



ABN 65 009 131 533

Titanium Sands Limited

**Annual Financial Report
For the year ended 30 June 2022**

Contents

	Page
Corporate Information	3
Directors' report	4
Consolidated statement of profit or loss and other comprehensive income	19
Consolidated statement of financial position	20
Consolidated statement of changes in equity	21
Consolidated statement of cash flows	22
Notes to the consolidated financial statements	23
Directors' declaration	45
Auditor's report	46
Auditor's independence declaration	51
Schedule of exploration tenements	52
Additional shareholder information	53

Corporate Information

Directors

James Searle
Jason Ferris
Lee Christensen

Company Secretary

Mr Alan Armstrong

Registered Office and Principal Place of Business

Level 8, 216 St Georges Terrace
PERTH WA 6000
Telephone: (08) 9481 0389 Facsimile: (08) 9463 6103

Share Registry

Computershare Investor Services Pty Limited
Level 11
172 St Georges Terrace
PERTH WA 6000
Telephone: (08) 6188 0800

Website

www.titaniumsands.com.au

Place of Incorporation

Western Australia

Auditors

BDO Audit (WA) Pty Ltd
Level 9, Mia Yellagonga Tower 2
Perth WA 6000

Stock Exchange

ASX Limited
Exchange Plaza
Level 40
152-158 St Georges Terrace
PERTH WA 6000

ASX Code

TSL

Titanium Sands Limited

Directors' report

For the year ended 30 June 2022

1. Directors

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

Name, qualifications and independence status

James Searle
Managing Director

Experience, special responsibilities and other directorships

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

Dr Searle has over 34 years' experience in base metals, precious metals and mineral sand deposits. He has led successful exploration, project development and operational teams in Australia, Africa, Northern Europe, and Central Asia. Dr Searle has a BSc(Hons) in geology and a PhD from the University of Western Australia. He is a Member of the Australian Institute of Mining and Metallurgy and has over 25 years' experience in executive and non-executive Director roles on Australian Securities Exchange listed public company boards.

Dr Searle holds 500,000 shares and 10,875,000 options in the Company as at the date of this report.

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

- Kinetiko Energy Limited – appointed 25 January 2010, resigned 24 February 2021.

Jason Ferris
Non-Executive Director

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

Mr Ferris has worked in financial services, property and corporate finance industries for more than 25 years. He is a Fellow of the Australian Institute of Management (FAIM) and is a Member of the Australian Institute of Company Directors (MAICD). He has also facilitated many joint venture opportunities in the property, tech and mining sectors.

Mr Ferris holds 1,983,333 shares in the Company as at the date of this report.

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

Lee Christensen
Non-Executive Director and Chairman

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

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

Mr Christensen holds 15,919,999 shares and 8,250,000 options in the Company as at the date of this report.

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

Titanium Sands Limited

Directors' report

For the year ended 30 June 2022

2. Company Secretary

Mr Alan Armstrong was appointed Company Secretary on 16 October 2020. Mr Armstrong is a Chartered Accountant with over 10 years' experience having spent most of his career providing accounting and advisory services to resource companies. Mr Armstrong has a Bachelor of Business (Accounting/Finance) from Charles Sturt University and is a member of the Institute of Australian Chartered Accountants. Additionally, Mr Armstrong is a graduate and member of the Australian Institute of Company Directors.

3. Directors' meetings

The number of meetings of the Company's Directors held during the year ended 30 June 2022, whilst each director was in office, and the number of meetings attended by each Director, were:

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

4. Principal activities

The current principal activity and key focus for the Group during the year is mineral exploration. During the year there has been no significant change in the state of affairs of the Group.

5. Operating and financial review

The net loss of the Group for the financial year ended 30 June 2022 amounted to \$1,160,713 (2021: loss \$1,507,879).

The current year loss was incurred from in the ordinary course of the business. The net assets of the group for the financial year ended 30 June 2022 amount to \$16,327,092 (2021: net assets \$28,073,358).

6. Events Subsequent to the Reporting Date

On 11 August 2022 the Company completed a Placement of 137,363,642 shares at an issue price of \$0.011 per share to raise \$1,500,000 (before costs) to sophisticated investors. Subscribers to the Placement also receive 2 free attaching unlisted options for every 3 shares subscribed exercisable at \$0.023 and expiring 3 years from the date of issue. The Company has also agreed to issue 40,000,000 unlisted options on the same terms as the Placement options to CPS Capital Group as lead managers to the Placement. The Placement and CPS Options are expected to be issued in October 2022.

On 19 August 2022 the Company announced that it had concluded the institutional investment by Bulk Commodity Holdings LLC (BCH) by repaying \$535,000 in subscription funds owing and issuing 10,575,000 ordinary shares. On 26 August 2022 the ordinary shares were issued.

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

Titanium Sands Limited

Directors' report (continued)

For the year ended 30 June 2022

REVIEW OF OPERATIONS

Overview

The Mannar Island Heavy Mineral Sands Project in Northwest Sri Lanka is 100% controlled by Titanium Sands Ltd (Figures 1). The project is an ilmenite feedstock project with minor credits from other mineral components. The high quality ilmenite product is expected to find a ready market with titanium slag and sulphate route pigment producers in the Middle East, Korea, India, China and elsewhere.

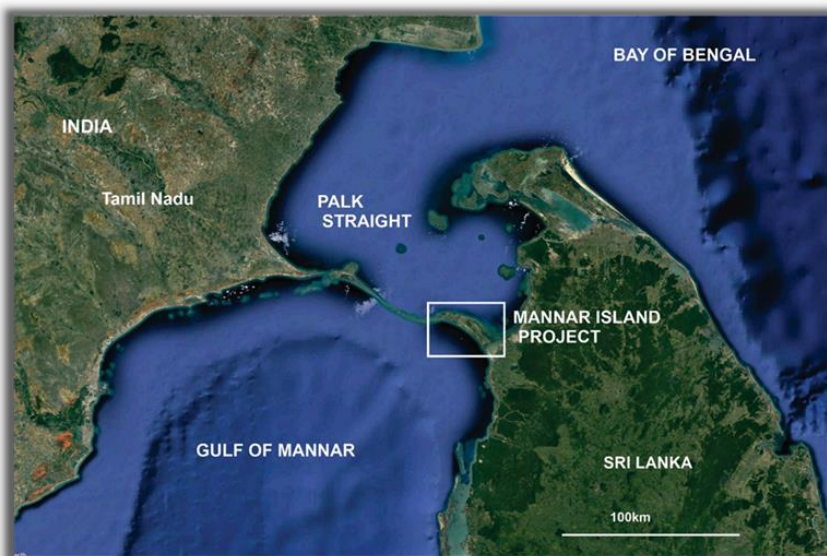


Figure 1 Location of the Mannar Island Heavy Mineral Sand Project, northwest Sri Lanka.

Activities at the project site have had to contend with the Covid-19 pandemic with Sri Lankan Government imposed restrictions on movement and working and the need to maintain a safe working environment for Titanium Sands exploration teams and other local employees. As Covid-19 conditions began to improve in early 2022 Sri Lanka has experienced significant economic and political issues. Deterioration of the national accounts due to a combination of the economic consequences of Covid-19, principally on the inbound tourism industry, and longer term national economic management issues led to significant inflation and drastic deterioration in the balance of payments. The resulting social and political disruptions combined with a drastic shortage of transport and other fuels further disrupted operations from time to time.

However in the months since June 2022, a new interim multiparty government has resulted in some stabilisation in both the economic and political situation. This has enabled the government to engage with the International Monetary Fund and sovereign debt holders to try and negotiate a long term national economic plan for the country.

Titanium Sands Limited

Directors' report (continued)

For the year ended 30 June 2022

Mineral Resources

An updated mineral resource estimate (MRE) was completed in September 2020 with garnet added to the heavy mineral suite (Table 1) ([ASX Announcement of 14 September 2020](#)¹). Based on a 2% THM (Total Heavy Mineral) lower cut-off grade the MRE stands at 264.93 Mt at 4.38% THM.

Resource Category	Volume (Mm ³)	Tonnes (M)	Thm %	Silt %	Ovz %	Ilm %	Leu %	Rut %	Zir %	Gar %
Indicated	37.78	66.14	5.54	0.83	11.63	2.48	0.46	0.1	0.1	0.51
Inferred	113.62	198.79	3.99	1.06	17.56	1.77	0.3	0.08	0.1	0.3
Total	151.4	264.93	4.38	1.00	16.08	1.95	0.34	0.08	0.10	0.35

Table 1 Mineral Resource Estimate based on a 2% THM lower cut off. A complete JORC2012 compliant statement of this MRE is contained in [ASX Announcement on 14 September 2020](#)¹

A continuous higher grade zone measuring 10km by 2km and down to depth of 8-12m (the zone remains largely open at depth) was identified within the above mineral resource (Figure 3). Using the 2% lower cut off the higher grade resource contains 92.56Mt at 5.24% THM Table 2. This zone was used as the basis for the scoping study previously reported to the ASX ([ASX Announcement on 16 June 2020](#)²).

Resource Category	Volume (Mm ³)	Tonnes (M)	Thm %	Silt %	Ovz %	Ilm %	Leu %	Rut %	Zir %	Gar %
Indicated	16.96	29.51	7.25	0.75	20.39	3.25	0.62	0.1	0.12	0.9
Inferred	36.07	63.05	4.29	0.99	25.10	1.80	0.33	0.07	0.08	0.47
Total	53.03	92.56	5.24	0.92	23.60	2.27	0.42	0.08	0.09	0.61

Table 2 Mineral resource estimate for a higher grade zone contained within the resources Tabulated above for a 2% lower cut off*.

*Notes to tables:

- Mineral assemblage is reported as in situ weight percentage of the resource.
- Appropriate rounding of the numbers has been applied.

