



## Titanium Resources Group

### Interim Results

9 September 2010: Titanium Resources Group Ltd. ("TRG" or "the Company") announces its unaudited interim results for the six months ended June 30, 2010 ("the Period")

#### Highlights

- Profit after tax of US\$3.88 million (H1 2009: loss after tax of US\$4.95 million)
- Sales of US\$18.63 million (H1 2009: US\$19.79 million)
- EBITDA of US\$0.4 million\* (H1 2009: US\$0.4 million)
- Administrative and marketing expenses decreased by 35% to US\$2.1 million (H1 2009: US\$3.2 million)
- Cash generated from operations increased 100% to US\$4.8 million (H1 2009 US\$2.4 million)
- Final insurance settlement of US\$5.3 million (net of associated costs) received in relation to the capsizes of Dredge D2
- Rutile production of 30,650 tonnes (H1 2009: 31,418 tonnes)
- Dispute with Government of Sierra Leone over interest repayments on loan ongoing, capital funding from TRG to Sierra Rutile remains suspended
- Full year rutile production target of 64,000 – 70,000 tonnes.
- Strategic review to examine all areas of the business
- Cash and cash equivalents of US\$27.3 million at June, 30 2010 (H1 2009: US\$4.5 million)

*\* Before exceptional items*

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## **Executive Chairman's Review**

TRG recorded a profit before taxes of US\$3.8 million in the first half of 2010. This was primarily due to the receipt in the Period of the US\$5.3 million final insurance settlement (net of associated costs)(US\$7.5 million before associated costs) for the capsizing of Dredge D2, as well as net and unrealised foreign exchange gains of US\$4.8 million.

Lower sales revenues of some 6% were offset by continued tighter cost controls. The Company recorded a pre-exceptional EBIT loss of US\$4.7 million, slightly higher than the prior year (US\$4.2 million), primarily due to reduced sales revenues and increased depreciation charges. Rutile shipments of 27,648 tonnes in the Period were lower than the corresponding period in 2009 due to the delay in the docking of a vessel due at the end of June.

Disruptions to production in H1 2010 caused the loss of approximately 15,675 tonnes of rutile. As announced in the recent update, the causes of those disruptions have been addressed, but rutile production for the full year is now expected to be between 64,000 and 70,000 tonnes. Zircon production has also been revised down and is estimated to be approximately 6,500 tonnes for the full year. Ilmenite production for the year is estimated to be approximately 15,000 tonnes. Despite these reduced production targets, the Company still expects to record a positive EBITDA for the full year.

The Company reached a final settlement of US\$7.5 million before associated costs with its insurers in April in relation to the capsizing of Dredge D2. In total, TRG received US\$5.65 million, net of associated costs, from insurers in relation to the capsizing of Dredge D2.

In November 2009, the Company raised US\$25 million (before expenses) to fund increased production at Sierra Rutile through the construction of Dredge D3, upgrades to the Dredge D1 wet plant and completion of an upgrade to Sierra Rutile's dry plant.

In March 2010 the Company announced that to improve wet plant recoveries, Dredge D3 would be constructed with a separate floating wet plant rather than with an integrated plant as previously planned. The design change will increase construction costs for Dredge D3. As part of the comprehensive review announced in the August update, the Company is considering ways to reduce capital costs while at the same time achieving the same production increase.

In August 2010, the Company suspended funding to SRL, including for D1 spiral upgrades, pending the successful resolution of a dispute between the Company's subsidiary, Sierra Rutile Limited ("SRL") and the Government of Sierra Leone ("GOSL") over certain interest payments on the loan from the GOSL to SRL. The GOSL claims that SRL failed to make certain interest payments when due and therefore all principal and accrued interest under the GOSL Loan is technically due. SRL disputes the claim

on the basis that during and after an agreed moratorium on loan payments, the GOSL and SRL were in discussions regarding the GOSL Loan. SRL has paid the amount of outstanding interest immediately requested by the GOSL. The parties have agreed to meet to discuss settling the dispute and a range of other matters of mutual interest (see note 8 below).

## **Strategic Review**

The Company is undertaking a thorough review of all elements of the business. The Sierra Rutile mine is a world-class resource and it is incumbent upon the Company's management team to unlock this potential for the benefit of the shareholders and the Sierra Leonean community. The review will be completed within the next 90 days.

