating and service company in Ecuador, which employs the majority of the local staff:

- Titan Minerals S.A.S.

Previous wholly owned Ecuadorian subsidiaries, per the acquisition of Core Gold consolidated group. Control was relinquished on the transfer of concessions and completion of the business reorganisation\* :

- Green Valley Resources GVR S.A. (in administration)
- Elipe S.A. (in administration)

\* the intermediate Canadian holding companies., 1165412 B.C. Ltd and GV Gold Holdings Limited were also disposed of.

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
TITAN MINERALS LIMITED**

**Report on the Audit of the Financial Report**

**Opinion**

We have audited the financial report of Titan Minerals Limited ("the Company"), and its subsidiaries ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

**Basis for Opinion**

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Material Uncertainty Relating to Going Concern**

Without modifying our audit opinion expressed above, attention is drawn to the following matter.

As referred to in Note 2(g) to the financial statements, the consolidated financial statements have been prepared on the going concern basis. At 31 December 2021, the Group had cash and cash equivalents of US\$8,762,000, and incurred a loss from continuing operations after income tax of US\$121,000 and had net operating cash outflows of US\$8,802,000. These events or conditions, along with other matters as set

forth in Note 2(g) indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

The ability of the Group to continue as a going concern and meet its planned exploration, administration and other commitments is dependent upon the Group receiving the outstanding balances from the sale of Projects amounting to US\$8,320,000, raising further working capital, successfully recommencing profitable operations and/or exploiting the Group's mineral and other assets. The recent market uncertainty arising from the financial effects of the COVID-19 virus, may impact on the Group's ability to raise further working capital and or to commence profitable operations.

In the event that the Group is not successful in receiving the outstanding balances from the sale of Projects, raising further equity or successfully recommencing profitable operations and /or exploiting the Group's mineral and other assets, the Group may not be able to meet its liabilities as and when they fall due and the realisable value of the Group's current and non-current assets may be significantly less than book values.

### **Key Audit Matters**

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be Key Audit Matter to be communicated in our report.

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How the matter was addressed in the audit
<p><b><i>Carrying Value of Exploration and Evaluation Assets</i></b></p> <p>The Group has capitalised exploration and evaluation expenditure totalling US\$28,133,000 (refer to Note 11) in terms of the application of the Group's accounting policy for exploration and evaluation expenditure, as set out in Note 2(n).</p> <p>The carrying value of Capitalised Exploration and Evaluation expenditure is a key audit matter due to:</p> <ul style="list-style-type: none"> <li>• The significance of the total balance (54% of total assets);</li> <li>• The necessity to assess management's application of the requirements of the accounting standard <i>Exploration for and Evaluation of Mineral Resources</i> ("AASB 6"), in light of any indicators of impairment that may be present;</li> <li>• The assessment of significant judgements made by management in relation to the Capitalised Exploration and Evaluation Expenditure.</li> </ul>	<p>Inter alia, our audit procedures included the following:</p> <ol style="list-style-type: none"> <li>Assessing the Group's right to tenure over exploration areas of interest by corroborating the ownership of the relevant licences for mineral resources to government registries and relevant third party documentation;</li> <li>We tested the additions to capitalised exploration and evaluation expenditure by evaluating a sample of recorded expenditure for consistency to the underlying records, the capitalisation requirements of the Group's accounting policy and requirements of AASB 6;</li> <li>Reviewing the directors' assessment of the carrying value of the exploration and evaluation expenditure, ensuring the veracity of the data presented and that management has considered the effect of potential impairment indicators, commodity prices and the stage of the Group's projects against AASB 6;</li> </ol>

- iv. Evaluation of Group documents for consistency with the intentions for the continuing of exploration and evaluation activities in certain areas of interest and corroborated with enquiries of management. Inter alia, the documents we evaluated included:
- Minutes of meetings of the board and management;
  - Announcements made by the Company to the Australian Securities Exchange;
  - Cash forecasts; and
  - Agreements entered into by the Company in relation to disposal of exploration and evaluation assets.
- v. Consideration of the requirements of accounting standard AASB 6. We assessed the financial statements in relation to AASB 6 to ensure appropriate disclosures are made.

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**Valuation of Share Based Payments**

As disclosed in Note 24, during the year the Company granted a number of share options and performance rights to employees, directors, and consultants to conserve cash and provide them with long-term incentives. Certain share options were cancelled during the year.

The Company and an independent consultant of the Company prepared the valuation of the options and expensed the related share-based payment expense in accordance with its accounting policy and with AASB 2 *Share Based Payment* ("AASB 2") in the consolidated statement of profit or loss and other comprehensive income.

Accounting for share-based payments was identified as a key audit matter due to the complexity and judgemental estimates used in determining the fair value of the share-based payments.

Inter alia, our audit procedures included the following:

- i. Reviewing the relevant agreements to obtain an understanding of the contractual nature and terms and conditions of the share-based payment arrangements;
  - ii. Reviewing management's determination of the fair value of the share-based payments granted, considering the appropriateness of the valuation models used and assessing the valuation inputs, the underlying assumptions used and discussed with management the justification for inputs used (share price of the underlying equity, risk free rate and volatility);
  - iii. Assessing the allocation of the share-based payment expense over the relevant vesting period;
  - iv. We assessed the accounting treatment and its application in accordance with AASB 2; and
  - v. We assessed whether the Group's disclosures met the requirements of accounting standards.
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**Issued Capital**

As disclosed in Note 14, the Group's Issued Capital amounted to US\$170,383,000. During the reporting period, 270,286,099 ordinary shares were issued resulting in an increase in Issued Capital of US\$19,889,000 (net of capital raising costs). The shares issued during the year included a share placement, shares issued to settle liabilities (including repayment of Debt Facilities) and for consulting services.

Contributed Equity is a key audit matter due to:

- the quantum of share capital issued during the year; and
- the varied nature of the movements during the year.

We spent significant audit effort on ensuring the Issued Capital was appropriately accounted for and disclosed.

Inter alia, our audit procedures included the following:

- i. Obtaining an understanding of the underlying transactions;
- ii. Verifying all issued capital movements to the relevant ASX announcements;
- iii. Vouching proceeds from capital raisings to bank statements and other relevant supporting documentation;
- iv. Verifying underlying capital raising costs and ensuring these costs were appropriately recorded;
- v. Ensuring consideration for services provided were measured in accordance with AASB 2 *Share-Based Payments* and agreed the related costs to relevant supporting documentation;
- vi. Ensuring that the ordinary shares issued to extinguish financial liabilities were accounted for in accordance with the AASB Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments* and agreed to relevant supporting documentation; and
- vii. Ensuring the requirements of the relevant accounting standards and disclosures achieve fair presentation and reviewing the financial statements to ensure appropriate disclosures are made.

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**Other Information**

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2021 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance opinion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

***Responsibilities of the Directors for the Financial Report***

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

***Auditor's Responsibilities for the Audit of the Financial Report***

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.



We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in Internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on the Remuneration Report**

##### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 7 to 10 of the directors' report for the year ended 31 December 2021.

In our opinion, the Remuneration Report of Titan Minerals Limited for the year ended 31 December 2021 complies with section 300A of the *Corporations Act 2001*.

##### *Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**  
**(An Authorised Audit Company)**

*Stantons International Audit and Consulting Pty Ltd*  
A handwritten signature in black ink, appearing to read "Samir Tirodkar", written over a horizontal line.

**Samir Tirodkar**  
Director  
West Perth, Western Australia  
31 March 2022

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