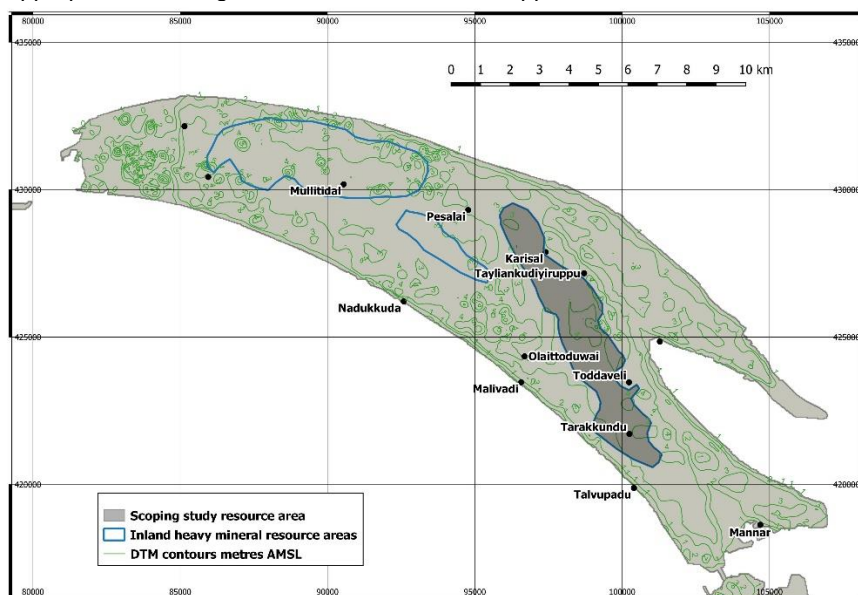


Figure 2 Inland mineral resource areas including scoping study mineral resource area.

Titanium Sands Limited

Directors' report (continued)

For the year ended 30 June 2022

A scoping study was announced in June 2020 ([ASX announcement on 16 June 2020](#)²). The scoping study was based on the concept of production from the contiguous 10km by 2km zone of the mineral resource containing 92.56Mt at 5.24% THM shown in Figures 2 and 3 Table 2. The scoping study base case of a single dredge led operation indicated the potential for an economically robust long life project. The study also indicated that there was the potential, subject to further technical studies, to expand the project to 2 or even 3 dredges based on processing the larger 264.93Mt resource.

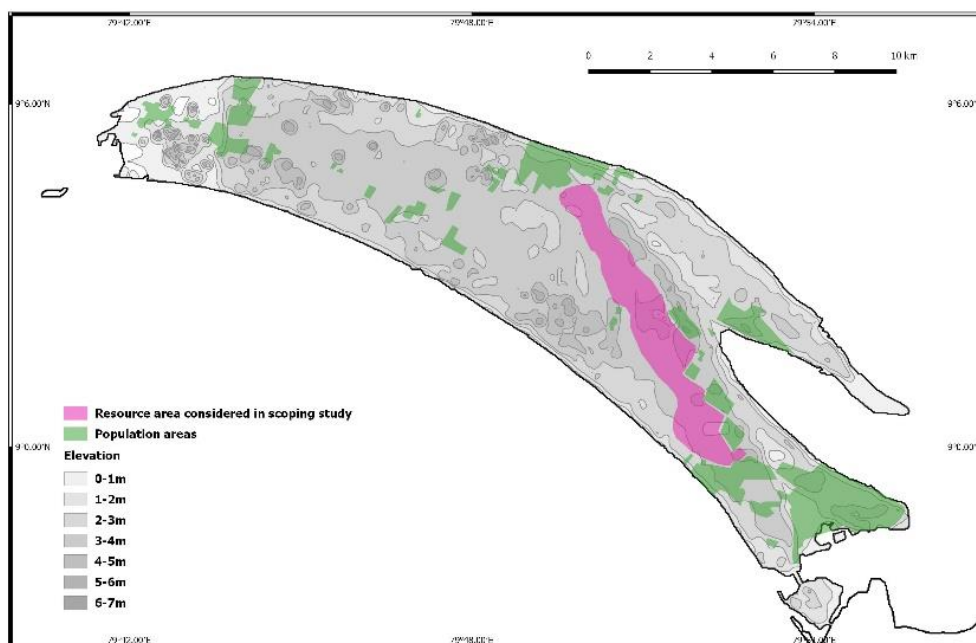


Figure 3 Portion of resource considered in the scoping study base case.

Metallurgical test work on composite drill hole samples was undertaken by a specialist metallurgical laboratory on composites of heavy minerals produced by heavy media separations in the analytical laboratory. The aim of the test work was to characterise the mineral products that could be produced by analyses representing standard processing techniques such as gravity, magnetic and electrostatic separation processes. This test work also gave indications of mineral recoveries that could be expected for the mineral products. This work while sufficient for a scoping study cannot be regarded as optimised. The potentially saleable products that were able to be separated during test work were:

- Ilmenite (including Hi Ti, leucoxene, and pseudorutile).
- Rutile
- Zircon
- Garnet

Mining studies carried out as part of the scoping study have indicated that dredge mining is the most viable and environmentally low impact means of sand recovery. The Mannar island heavy mineral sands are contained in near continuous bodies from 2-3m above the water table down to at least 10m below the water table. Drilling has shown there is little or no induration and the slimes (<45 micron) components are less than 1%. This makes dredge mining the most suitable option. The project concept for the scoping study is for a dredge mining down to 10m below the level of the dredge pond. The design of the dredge head has not yet been determined but is likely to be either a 'rose cone' design or a bucket wheel.

The dredge will feed a floating wet concentration plant (WCP). The primary concentrate would then be feed a centrally located mineral separation plant (MSP). It is anticipated that in an initial mining scenario the dredge will advance along the continuous 10km long and up to 2km wide zone (Figures 3 and 4) that the scoping study scenario is based on.

Titanium Sands Limited

Directors' report (continued)

For the year ended 30 June 2022

Sand tails will be discharged from the WCP to the dredge pond void to re-establish a landform for progressive rehabilitation. Fines from the WCP will be pumped through a thickener with water being returned to the dredge pond and the fines being utilised in the rehabilitation process. The exceptionally low <1% fines content is expected to allow very efficient water recirculation between the WCP and the dredge pond resulting in minimal disturbance of ground water levels. Further hydrologic modelling and monitoring are planned.

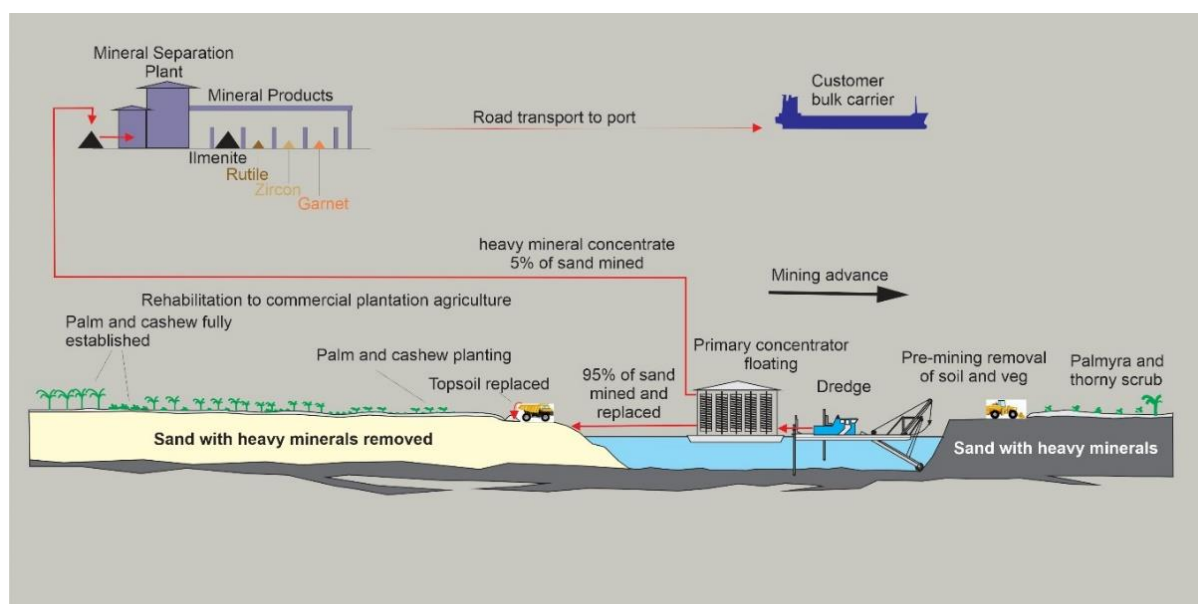


Figure 4 Dredge led sand recovery and progressive rehabilitation to enhanced productivity plantation agriculture.

A process flow sheet was developed based on the metallurgical test work (Figure 5). Concept level engineering designs and equipment specification for the wet concentrator circuit (WCP) and a mineral separation plant (MSP) were undertaken by Mineral Technologies Pty Ltd based on the process flow sheet.

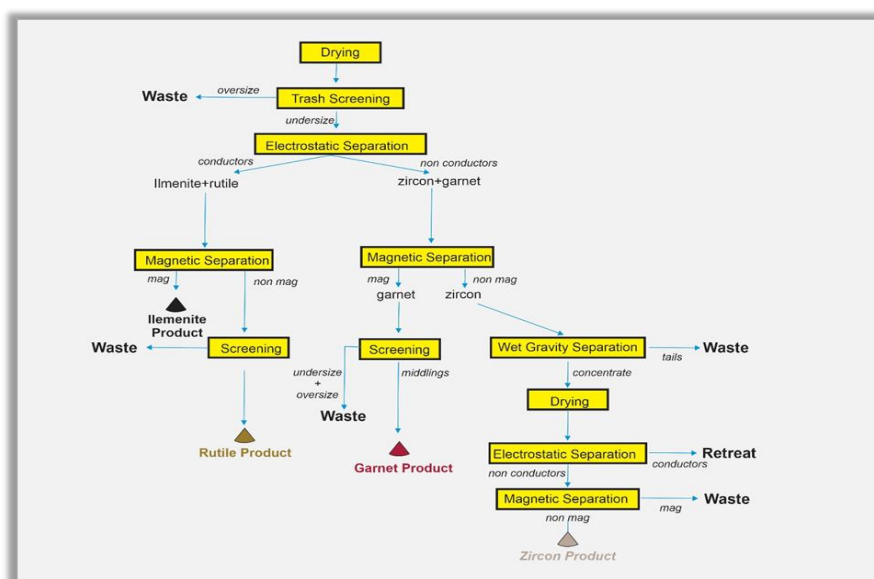


Figure 5 Mannar Island Project process flow sheet.