## **Production**

Production in the Period was negatively impacted by reduced dredge availability as a result of a fire on Dredge D1, longer than anticipated downtime following a planned move of the Dredge D1 wet plant and problems with slimes in the dredge pond prior to the commissioning of the Versi Dredge. While rutile production is steadily increasing, with production in July and August up on levels recorded in both H1 2010 and the corresponding periods of 2009 (6,516 tonnes in July 2010 vs 4,010 tonnes in July 2009; and 6,442 tonnes in August 2010 vs. 3,807 tonnes in August 2009), the increase will not be enough to make up the production lost earlier in the year.

The Versi Dredge, which was commissioned in March 2010, is operating in the Dredge D1 pond and is currently removing slimes at its full capacity.

For the Period, the Company produced 30,650 tonnes of rutile, 8,836 tonnes of ilmenite and 2,786 tons of zircon concentrate compared to 31,418 tonnes rutile and 8,658 of ilmenite in the same period in 2009. There was no zircon production for the same period in 2009. The average rutile grade in the first eight months of this year was 1.82%, with the last three months averaging 1.93%.

## **Exploration**

The Company continued its exploration programme in the first half of 2010, and will update on its progress in due course.

## **Financials**

The Company achieved a profit before taxation of US\$3.8 million in the Period compared with a loss before taxation of US\$4.9 million in H1 2009. A net exceptional gain of US\$5.3 million following the receipt of the Company's final settlement with the remaining insurers in relation to the capsizes of Dredge D2 and a net US\$4.8 million unrealised foreign exchange gain contributed to achieving this profit in the Period.

Net cash generated from operating activities was US\$4.8 million, in comparison to US\$2.4 million in the first half of 2009. Sales revenues declined 6% to US\$18.6 million due to a higher proportion of sales being scheduled in H2 than in H1. The impact on revenue of the decreased production levels was partially offset by the higher average sales prices the Company has achieved in the Period in comparison to H1 2009.

During the Period, the Company kept costs broadly in line with the reduced levels achieved in 2009. The slight increase in cost of sales for the Period over 2009 is principally a result of increased depreciation costs.

Following the November 2009 placing and final insurance settlement reached in April 2010, the Company had cash and cash equivalents of US\$27.3 million as at June, 30 2010. Borrowings (all related to the GOSL loan) of US\$47.35 million (including due, but unpaid interests reclassified as current liabilities) were 8% lower than at December 31, 2009, due to the weakening of the Euro against the US dollar.

### **Markets & Outlook**

Demand for TRG's products remains robust with high demand combined with production shortfalls across the sector contributing to a growing supply deficit and, as a result, rising prices.

Demand for titanium feedstocks has rebounded more strongly than expected. Production shortfalls across the industry have contributed to this positive pricing environment, and as a result TZ Minerals International, the international consulting firm, has reported prices for bulk rutile rising as high as US\$600 per tonne in H1 compared to an average FY 2009 price of US\$546 per tonne.

As we begin to negotiate contracts for 2011, we expect that the factors set out above will enable us to capture higher prices for both our standard and industrial grade rutile. However, to some extent this will be offset by some volume at 2010 contract prices being rolled over into 2011 due to the production shortfall in 2010. The average price for rutile in 2011 is expected to be higher than the 2010 average. Prices for the Company's ilmenite and zircon concentrate are expected to remain relatively stable.

**TITANIUM RESOURCES GROUP LTD AND ITS SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - JUNE 30, 2010**

|                                       | Note | June 30,<br>2010<br>USD'000 | December<br>31, 2009<br>USD'000 | June 30,<br>2009<br>USD'000 |
|---------------------------------------|------|-----------------------------|---------------------------------|-----------------------------|
| <b>ASSETS</b>                         |      |                             |                                 |                             |
| <b>Non-current assets</b>             |      |                             |                                 |                             |
| Property, plant and equipment         |      | 120,941                     | 123,933                         | 126,596                     |
| Intangible assets                     |      | 13,209                      | 13,243                          | 13,277                      |
| Non-current receivables               |      | 753                         | 753                             | 753                         |
|                                       |      | <u>134,903</u>              | <u>137,929</u>                  | <u>140,626</u>              |
| <b>Current assets</b>                 |      |                             |                                 |                             |
| Inventories                           |      | 16,876                      | 16,088                          | 14,211                      |
| Trade and other receivables           |      | 15,817                      | 16,806                          | 20,933                      |
| Cash in hand and bank balance         |      | 27,446                      | 25,902                          | 4,556                       |
|                                       |      | <u>60,139</u>               | <u>58,796</u>                   | <u>39,700</u>               |
| <b>Total assets</b>                   |      | <u><u>195,042</u></u>       | <u><u>196,725</u></u>           | <u><u>180,326</u></u>       |
| <b>EQUITY AND LIABILITIES</b>         |      |                             |                                 |                             |
| <b>Capital and reserves</b>           |      |                             |                                 |                             |
| Share capital                         |      | 251,963                     | 251,963                         | 238,026                     |
| Revenue deficit                       |      | (127,117)                   | (130,995)                       | (128,081)                   |
| Owners' interest                      |      | <u>124,846</u>              | <u>120,968</u>                  | <u>109,945</u>              |
| <b>LIABILITIES</b>                    |      |                             |                                 |                             |
| <b>Non-current liabilities</b>        |      |                             |                                 |                             |
| Borrowings                            | 6(b) | 45,141                      | 51,638                          | 48,180                      |
| Retirement benefit obligations        |      | 450                         | 659                             | 539                         |
| Provision for liabilities and charges |      | 3,261                       | 3,261                           | 3,261                       |
|                                       |      | <u>48,852</u>               | <u>55,558</u>                   | <u>51,980</u>               |
| <b>Current liabilities</b>            |      |                             |                                 |                             |
| Trade and other payables              |      | 21,041                      | 20,014                          | 18,329                      |
| Current tax liabilities               |      | 122                         | 175                             | 29                          |
| Borrowings                            |      | 181                         | 10                              | 43                          |
|                                       |      | <u>21,344</u>               | <u>20,199</u>                   | <u>18,401</u>               |
| <b>Total liabilities</b>              |      | <u><u>70,196</u></u>        | <u><u>75,757</u></u>            | <u><u>70,381</u></u>        |
| <b>Total equity and liabilities</b>   |      | <u><u>195,042</u></u>       | <u><u>196,725</u></u>           | <u><u>180,326</u></u>       |

**UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED JUNE 30, 2010**

|   | Note | 6 months<br>to June<br>30, 2010<br>USD'000 | Year ended<br>December<br>31, 2009<br>USD'000 | 6 months<br>to June<br>30, 2009<br>USD'000 |
|---|------|--|---|--|
| Sales   |      | 18,633                                     | 36,849  | 19,792                                     |
| Cost of sales   |      | <u>(21,639)</u>                            | <u>(38,443)</u>                               | <u>(20,751)</u>                            |
| Gross loss  |      | (3,006)                                    | (1,594)                                       | (959)                                      |
| Other income  |      | 402  | 2,187   | 19   |
| Administrative and marketing expenses                 |      | (2,091)                                    | (4,342)                                       | (3,227)                                    |
|   |      | <u>(4,695)</u>                             | <u>(3,749)</u>                                | <u>(4,167)</u>                             |
| Exceptional item                                      | 5    | 5,336                                      | 3,698   | 2,320                                      |
| Finance income/(costs)                                | 6(a) | 3,199                                      | (7,514)                                       | (3,007)                                    |
| Profit/(Loss) before taxation                         |      | <u>3,840</u>                               | <u>(7,565)</u>                                | <u>(4,854)</u>                             |
| Taxation  |      | 38   | (302)   | (99)                                       |
| <b>Profit/(Loss) for the period/year</b>              |      | <u>3,878</u>                               | <u>(7,867)</u>                                | <u>(4,953)</u>                             |
| Other Comprehensive Income                            |      | -  | -   | -  |
| <b>Total comprehensive income for the period/year</b> |      | <u>3,878</u>                               | <u>(7,867)</u>                                | <u>(4,953)</u>                             |
| <b>Profit/(Loss) attributable to:</b>                 |      |  |   |  |
| Owners of the parent                                  |      | 3,878                                      | (7,867)                                       | (4,953)                                    |
| Minority interest                                     |      | -  | -   | -  |
|   |      | <u>3,878</u>                               | <u>(7,867)</u>                                | <u>(4,953)</u>                             |
| <b>Total comprehensive income attributable to:</b>    |      |  |   |  |
| Owners of the parent                                  |      | 3,878                                      | (7,867)                                       | (4,953)                                    |
| Minority interest                                     |      | -  | -   | -  |
|   |      | <u>3,878</u>                               | <u>(7,867)</u>                                | <u>(4,953)</u>                             |
| <b>Earnings/(Loss) per share (USD)</b>                |      |  |   |  |
| - basic   | 3(a) | <u>0.010</u>                               | <u>(0.03)</u>                                 | <u>(0.02)</u>                              |
| - diluted   | 3(b) | <u>0.010</u>                               | <u>(0.03)</u>                                 | <u>(0.02)</u>                              |