Titanium Sands Limited

Directors' report (continued)

For the year ended 30 June 2022

A quality and market review of the project's mineral products specifications were commissioned from TZ Minerals International Pty Ltd, a leading global consultancy group in mineral sands markets. The assessments were based on the metallurgical test work based on composite samples.

The ilmenite product was judged a high quality product with potential end users in the titanium slag and sulphate route pigment producers. The other mineral products (rutile, zircon, and garnet) were also considered likely to find ready markets. Discussions with a number of potential offtake parties are ongoing.

Infill and Extension Resource Drilling

An infill and extension resource drilling program was commenced in January 2022 ([ASX Announcement 4 January 2022³](#)).

The program consisted of about 300 holes to a nominal depth of 12m for a total meterage of around 3,600m. The program is being undertaken within the company's high grade zone as outlined in the initial scoping study (ASX:TSL 16/06/2020²). The high-grade zone currently contains a mineral resource¹ of 93Mt at 5.24%THM of which 32% is in the indicated category (Table 1). This high-grade zone represents only 35% of the total current mineral resource estimate for the project of 265Mt at 4.38%THM (Table 2).

The primary objective of the drilling was to convert more of the resource in the high-grade zone from an inferred to indicated mineral resource category by decreasing the RC aircore drill line separation from a nominal 400m to 200m. A secondary objective was to drill 12m deep holes beneath a 2.2km² area of the high-grade zone resource only tested by shallow auger drilling down to 2-3m below surface.

Sample preparation was undertaken through the Company's on-site sample preparation facilities will be undertaken concurrently with the drilling. Analytical laboratory determinations of Total Heavy Mineral content is being undertaken in a specialised independent laboratory. .

An updated resource estimate will follow allowing for a revision of the project's scoping study and will assist the company's proposed mining license application process.

The Sri Lankan Geological Survey and Mines Bureau Technical Services Division (GSMBTS) was contracted to supervise the drilling program and on site sample preparation. Drilling was carried out using the Company's own RC/Aircore drilling rig.

Conduct of the drilling was hampered by Covid-19 related issues in the early part of 2022 and by the economic and political issues from May 2022 onward. However the program was successfully completed in August 2022 ([ASX announcement 25 August 2022⁴](#)).

Operational Outlook

With the impacts of Covid-19 and its variants ameliorating and the economic and political situation in Sri Lanka apparently stabilising the operational outlook for the project over the next 12 months continues to be positive includes:

- Completion of a resource update for the scoping study resource area.
- Based on the upgraded resource an updated and more detailed scoping study will produced.
- Application for the issue of an Industrial Mining License (IML) for the Project.
- Completion of a comprehensive Environmental Impact Assessment and Management Plan.
- Advancing discussion with offtake partners.

Titanium Sands Limited

Directors' report (continued)

For the year ended 30 June 2022

Tenure

TSL's 5 most important exploration licences are compliant and current until at least mid-2023 (Table 3).

Exploration Licence	Holder	EL	Validity	Area	Status
EL 370	Kilsythe Exploration (PVT) LTD	4/05/2021	3/05/2023	31km ²	Current
EL 351	Sanur Minerals (PVT) LTD	13/12/2021	12/12/2023	15km ²	Current
EL 425	Sanur Minerals (PVT) LTD	19/11/2021	18/11/2023	10km ²	Current
EL 423	Orion Minerals (PVT) LTD	15/11/2021	14/11/2023	5km ²	Current
EL 424	Orion Minerals (PVT) LTD	15/11/2021	14/11/2023	8km ²	Current
EL 180/R/3	Applex Ceylon (PVT) LTD	5/03/2019	4/03/2021	45km ²	Renewal Pending
EL 182/R/3	Applex Ceylon (PVT) LTD	5/03/2019	4/03/2021	26km ²	Renewal Pending
EL 371	Hammersmith Ceylon (PVT) LTD	26/02/2018	25/02/2020	4km ²	Renewal Pending
EL 372	Hammersmith Ceylon (PVT) LTD	26/02/2018	25/02/2020	51km ²	Renewal Pending
			Total	195km ²	

Table 3 Mannar Project tenure.

Previously Reported Information Footnotes

This report includes information that relates to Exploration Results and Mineral Resources prepared and first disclosed under JORC Code 2012 and references to other ASX announcements. The information was extracted from the Company's previous ASX announcements as follows:

¹ A resource update in full compliance with JORC 2012 requirements titled **'Project Update and Garnet Added to Resource Estimate'** announced to the ASX on the 14th September 2020.

² A scoping study announcement titled **"Scoping Study Confirms Potential for Major Dredging Project"** announced to the ASX on the 16th June 2020.

³ An infill and resource extension drilling announcement titled **"Resource Infill and Extension Drilling Program Commences"** announced to ASX on the 4th January 2022.

⁴ A drilling program completion announcement titled **"Completion of infill and extension drilling program"** announced to the ASX on the 25th August 2022.

These announcements are available to view on the Company's website www.titaniumsands.com.au

COMPLIANCE STATEMENTS

Previously Reported Exploration Results and Mineral Resources

This report includes information (Tables 1, 2 and 3) that relates to Exploration Results and Mineral Resources prepared and first disclosed under JORC Code 2012. The information was extracted from the Company's previous ASX announcements as follows: Released to the ASX 24/9/2020 "Project update and garnet added to resource estimate" and released to the ASX 28/4/2022 "Resource Infill and Extension Drilling Encouraging First Results". These announcements are available to view on the Company's website www.titaniumsands.com.au. The Company confirms that it is not aware of any new information or data that materially affect the information included in the relevant market announcement and, in the case of estimates of the Company's Mineral Resources that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply with respect to the resource block model and total heavy mineral content and have not materially changed. The Company confirms that the form and context in which the Competent Persons' findings are presented have not been materially modified from the relevant original market announcements.

Titanium Sands Limited
Directors' report (continued)
For the year ended 30 June 2022

Forward-Looking Statements

This document may include forward-looking statements. Forward-looking statements include, but are not limited to, statements concerning the Company's planned exploration program and other statements that are not historical facts. When used in this document, the words such as "could," "plan," "expect," "intend," "may", "potential," "should," "further" and similar expressions are forward-looking statements. Although the Company believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that further exploration will result in additional Mineral Resources.

Competent Persons

Except where indicated, exploration and technical information above have been reviewed and compiled by James Searle BSc (hons), PhD, a Competent Person who is a Member of the Australian Institute of Mining and Metallurgy, with over 37 years of experience in metallic and energy minerals exploration and development, and as such has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Dr Searle is the Managing Director of Titanium Sands Limited and consents to the inclusion of this technical information in the format and context in which it appears.

Titanium Sands Limited

Directors' report (continued)

For the year ended 30 June 2022

7 Remuneration report (audited)

7.1 Principles of compensation

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

Details of Key Management Personnel during the year ended 30 June 2022

James Searle (appointed 2 March 2016)

Jason Ferris (appointed 31 July 2014)

Lee Christensen (appointed 16 April 2015)

Remuneration Policy

The Board is responsible for determining and reviewing compensation arrangements for the Directors. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. The Group does not link the nature and amount of the emoluments of such officers to the Group's financial or operational performance with the exception of options issued to the directors which were issued and vested on completion of the acquisition of Srinel Holdings Limited in December 2019. The expected outcome of this remuneration structure is to retain and motivate Directors. During the financial year, the Group did not employ the use of remuneration consultants.

7.2

Relationship between the Remuneration Policy and Company Performance

	30 June 2022	30 June 2021	30 June 2020	30 June 2019	30 June 2018
	\$	\$	\$	\$	\$
Revenue	1,101	-	4,125	-	-
Basic loss per share (cents)	(0.09)	(0.12)	(0.18)	(0.28)	(0.24) ¹
Diluted loss per share (cents)	(0.09)	(0.12)	(0.18)	(0.28)	(0.24) ¹
Share price at year end	\$0.015	\$0.030 ²	\$0.049	\$0.017	\$0.021

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

² Last traded price of 20 April 2021. Company shares recommenced trading on 4 January 2022.

7.3 Directors' and executive officers' remuneration – audited

The Company renewed a Non-Executive Director Agreement with Lee Christensen in December 2021 for the provision of services to the Company. Pursuant to the terms of the Agreement, the Company agreed to remunerate Mr Christensen \$7,500 (plus GST) per month. Either party may terminate the Agreement by providing three months written notice. The Company renewed a Non-Executive Director Agreement with Jason Ferris in December 2021. Pursuant to the terms of the Agreement, the Company has agreed to remunerate Mr Ferris \$15,000 (excluding superannuation) per month. Mr. Ferris also undertakes consultancy work which is not considered to be within his duties as a Non-Executive Director, when Mr. Ferris undertakes this work, he charges \$1,200 (plus GST) per day or pro rata for part days. Either party may terminate the Agreement by providing three months written notice.

The Company renewed the Executive Director Agreement with Dr James Searle in March 2022 for the provision of services to the Company for a period of 12 months. Pursuant to the terms of the Agreement, the Company has agreed to remunerate Dr Searle \$5,000 (plus GST) per month for Directors duties and \$1,200 (plus GST) per day for consultancy services, in consideration for which Dr Searle must provide for up to eight (8) days per month. This constitutes the minimum commitment by the Company to purchase services under the terms of the agreement. In addition to the fees disclosed above, shall Dr Searle be required to undertake any out of scope work, he will be remunerated at a rate of \$1,200 (plus GST) per day, or pro rata for part days.

Titanium Sands Limited

Directors' report (continued)

For the year ended 30 June 2022

Executive Remuneration

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

COMPONENT	Managing Director – Dr James Searle
Fixed remuneration	\$175,200 pa
Variable remuneration (out of scope work)	\$1,200 (plus GST) per day, or pro rata for part days
Contract duration	Until terminated or resignation of director
Termination notice by the individual/company	1 month
Other entitlements	N/A

Unlisted Options

There were no options issued during the 2022 financial year.

The following Options were issued during the 2021 financial year.

Directors	Grant Date	Exercise Price	Expiry Date	Number of Unlisted Options
Dr James Searle	30 November 2020	\$0.044	29 November 2022	10,875,000
Mr Lee Christensen	30 November 2020	\$0.044	29 November 2022	8,250,000
Total				19,125,000

The Director Options were approved by Shareholders at the Annual General Meeting held on 30 November 2020. The options vested immediately, valued using the Black-Scholes model and the following table lists the inputs to the model used in the valuation of the Director options:

Grant Date	30/11/2020
Expected Volatility	100%
Expected Life	2 years
Fair Value	\$0.01295
Number Issued	19,125,000
Dividend Yield	Nil
Weighted Average Exercise Price (\$)	\$0.044
Share Price at Grant Date (\$)	\$0.03

Titanium Sands Limited

Directors' report (continued)

For the year ended 30 June 2022

Details of the nature and amount of each major element of the remuneration for the year ended 30 June 2022 and 30 June 2021 of each director of the Company and other key management personnel are:

	Short-term			Post employment benefits	Share-based payments		Proportion of remuneration
2022	Salary & fees	Bonus	Other	Superannuation		Total	performance related %
Directors	\$	\$	\$	\$	\$	\$	
Executive directors							
Dr James Searle ¹	151,200	-	-	-	-	151,200	-
Non-executive directors							
Mr Jason Ferris ²	296,055	-	-	18,000	-	314,055	-
Mr Lee Christensen ³	90,000	-	-	-	-	90,000	-
Total	537,255	-	-	18,000	-	555,255	

¹ Dr Searle's director fees are paid to Earthsciences Pty Ltd, of which Dr Searle is a Director. Due to operational delays, minimum work commitments were not required to fulfil technical consulting and operational management requirements and as such, Dr Searle was paid a reduced rate.

² Mr Ferris' director and consulting fees of \$180,000 (excluding superannuation) are paid as a salary. Out of scope fees of \$116,055 are paid to J2J Investments Pty Ltd, of which Mr Ferris is a Director.

³ Mr Christensen's director fees are paid to Pooky Corporation Pty Ltd, of which Mr Christensen is a Director.

Note: there are no long-term remuneration benefits.

	Short-term			Post employment benefits	Share-based payments		Proportion of remuneration
2021	Salary & fees	Bonus	Other	Superannuation		Total	performance related %
Directors	\$	\$	\$	\$	\$	\$	
Executive directors							
Dr James Searle ¹	167,900	-	-	-	140,799	308,699	46%
Non-executive directors							
Mr Jason Ferris ²	247,788	-	-	17,100	-	264,888	-
Mr Lee Christensen ³	90,000	-	-	-	106,813	196,813	54%
Total	505,688	-	-	17,100	247,612	770,400	

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

² Mr Ferris' director and consulting fees of \$180,000 (excluding superannuation) are paid as a salary. Out of scope fees of \$67,788 are paid to J2J Investments Pty Ltd, of which Mr Ferris is a Director.

³ Mr Christensen's director fees are paid to Pooky Corporation Pty Ltd, of which Mr Christensen is a Director.

Note: there are no long-term remuneration benefits.

Titanium Sands Limited

Directors' report (continued)

For the year ended 30 June 2022

7 Remuneration report (audited) (continued)

7.3.1 Loans to Directors

There were no loans to directors during the financial year ending 30 June 2022 (2021: nil).

7.3.2 Other Transactions with Key Management Personnel

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

Consultancy services:

Jason Ferris is a Director of J2J Investments Pty Ltd ("J2J"), which provided the Company with out of scope consultancy services. These services provided were based upon normal commercial terms and conditions no more favourable than those available to other parties. The amount incurred for the year ended 30 June 2022 was \$116,055 (2021: \$67,788) and are included as part of Directors remuneration in section 7.3.

Dr James Searle is a Director of Earthsciences Pty Ltd ("Earthsciences"), which provided the Company with director and consultancy services. These services provided were based upon normal commercial terms and conditions no more favourable than those available to other parties. The amount incurred for the year ended 30 June 2022 was \$151,200 (2021: \$167,900) and are included as part of Directors remuneration in section 7.3.

Mr Lee Christensen is a Director of Pooky Corporation Pty Ltd ("Pooky"), which provided the Company with director services. These services provided were based upon normal commercial terms and conditions no more favourable than those available to other parties. The amount incurred for the year ended 30 June 2022 was \$90,000 (2021: \$90,000) and are included as part of Directors remuneration in section 7.3.

Other Transactions

No other transactions other than those disclosed above, occurred during the year.

Amounts recognised as Liabilities:

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

	2022	2021
Current Liabilities	\$40,249	\$46,013

Titanium Sands Limited

Directors' report (continued)

For the year ended 30 June 2022

7.3.3 Directors' interests in shares

Fully paid ordinary held by Titanium Sands Limited to Key Management Personnel during the year and as at 30 June 2022 are as follows:

2022	Balance at 1 July 2021	Allotment of Shares	Net other changes	Balance at 30 June 2022
DIRECTORS				
Mr Jason Ferris	333,333	-	1,650,000 ¹	1,983,333
Dr James Searle	500,000	-	-	500,000
Mr Lee Christensen	15,919,999	-	-	15,919,999
	16,753,332	-	1,650,000	18,403,332

¹On market and off market purchases

7.3.4 Share options

Share options held by Titanium Sands Limited to Key Management Personnel during the year and as at 30 June 2022 are as follows:

2022	Balance at 1 July 2021	Issue of Options	Expiry of Options	Net other changes	Balance at 30 June 2022
DIRECTORS					
Mr Jason Ferris	-	-	-	-	-
Dr James Searle	10,875,000	-	-	-	10,875,000
Mr Lee Christensen	8,250,000	-	-	-	8,250,000
	19,125,000	-	-	-	19,125,000

7.3.5 Analysis of bonuses included in remuneration

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

8. Voting and comments made at the Company's 2021 Annual General Meeting

The Company received 99.7% of votes, of those shareholders who exercised their right to vote, in favour of the remuneration report for the 2021 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

This is the end of the Audited Remuneration Report.

9. Dividends

No dividends have been paid or declared by the Company to members during the 2022 or 2021 financial years.

10. Likely Developments and Expected Result of Operation

Further information, other than as disclosed in this report, about likely developments in the operations of the Company and the expected results of those operations in future periods has not been included in this report as disclosure of this information would be likely to result in unreasonable prejudice to the Company.

Titanium Sands Limited

Directors' report (continued)

For the year ended 30 June 2022

11. Environmental Regulations

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

12. Indemnification and insurance of officers and auditors

Indemnification

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

13. Corporate governance

The Company continued to follow best practice recommendations as set out by 4th edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. Where the Company has not followed best practice for any recommendation, explanation is given in the Corporate Governance Statement which is available on the Company's website at <http://titaniumsands.com.au/corporate-governance/>.

14. Audit Services

BDO Audit (WA):

Audit and review of financial reports

2022	2021
\$	\$
45,248	39,465
45,248	39,465

There were no non audit services provided for the financial year ended 30 June 2022 (2021: Nil).

15. Lead auditor's independence declaration

The Lead auditor's independence declaration is included and forms part of the directors' report for financial year ended 30 June 2022.

This report is made with a resolution of the directors:



James Searle
Director

Dated at Perth this 28 September 2022

Titanium Sands Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2022

	Note	2022 \$	2021 \$
Other income		1,101	-
Administrative expenses	6	(691,800)	(863,535)
Depreciation		(33,645)	(33,636)
Director fees		(432,368)	(363,399)
Share based payments	17	-	(247,612)
Loss before financing expenses		(1,156,712)	(1,508,182)
Financial income	7	508	303
Financial expenses	7	(4,509)	-
Net financing income		(4,001)	303
Loss before tax		(1,160,713)	(1,507,879)
Income tax expense	10	-	-
Loss for the year after income tax		(1,160,713)	(1,507,879)
Other comprehensive income			
Items that may be reclassified to profit and loss			
Exchange differences on translation of foreign operations		(10,647,924)	(4,366,457)
Other comprehensive loss for the year		(10,647,924)	(4,366,457)
Total comprehensive loss for the year		(11,808,637)	(5,874,336)
Loss per share for the year attributable to the members of TSL			
Basic and diluted loss per share (cents)	15	(0.09)	(0.12)

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

Titanium Sands Limited
Consolidated Statement of Financial Position
As at 30 June 2022

	Note	2022 \$	2021 \$
Current assets			
Cash and cash equivalents	11	534,379	1,573,514
Trade and other receivables	12	23,370	77,679
Total current assets		557,749	1,651,193
Non-current assets			
Exploration and evaluation expenditure	8	16,371,142	26,505,822
Property, plant and equipment	9	42,637	86,818
Total non-current assets		16,413,779	26,592,640
Total assets		16,971,528	28,243,833
Current liabilities			
Trade and other payables	13	139,927	170,475
Financial liabilities	14	504,509	-
Total current liabilities		644,436	170,475
Total liabilities		644,436	170,475
Net assets		16,327,092	28,073,358
Equity			
Issued capital	16	35,768,901	35,706,530
Reserves	17	(10,243,802)	404,122
Accumulated losses		(9,198,007)	(8,037,294)
Total equity		16,327,092	28,073,358

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

Titanium Sands Limited
Consolidated Statement of Changes in Equity
For the year ended 30 June 2022

	Share Capital \$	Options Reserve \$	Foreign exchange translation Reserve \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2020	33,729,831	5,854,552	(1,491,585)	(6,529,415)	31,563,383
<i>Total comprehensive loss for the period:</i>					
Loss for the period	-	-	-	(1,507,879)	(1,507,879)
Foreign currency translation	-	-	(4,366,457)	-	(4,366,457)
Total other Comprehensive loss	-	-	(4,366,457)	(1,507,879)	(5,874,336)
<i>Transactions with owners:</i>					
Share based payments	-	407,612	-	-	407,612
Shares Issued (net of share issue costs)	1,976,699	-	-	-	1,976,699
Balance at 30 June 2021	35,706,530	6,262,164	(5,858,042)	(8,037,294)	28,073,358
Balance at 1 July 2021	35,706,530	6,262,164	(5,858,042)	(8,037,294)	28,073,358
<i>Total comprehensive loss for the period:</i>					
Loss for the period	-	-	-	(1,160,713)	(1,160,713)
Foreign currency translation	-	-	(10,647,924)	-	(10,647,924)
Total other Comprehensive loss	-	-	(10,647,924)	(1,160,713)	(11,808,637)
<i>Transactions with owners:</i>					
Share based payments	-	-	-	-	-
Shares Issued (net of share issue costs)	62,371	-	-	-	62,371
Balance at 30 June 2022	35,768,901	6,262,164	(16,505,966)	(9,198,007)	16,327,092

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

Titanium Sands Limited
Consolidated Statement of Cash Flows
For the year ended 30 June 2022

	Note	2022 \$	2021 \$
Cash flows from operating activities			
Cash paid to suppliers and employees		(1,035,442)	(1,278,758)
Interest received		508	303
Net cash used in operating activities	19a	(1,034,934)	(1,278,455)
Cash flows from investing activities			
Payments for exploration expenditure		(498,470)	(324,587)
Net cash used in investing activities		(498,470)	(324,587)
Cash flows from financing activities			
Proceeds from issue of shares (net of costs)		(5,731)	2,136,299
Proceeds from issue of options		-	400
Receipts from financial liabilities		500,000	-
Net cash from financing activities		494,269	2,136,699
Net increase / (decrease) in cash and cash equivalents		(1,039,135)	533,657
Opening cash and cash equivalents at 1 July		1,573,514	1,039,857
Closing cash and cash equivalents	11	534,379	1,573,514

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

Titanium Sands Limited

Notes to the consolidated financial statements

For the year ended 30 June 2022

1. Reporting entity

This annual financial report includes the financial statements and notes of Titanium Sands Limited ("the Company") and the entities it controlled during the year ended 30 June 2022 ("the Group"). The Group is a for-profit entity primarily involved in exploration of mineral reserves and is domiciled in Australia. Its registered address is Level 11, 216 St George's Terrace, Perth, Western Australia.

2. Basis of preparation

(a) Statement of compliance

The annual financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') (including Australian Interpretations) adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. The annual financial report complies with International financial Reporting Standards as adopted by the International Accounting Standards Board. The annual financial report was authorised for issue by the directors on 28 September 2022.

(b) Basis of measurement

The annual financial report has been prepared on the historical cost basis. The methods used to measure fair values are discussed further in note 5.

(c) Functional and presentation currency

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

(d) Going Concern

For the year ended 30 June 2022 the Group has incurred a net loss of \$1,160,713 (2021: \$1,507,879), had a net working capital deficiency of \$86,687 (2021: surplus \$1,480,718), experienced net cash outflows from operations of \$1,034,934 (2021: \$1,278,455) and net cash outflows from investing activities of \$498,470 (2021: outflow \$324,587). As at 30 June 2022 the cash balance was \$534,379 (2021: \$1,573,514).

The Directors have reviewed the cash flow requirements in the next 12 months and recognise that the ability of the Group to continue as a going concern is dependent on securing additional funding through equity to continue to fund its exploration activities.

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

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

- The Group successfully raised \$1,500,000 (before costs) subsequent to year end on 11 August 2022 through a Placement to sophisticated investors through the issue of 136,363,637 ordinary shares at \$0.011 per share;
- The Directors are confident the Group will be successful in sourcing further capital from the issue of additional equity securities, if required, to fund the ongoing operations of the Group having previously been successful when raising funds through equity issues; and
- The ability of the Group to further scale back certain parts of their activities that are non-essential so as to conserve cash.

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

Titanium Sands Limited

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

3. Significant accounting policies

The accounting policies of the Group are consistent with prior period. New standards applicable from 1 July 2021 have had no material effect on the Group.

(a) Financial instruments

Non-derivative financial instruments

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

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

Classification and measurement of financial liabilities

The Company's financial liabilities include borrowings, trade and other payables and derivative financial instruments. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

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

(b) Share capital

Ordinary shares

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

(c) Dividends

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

(d) Exploration and evaluation assets

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

Titanium Sands Limited
Notes to the consolidated financial statements (continued)
For the year ended 30 June 2022

3. Significant accounting policies (continued)

(d) Exploration and evaluation assets (continued)

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

- (i) the exploration and evaluation costs are expected to be recouped through successful development and exploitation of the area of interest; or
- (ii) activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

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

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

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

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

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

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

(e) Principles of consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent, Titanium Sands Limited and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Titanium Sands Limited

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

3. Significant accounting policies (continued)

(e) Principles of consolidation (continued)

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as “non-controlling interests”. The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary’s net assets on liquidation at either fair value or at the non-controlling interests’ proportionate share of the subsidiary’s net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

Asset Acquisition

Where an acquisition does not meet the definition of a business combination the transaction is accounted for as an asset acquisition. The consideration transferred for the acquisition of an asset comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs with regards to the acquisition are capitalised. Identifiable assets acquired and liabilities assumed in the acquisition are measured at their fair value at the acquisition date.

Where settlement of any part of cash consideration is deferred and/or contingent, the probability of making these future payments is assessed as at acquisition date and measured accordingly. The amounts payable in the future are discounted to their present value as at the date of exchange. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(f) Foreign currency translation

The financial statement are presented in Australian dollars, which is the Group’s functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

(g) Impairment

Financial assets

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity’s assessment at the end of each reporting period as to whether the financial instrument’s credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset’s lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset’s lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

Titanium Sands Limited
Notes to the consolidated financial statements (continued)
For the year ended 30 June 2022

3. Significant accounting policies (continued)

Non-financial assets

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

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

(h) Provisions

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

(i) Finance income and expenses

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

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

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

(j) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Titanium Sands Limited
Notes to the consolidated financial statements (continued)
For the year ended 30 June 2022

3. Significant accounting policies (continued)

(k) Income tax

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

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

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

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

(l) Share based payments

Equity-settled and cash-settled share-based payments are provided to employees and suppliers.

The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(m) Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method. The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

Convertible notes issued by the Group comprised convertible notes that could be converted to share capital at the option of the holder. The conversion feature is contingent on an event occurring and the conversion price is fixed. Furthermore upon conversion the holder was also entitled to free attaching options. Consequently the note fails the fixed for fixed requirement of AASB 132 and no equity component is recognised on initial recognition. The company had elected upon initial recognition of the convertible notes (including its embedded derivatives which is the free attaching options) to recognise the whole instrument as a financial liability carried at fair value through profit or loss.

Titanium Sands Limited

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

3. Significant accounting policies (continued)

(m) Borrowings (continued)

On initial recognition the fair value of the convertible note equated to the proceeds received as no gain or loss on initial recognition can be recognised per the requirements of the accounting standards AASB9. The financial liability was subsequently measured at fair value at the end of the relevant reporting period and fair value movements were recognised in profit or loss as a finance cost.

The fair value of the liability took into account the value of the conversion feature (the discount and the free attaching options) and the probability of the contingent event occurring.

(n) Plant and equipment

Items of plant and equipment are measured on the cost basis. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal.

The depreciable amount of all fixed assets is depreciated on a straight line basis commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss. When re-valued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(o) Segment reporting

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

(p) Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 26.

(q) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Titanium Sands Limited
Notes to the consolidated financial statements (continued)
For the year ended 30 June 2022

3. Significant accounting policies (continued)

(q) New accounting standards and interpretations issued

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2022. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations are not expected to be significant.

4. Critical accounting estimates and judgement

- Impairment of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale and maintains the rights to tenure.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to the environmental restoration obligations) and changes to commodity prices.

Given the stage of exploration of the Group, it is not possible to reliably estimate future cash flows. The carrying value of mineral properties is reviewed and assessed with reference to comparative transactions, the status of existing joint venture arrangements, market volatility and the significant changes in valuations for all mineral assets as a result of the recent significant discounting of equity markets. To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

- Share based payments

The Group measures the cost of equity-settled transactions with employees and external consultants by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of any options issued are determined by an internal valuation using a Black-Scholes option pricing model, using the assumptions detailed in the notes to the financial statements. The assumptions detailed in the note is also judgemental.

- Coronavirus (Covid-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the company based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the company operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the company unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Titanium Sands Limited

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

5. Financial risk management

Overview

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

- credit risk
- liquidity risk
- market risk.

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

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

Credit risk

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

Cash and cash equivalents

The Group holds cash and cash equivalents with reputable Australian banks currently rated AA-.

Trade and other receivables

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

Liquidity risk

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

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

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, affect the Group's financial performance or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Group's foreign subsidiaries are affected by movements in the exchange rate of the Sri Lankan Rupee.

Interest rate risk

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

Capital management

Capital is defined as the share capital of the Company. The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company is not subject to externally imposed capital requirements. Refer to note 18.

Titanium Sands Limited
Notes to the consolidated financial statements (continued)
For the year ended 30 June 2022

6. Administrative expenses

	2022	2021
	\$	\$
Legal expenses	33,102	25,044
Accounting, compliance and audit expenses	181,868	181,241
Corporate advisory fees	110,000	90,000
Marketing expenses	74,309	236,680
Other administrative expenses	292,521	330,570
	691,800	863,535

7. Finance income and expense

	2022	2021
	\$	\$
Interest received	508	303
Total finance income	508	303
Interest expense	(4,509)	-
Total finance expenses	(4,509)	-
Net finance expenses	(4,001)	303

8. Exploration and evaluation expenditure

	2022	2021
	\$	\$
Balance at the beginning of year	26,505,822	30,595,978
Exploration costs capitalised	413,658	261,372
Foreign currency translation	(10,548,338)	(4,351,528)
Balance at the end of the year	16,371,142	26,505,822

9. Property, plant and equipment

	2022	2021
	\$	\$
Equipment at cost	153,777	165,526
Equipment – accumulated depreciation	(111,140)	(78,708)
Closing balance	42,637	86,818
Equipment		
Opening balance	86,818	129,728
Additions	-	129
Depreciation	(33,645)	(38,145)
Foreign currency translation	(10,536)	(4,894)
Closing balance	42,637	86,818

Titanium Sands Limited
Notes to the consolidated financial statements (continued)
For the year ended 30 June 2022

10. Tax

a. The components of tax expense comprise:

Current tax

Deferred tax

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

Loss before income tax

Prima facie tax payable on loss before income tax at 30% (2021: 30%)

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

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

Net deferred tax asset arising from carried forward losses not recognised

Income tax expense

2022 \$	2021 \$
-	-
-	-
-	-
(1,160,713)	(1,507,879)
(348,214)	(452,364)
28,175	17,498
(320,039)	(434,866)
320,039	434,866
-	-

The Group has unrecognised tax losses carried forward to the year ended 30 June 2022 of \$6,708,771 (2021: \$5,641,972) to which a deferred tax asset has not been recognised as there is no certainty of probable future taxable income to which they can be utilised.

11. Cash and cash equivalents

Current

Bank balances

2022 \$	2021 \$
534,379	1,573,514
534,379	1,573,514

12. Trade and other receivables

Current

Prepayment

GST receivable

2022 \$	2021 \$
7,368	38,593
16,002	39,086
23,370	77,679

There have been no trade receivables during the financial year ended 30 June 2022.

Titanium Sands Limited
Notes to the consolidated financial statements (continued)
For the year ended 30 June 2022

13. Trade and other payables

	2022	2021
	\$	\$
Current		
Trade creditors	71,124	98,769
Accrued expenses	68,803	71,706
	139,927	170,475

14. Financial liabilities

	2022	2021
	\$	\$
Current		
Placement funds to be converted to equity	504,509	-
Opening balance	-	-
Proceeds from placement	500,000	-
Interest expense – unwinding of discount	4,509	-
	504,509	-

On 11 May 2022 the Group entered into a Subscription Agreement with Bulk Commodity Holdings LLC (Investor) for the issue of placement shares. On 19 May 2022 the first tranche of placement funds of \$500,000 was received by the Company. Under the terms of the Subscription Agreement the Company is required to issue \$535,000 worth of shares at a date to be determined by the Investor. The issue price of the shares will be based on 92.5% of the 5 day VWAP. The share issue date can be at any time up to 24 months after the date of entering into the Subscription Agreement. The Company was also required to issue 5,714,286 ordinary shares as payment of a non-refundable fee of \$80,000 (refer to Note 16).

15. Loss per share

Basic and diluted loss per share

The calculation of basic loss per share at 30 June 2022 of \$0.09 (2021: (\$0.12)) was based on the loss attributable to ordinary shareholders of \$1,160,713 (2021: \$1,507,879) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2022 of 1,251,017,951 (2021: 1,236,033,775).

Weighted average number of ordinary shares

	2022	2021
Weighted average number of ordinary shares at 30 June	1,251,017,951	1,236,033,775

Titanium Sands Limited

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

16. Issued Capital

Fully Paid Ordinary Shares

On issue at 1 July 2020

Movements during the year

Placement ¹

Share purchase plan ²

Share issue costs

On issue at 30 June 2021

Movements during the year

Fee shares issued to Bulk Commodities³

Collateral shares issued to Bulk Commodities⁴

Share issue costs

On issue at 30 June 2022

	Number	\$
On issue at 1 July 2020	1,196,149,471	33,729,831
Movements during the year		
Placement ¹	50,000,000	2,200,000
Share purchase plan ²	3,795,447	167,000
Share issue costs	-	(390,301)
On issue at 30 June 2021	1,249,944,918	35,706,530
Movements during the year		
Fee shares issued to Bulk Commodities ³	5,714,286	80,000
Collateral shares issued to Bulk Commodities ⁴	2,800,000	-
Share issue costs	-	(17,629)
On issue at 30 June 2022	1,258,459,204	35,768,901

¹ On 30 September 2020 the Company completed a Placement of 50,000,000 shares at an issue price of \$0.044 with one free attaching option for every 2 shares subscribed. The options are exercisable at \$0.10 and expire on 17 November 2023.

² On 18 November 2020 the Company issued 3,795,447 shares as part of a Share Purchase Plan Placement to eligible shareholders at an issue price of \$0.044 with one free attaching option for every 2 shares subscribed. The options are exercisable at \$0.10 and expire on 17 November 2023.

³ On 16 May 2022 the Company issued 5,714,286 shares to Bulk Commodities LLC as a non-refundable fee to the value of \$80,000 under the terms of the Subscription Agreement.

⁴ On 16 May 2022 the Company issued 2,800,000 collateral shares to Bulk Commodities LLC which will be deducted from the final number of shares to be issued as part of the first tranche placement, refer to Note 14.

17. Reserves

Share based payment reserve¹

Foreign currency translation reserve²

	2022 \$	2021 \$
Share based payment reserve ¹	6,262,164	6,262,164
Foreign currency translation reserve ²	(16,505,966)	(5,858,042)
	(10,243,802)	404,122

¹The Share Based Payments Reserve is used to record the value of equity incentives issued to Directors, suppliers and employees.

²The Foreign Currency Translation Reserve is used to record exchange rate differences arising on translation of foreign subsidiaries.

Titanium Sands Limited
Notes to the consolidated financial statements (continued)
For the year ended 30 June 2022

Movement in share based payment reserve

	2022	2021
	\$	\$
Opening balance	6,262,164	5,854,552
Director options ¹	-	247,612
Broker options ²	-	160,000
Closing balance	6,262,164	6,262,164

¹ The Director Options were approved by Shareholders at the Annual General Meeting held on 30 November 2020. The unlisted options, valued using the Black-Scholes model vested immediately and the following table lists the inputs to the model used in the valuation of the Director options:

Grant Date	30/11/2020
Expected Volatility	100%
Expected Life	2 years
Fair Value	\$0.01295
Number Issued	19,125,000
Dividend Yield	Nil
Exercise Price (\$)	\$0.044
Share Price at Grant Date (\$)	\$0.03

²During the 2021 financial year the Company issued 40,000,000 listed options to CPS Capital Pty Ltd as part consideration for managing the Placement during the period. The options were issued at an issue price of \$0.0001, exercisable at \$0.10 and expiring on 17 November 2023. The Company could not determine the value of the services provided and therefore valued the options in accordance with AASB 2. The cost of the options issued was determined with reference to the market value at grant date being \$0.004 which vested immediately and were recognised as share issue costs.

Outstanding Share Options & Performance Shares

As at 30 June 2022 the Group had the following share options and performance shares outstanding:

Details	Type	Number
Options exercisable at \$0.10 expiring 17 November 2023	Listed options	66,897,716
Options exercisable at \$0.05 expiring 10 March 2023	Unlisted options	208,750,000
Options exercisable at \$0.044 expiring 29 November 2022	Unlisted options	19,125,000
Class B Performance Shares	Unlisted performance shares	33,333,333

Titanium Sands Limited

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

18. Financial instruments

The totals for each category of financial instruments, measured in accordance with AASB 9 as detailed in the accounting policies to the financial statements, are as follows:

	2022 \$	2021 \$
Financial assets		
Cash and cash equivalents	534,379	1,573,514
Total financial assets	534,379	1,573,514
Financial liabilities		
Trade and other payables	139,927	170,475
Placement funds to be converted to equity	504,509	-
Total financial liabilities	644,436	170,475
Total net financial instruments	(110,057)	1,403,039

Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;

Level 3: Unobservable inputs for the asset or liability.

	Level 1	Level 2	Level 3	Total
2022	\$	\$	\$	\$
Financial liabilities				
Placement funds to be converted to equity	-	-	504,509	504,509
	-	-	504,509	504,509

Titanium Sands Limited

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

Credit risk

Exposure to credit risk

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

	Carrying amount	
	2022	2021
Cash and cash equivalents	534,379	1,573,514
	534,379	1,573,514

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

Impairment losses

There was no impairment expense during the current financial year (2021: nil). The Group does not have any receivables that are past due, nor is there a requirement to make any allowances for impairment in respect of other receivables.

Liquidity risk

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

Group 30 June 2022	Carrying amount \$	Contractual cash flows \$	1-12 mths \$	1-2 years \$	2-5 years \$	More than 5 years \$
Trade and other payables	139,927	139,927	139,927	-	-	-
Placement funds to be converted to equity	504,509	504,509	504,509	-	-	-
	644,436	644,436	644,436	-	-	-
Group 30 June 2021						
Trade and other payables	170,475	170,475	170,475	-	-	-

Titanium Sands Limited

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

Currency risk

Exposure to currency risk

The Group is exposed to foreign exchange rate arising from various currency exposures. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Group's functional currency.

The Group's exposure to foreign currency risk at the reporting date was as follows:

	2022		2021	
	AUD \$	LKR \$*	AUD \$	LKR \$*
Cash and cash equivalents	532,547	1,832	1,558,407	15,107
Trade and other payables	(136,390)	(3,537)	(159,813)	(10,662)
Placement funds to be converted to equity	(504,509)	-	-	-
	(108,352)	(1,705)	1,398,594	4,445

* Amounts are shown in AUD equivalent

Interest rate risk

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

	Floating interest rate \$	Fixed interest rate \$	2022 total \$	Floating interest rate \$	Fixed interest rate \$	2021 total \$
Financial assets						
-Within one year						
Cash and cash equivalents	534,379	-	534,379	1,573,514	-	1,573,514
Effective interest rate	0.29%		0.29%	0.05%		0.05%
Total financial assets	534,379	-	534,379	1,573,514	-	1,573,514
Financial liabilities						
-Within one year						
Trade creditors	139,927	-	139,927	170,475	-	170,475
Effective interest rate	0%	-	0%	0%	-	0%
Placement funds to be converted to equity	504,509	-	504,509	170,475	-	170,475
Effective interest rate	0%	-	0%	0%	-	0%
Total financial liabilities	644,436	-	644,436	170,475	-	170,475

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

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

At reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's net revenue would increase by \$2,671 and decrease by \$2,671 respectively (2021: \$7,868).

Titanium Sands Limited
Notes to the consolidated financial statements (continued)
For the year ended 30 June 2022

19.a Reconciliation of cash flows from operating activities

	2022	2021
	\$	\$
Cash flows from operating activities		
Loss for the period	(1,160,713)	(1,507,879)
Share based payment	80,000	247,612
Depreciation	33,645	33,636
Finance expense	4,509	-
(Increase) / decrease in trade and other receivables	64,644	(17,163)
(Decrease) / increase in trade and other payables	(57,019)	(34,662)
Net cash from operating activities	(1,034,934)	(1,278,455)

19.b Non-cash Financing and Investing Activities

The Group had no non-cash financing and investing activities during the financial year.

19.c Changes in liabilities arising from financing activities

	Financial liabilities	Total
	\$	\$
Balance at 30 June 2021	-	-
Net cash from/(used in) financing activities	500,000	500,000
Interest expense – unwinding of discount	4,509	4,509
Balance at 30 June 2022	504,509	504,509

20. Related Party Transactions
Key management personnel compensation

	2022	2021
	\$	\$
The key management personnel compensation are as follows:		
Short-term employee benefits	537,255	505,688
Share Based Payments	-	247,612
Post-employment benefits	18,000	17,100
	555,255	770,400

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

Consultancy services

Jason Ferris is a Director of J2J Investments Pty Ltd ("J2J"), which provided the Company with out of scope consultancy services. These services provided were based upon normal commercial terms and conditions no more favourable than those available to other parties. The amount incurred for the year ended 30 June 2022 was \$116,055 (2021: \$67,788) and are included as part of Directors remuneration in section 7.3. The amount included in trade and other payables at 30 June 2022 was \$7,500 (2021: \$8,213).

Titanium Sands Limited

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

20. Related Party Transactions (continued)

Dr James Searle is a Director of Earthsciences Pty Ltd ("Earthsciences"), which provided the Company with director and consultancy services. These services provided were based upon normal commercial terms and conditions no more favourable than those available to other parties. The amount incurred for the year ended 30 June 2022 was \$151,200 (2021: \$167,900) and are included as part of Directors remuneration in section 7.3. The amount included in trade and other payables at 30 June 2022 was \$2,500 (2021: \$7,300).

Mr Lee Christensen is a Director of Pooky Corporation Pty Ltd ("Pooky"), which provided the Company with director services. These services provided were based upon normal commercial terms and conditions no more favourable than those available to other parties. The amount incurred for the year ended 30 June 2022 was \$90,000 (2021: \$90,000) and are included as part of Directors remuneration in section 7.3. The amount included in trade and other payables at 30 June 2022 was \$3,750 (2021: \$3,750).

Other Transactions

During the year the Company entered into a funding facility of up to \$1,000,000 with Willis Holdings Ltd which is controlled by Robert Nelson, who is Jason Ferris' father in law. The funding facility could be drawn down at any time prior to 31 December 2022 and repaid no later than 10 March 2023. Repayment is in cash or shares at the election of the funder. Any shares issued will be at a deemed issue price of \$0.041 per shares and repayment in cash will attract an interest rate of 9% per annum. The funding facility was terminated on 9 May 2022 with no amounts having been drawn down under the facility.

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

21. Segment Reporting

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

22. Events Occurring after the Reporting Period

On 11 August 2022 the Company completed a Placement of 137,363,642 shares at an issue price of \$0.011 per share to raise \$1,500,000 (before costs) to sophisticated investors. Subscribers to the Placement also receive 2 free attaching unlisted options for every 3 shares subscribed exercisable at \$0.023 and expiring 3 years from the date of issue. The Company has also agreed to issue 40,000,000 unlisted options on the same terms as the Placement options to CPS Capital Group as lead managers to the Placement. The Placement and CPS Options are expected to be issued in October 2022.

On 19 August 2022 the Company announced that it had concluded the institutional investment by Bulk Commodity Holdings LLC (BCH) by repaying \$535,000 in subscription funds owing and issuing 10,575,000 ordinary shares. On 26 August 2022 the ordinary shares were issued at \$0.012 per share.

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

Titanium Sands Limited
Notes to the consolidated financial statements (continued)
For the year ended 30 June 2022

23. Commitments and Contingencies

Exploration Expenditure

The Groups Sri Lankan tenements are subject to annual minimum expenditure commitments based on the area of land holding which the minimum expenditure commitment doubling on each renewal. The current expenditure commitment are:

	2022 \$	2021 \$
Within 12 months	40,105	66,595
Greater than 12 months but less than 5 years	591,371	638,100
	631,476	704,695

Other Commitments:

The 33,333,333 Class B issued during the year ended 30 June 2019 will convert to ordinary equity at \$0.02 per share on the Group obtaining a grant of one or more mining licenses on the Sri Lankan Project prior to 31 December 2023. As at 30 June 2022 management has assessed the probability at 0%.

Contingent Liabilities:

The Group has entered into a royalty deed with Curprum Holdings Limited to pay 5% of the net proceeds from the sale of minerals on the tenements acquired from Srinel Holdings Limited. Further to this the Group has also entered into a royalty deed with Caudan Management Services LLC to pay 5% of net proceeds from the sale of mineral on the tenements acquired from Bright Angel Limited.

During the 2020 financial year the Group entered into a consultancy arrangement with a supplier in Sri Lanka for advisory services associated with the Company's projects. The engagement includes a bonus fee payable on the granting of mining licenses on the Group's tenements. The fee payable for the 5 mining licenses is \$100,000 per mining license granted, payable in shares.

The Group has no other contingent assets or liabilities at reporting date.

24. Auditors' Remuneration

Audit and other non-audit services

BDO Audit (WA):

Audit and review of financial reports

	2022 \$	2021 \$
	45,248	39,465
	45,248	39,465

Titanium Sands Limited
Notes to the consolidated financial statements (continued)
For the year ended 30 June 2022

25. Interest in Controlled Entities

The consolidated financial statements incorporate the assets, liabilities and the results of the following subsidiaries in accordance with the accounting policy described in note 3(d):

Controlled entities	Country of incorporation	Percentage owned 30 June 2022	Percentage owned 30 June 2021
Srinel Holdings Limited	Mauritius	100%	100%
Kilsythe Investments (Pvt) Ltd	Sri Lanka	100%	100%
Kilsythe Exploration (Pvt) Ltd	Sri Lanka	100%	100%
Singha Lanka Investments (Pvt) Ltd	Sri Lanka	100%	100%
Hammersmith Ceylon (Pvt) Ltd	Sri Lanka	100%	100%
Applex Ceylon (Pvt) Ltd	Sri Lanka	100%	100%
Bright Angel Limited	Mauritius	100%	100%
Rotim Investments (Pvt) Ltd	Sri Lanka	100%	100%
Sanur Asia Investments (Pvt) Ltd	Sri Lanka	100%	100%
Hammersmith Investments (Pvt) Ltd	Sri Lanka	100%	100%
Orion Minerals (Pvt) Ltd	Sri Lanka	99%	99%
Melville Investments (Pvt) Ltd	Sri Lanka	100%	100%
Sanur Minerals Investments (Pvt) Ltd	Sri Lanka	100%	100%
Ambrosden Resources (Pvt) Ltd	Sri Lanka	100%	100%
Melville Resources (Pvt) Ltd	Sri Lanka	100%	100%

Titanium Sands Limited
Notes to the consolidated financial statements (continued)
For the year ended 30 June 2022

26. Parent Entity information

Financial position	2022	2021
	\$	\$
Assets		
Current assets	554,459	1,629,998
Non-current assets	16,413,532	26,603,173
Total assets	16,967,991	28,233,171
Liabilities		
Current liabilities	640,899	159,813
Total liabilities	640,899	159,813
Equity		
Issued capital	35,768,901	35,706,530
Accumulated losses	(25,703,973)	(13,895,336)
Reserves	6,262,164	6,262,164
Total equity	16,327,092	28,073,358
Financial performance		
Loss for the year	(11,808,637)	(5,950,784)
Total comprehensive loss for the year	(11,808,637)	(5,950,784)

Guarantees:

The Company has not entered into any guarantees in the current or previous financial year, in relation to the debts of its subsidiaries.

Other Commitments and Contingencies:

The Company has no commitment to acquire property, plant and equipment and has no contingent liabilities other than those disclosed in Note 23.

Titanium Sands Limited Directors' Declaration

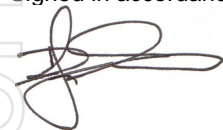
The directors of Titanium Sands Limited ("the Company" or "the Group") declare that:

- 1) the financial statements and notes thereto are in accordance with the Corporations Act 2001, including:
 - a) giving a true and fair view of the financial position of the Group as at 30 June 2022 and of its performance, as represented by the results of its operations and cash flows, for the financial year ended on that date; and
 - b) comply with Accounting Standards in Australia, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- 2) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
- 3) The financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

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

Dated at Perth this 28 September 2022

Signed in accordance with a resolution of the directors:



James Searle
Director

INDEPENDENT AUDITOR'S REPORT

To the members of Titanium Sands Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Titanium Sands Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, 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 report, 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 30 June 2022 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Material uncertainty related to going concern

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Recoverability of Capitalised Exploration Expenditure

Key audit matter	How the matter was addressed in our audit
<p>At 30 June 2022 the carrying value of capitalised exploration expenditure was disclosed in Note 8.</p> <p>As the carrying value of the exploration assets represent a significant asset of the Group, we considered it necessary to assess whether any facts or circumstances exist to suggest that the carrying amount of these assets may exceed its recoverable amount.</p> <p>Judgement is applied in determining the treatment of exploration expenditure in accordance with Australian Accounting Standard AASB 6 Exploration for and Evaluation of Mineral Resources. In particular, whether facts and circumstances indicate that the exploration and evaluation assets should be tested for impairment.</p> <p>As a result, this is considered a key audit matter.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> Obtaining a schedule of the exploration and evaluation expenditure held by the Company and assessing whether the rights to tenure of the Mannar Island Project remained current or were in the process of being renewed at balance date; Considering the status of the ongoing exploration programmes in the Mannar Island Project by holding discussions with management, and reviewing the Group's exploration budgets, ASX announcements and director's minutes; Considering whether the Mannar Island Project has reached a stage where a reasonable assessment of economically recoverable reserves existed; Considering whether any facts or circumstances existed to suggest impairment testing was required; and Assessing the adequacy of the related disclosures in Note 3(d) and Note 8 to the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2022, but does not include the financial report and the auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 17 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Titanium Sands Limited, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

BDO Audit (WA) Pty Ltd

BDO


Jarrad Prue

Director

Perth, 28 September 2022

DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF TITANIUM SANDS LIMITED

As lead auditor of Titanium Sands Limited for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Titanium Sands Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'J Prue', is written over a light grey grid background.

Jarrad Prue
Director

BDO Audit (WA) Pty Ltd
Perth, 28 September 2022

Titanium Sands Limited Schedule of Exploration Tenements

The information was applicable as at 28 September 2022.

Exploration Licence	Holder	EL	Validity	Area	Status
EL 370	Kilsythe Exploration (PVT) LTD	4/05/2021	3/05/2023	31km ²	Current
EL 351	Sanur Minerals (PVT) LTD	13/12/2021	12/12/2023	15km ²	Current
EL 425	Sanur Minerals (PVT) LTD	19/11/2021	18/11/2023	10km ²	Current
EL 423	Orion Minerals (PVT) LTD	15/11/2021	14/11/2023	5km ²	Current
EL 424	Orion Minerals (PVT) LTD	15/11/2021	14/11/2023	8km ²	Current
EL 180/R/3	Applex Ceylon (PVT) LTD	5/03/2019	4/03/2021	45km ²	Renewal Pending
EL 182/R/3	Applex Ceylon (PVT) LTD	5/03/2019	4/03/2021	26km ²	Renewal Pending
EL 371	Hammersmith Ceylon (PVT) LTD	26/02/2018	25/02/2020	4km ²	Renewal Pending
EL 372	Hammersmith Ceylon (PVT) LTD	26/02/2018	25/02/2020	51km ²	Renewal Pending
			Total	195km ²	

**All necessary applications and submissions for the renewal of tenure have been lodged and are expected to be renewed in due course.*

Titanium Sands Limited

ASX Additional Information

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below. The information was applicable as at 28 September 2022.

A. Distribution of Equity Securities

Analysis of numbers of security holders by size of holding:

Shareholders:

Distribution	Number of Shareholders	Number of Shares	%
1 - 1,000	136	23,208	0.00
1,001 - 5,000	20	43,856	0.00
5,001 - 10,000	17	151,527	0.01
10,001 - 100,000	301	14,634,287	1.04
100,001 Over	423	1,391,544,968	98.94
Total	897	1,406,397,846	100.00

There were 282 shareholders holding less than a marketable parcel of ordinary shares (at a price of \$0.016).

Optionholders:

Distribution	Number of Shareholders	Number of Shares	%
1 - 1,000	2	546	0.00
1,001 - 5,000	0	0	0.00
5,001 - 10,000	0	0	0.00
10,001 - 100,000	38	2,711,749	4.05
100,001 Over	81	64,185,421	95.95
Total	121	66,897,716	100.00

B. Substantial Shareholders

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

Shareholder Name	Listed Ordinary Shares	
	Number	Percentage
Robert Nelson (Vuna Nominees LLC, Willis Holdings Ltd, King George V Nominees Ltd & Cuprum Holdings Limited)	432,710,261	30.76%
Gary Johnson Super Management Pty Ltd	105,000,000	7.47%

C. Top 20

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

	Shareholder Name	Listed Ordinary Shares	
		Number	Percentage
1.	WILLIS HOLDINGS LTD	252,500,000	17.95
2.	CUPRUM HOLDINGS LIMITED	130,245,261	9.26
3.	REDASO PTY LTD <REDASO FAMILY A/C>	110,000,000	7.82
4.	GARY JOHNSON SUPER MANAGEMENT PTY LTD <GARY JOHNSON S/F NO 2 A/C>	105,000,000	7.47
5.	HEEDFUL PTY LTD <ASSURED S/F A/C>	59,700,000	4.24
6.	SUNSET CAPITAL MANAGEMENT PTY LTD <SUNSET SUPERFUND A/C>	37,363,640	2.66
7.	VUNA NOMINEES LLC	35,000,000	2.49
8.	ALITIME NOMINEES PTY LTD <HONEYHAM FAMILY A/C>	30,243,806	2.15
9.	MR DAVID REGINALD KIRKWOOD + MRS SHAN LI	26,784,973	1.90
10.	STAR SECRETARIAL SERVICES LTD	26,363,636	1.87
11.	BNP PARIBAS NOMS PTY LTD <DRP>	25,444,313	1.81
12.	MR HOWARD WILLIAM OTTEN	20,745,456	1.48
13.	DC & PC HOLDINGS PTY LTD <DC & PC NEESHAM SUPER A/C>	20,714,094	1.47
14.	KING GEORGE V NOMINEES LTD	14,965,000	1.06
15.	MR LAURENT LEYENDECKER	12,714,000	0.90
16.	MEMPHIS HOLDINGS PTY LTD <SUPER FUND A/C>	12,000,000	0.85
17.	POOKY CORPORATION PTY LTD <K L CHRISTENSEN SUPER A/C>	11,240,000	0.80
18.	OFFENSE PTY LTD <THE RESTRAINT S/FUND A/C>	10,900,000	0.78
19.	ANGKOR IMPERIAL RESOURCES PTY LTD <TURKISH BREAD S/F A/C>	10,000,000	0.71
19.	CELTIC CAPITAL PTY LTD <THE CELTIC CAPITAL A/C>	10,000,000	0.71
19.	CHESTER ASSETS PTY LTD <CHESTER INVESTMENTS A/C>	10,000,000	0.71
19.	MR PETER FITZGERALD	10,000,000	0.71
19.	QUATTRO STAGIONE PTY LTD	10,000,000	0.71
	TOTAL	991,924,179	70.53

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

	Optionholder Name	Listed Options	
		Number	Percentage
1.	ZENIX NOMINEES PTY LTD	20,000,000	29.90
2.	CELTIC CAPITAL PTY LTD <INCOME A/C>	7,000,000	10.46
3.	CPS CAPITAL NO 4 PTY LTD	6,000,000	8.97
4.	MR DAVID ARITI	2,610,155	3.90
5.	DC & PC HOLDINGS PTY LTD <DC & PC NEESHAM SUPER A/C>	2,600,000	3.89
6.	MR MICHAEL TAN	1,893,820	2.83
7.	ALITIME NOMINEES PTY LTD <HONEYHAM FAMILY A/C>	1,750,000	2.62
8.	THE 5TH ELEMENT MCTN PTY LTD	1,500,000	2.24
9.	MR THOMAS ANDREW KEITH WILSON	1,000,000	1.49
10.	SUNSET CAPITAL MANAGEMENT PTY LTD <SUNSET SUPERFUND A/C>	829,547	1.24
11.	MR BENJAMIN BROOKING HEATH	700,000	1.05
12.	ST BARNABAS INVESTMENTS PTY LTD <THE MELVISTA FAMILY A/C>	662,500	0.99
13.	FREYABEAR FHMN PTY LTD	625,000	0.93
14.	HONEYBEE ANHM PTY LTD	625,000	0.93
15.	HUNTERLAND HJDN PTY LTD	625,000	0.93
16.	P J ENTERPRISES PTY LTD <P J ENTERPRISES S/F A/C>	625,000	0.93
17.	QUATTRO STAGIONE PTY LTD	625,000	0.93
18.	MR SHAUN DAVID WATERS	525,000	0.78
19.	MR SUNEEL BOMMIREDDY	500,000	0.75
20.	DIXTRU PTY LIMITED	500,000	0.75
21.	HINDSIGHT PTY LTD <MACTIER FAMILY A/C>	500,000	0.75

22. MR SAI MANOJ NAMBURU
TOTAL

500,000	0.75
52,196,022	78.02

D. Voting Rights

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

E. On-market buy-back

There is no current on-market buy-back.

F. Restricted Securities

There are currently no restricted securities.