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED JUNE 30, 2010**

|   | <u>Share<br/>capital</u><br>USD'000 | <u>Revenue<br/>deficit</u><br>USD'000 | <u>Total</u><br>USD'000 |
|---|-------------------------------------|---------------------------------------|-------------------------|
| Balance at January 1, 2010                | 251,963                             | (130,995)                             | 120,968                 |
| Total comprehensive income for the period | -                                   | 3,878                                 | 3,878                   |
| <b>At June 30, 2010</b>                   | <b><u>251,963</u></b>               | <b><u>(127,117)</u></b>               | <b><u>124,846</u></b>   |

|   | <u>Share<br/>capital</u><br>USD'000 | <u>Revenue<br/>deficit</u><br>USD'000 | <u>Total</u><br>USD'000 |
|---|-------------------------------------|---------------------------------------|-------------------------|
| Balance at January 1, 2009              | 238,026                             | (123,128)                             | 114,898                 |
| Total comprehensive income for the year | -                                   | (7,867)                               | (7,867)                 |
| Adjustment for employee share options   | (11,282)                            | -                                     | (11,282)                |
| Issue of share capital                  | 25,219                              | -                                     | 25,219                  |
| <b>At December 31, 2009</b>             | <b><u>251,963</u></b>               | <b><u>(130,995)</u></b>               | <b><u>120,968</u></b>   |

|   | <u>Share<br/>capital</u><br>USD'000 | <u>Revenue<br/>deficit</u><br>USD'000 | <u>Total</u><br>USD'000 |
|---|-------------------------------------|---------------------------------------|-------------------------|
| Balance at January 1, 2009                | 238,026                             | (123,128)                             | 114,898                 |
| Total comprehensive income for the period | -                                   | (4,953)                               | (4,953)                 |
| <b>At June 30, 2009</b>                   | <b><u>238,026</u></b>               | <b><u>(128,081)</u></b>               | <b><u>109,945</u></b>   |

**UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED JUNE 30, 2010**

|   | Note | 6 months<br>to June 30,<br>2010<br>USD'000 | Year ended<br>December<br>31, 2009<br>USD'000 | 6 months<br>to June 30,<br>2009<br>USD'000 |
|---|------|--|---|--|
| <b>Operating activities</b>                                 |      |  |   |  |
| Cash generated from operations                              | 7    | 4,842                                      | 2,000   | 2,351                                      |
| Interest received   |      | 32   | 16  | 7  |
| Interest paid   |      | (9)  | (12)  | (10)                                       |
| Tax paid  |      | (15)                                       | (57)  | -  |
| <b>Net cash from operating activities</b>                   |      | <u>4,850</u>                               | <u>1,947</u>                                  | <u>2,348</u>                               |
| <b>Investing activities</b>                                 |      |  |   |  |
| Purchase of property, plant and equipment                   |      | (2,081)                                    | (8,658)                                       | (5,220)                                    |
| Proceeds from disposal of plants                            |      | -  | 30  | 30   |
| <b>Net cash used in investing activities</b>                |      | <u>(2,081)</u>                             | <u>(8,628)</u>                                | <u>(5,190)</u>                             |
| <b>Financing activities</b>                                 |      |  |   |  |
| Proceeds from issue of shares                               |      | -  | 25,219  | -  |
| <b>Net cash from financing activities</b>                   |      | <u>-</u>                                   | <u>25,219</u>                                 | <u>-</u>                                   |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |      | <u>2,769</u>                               | <u>18,538</u>                                 | <u>(2,842)</u>                             |
| <b>Movement in cash and cash equivalents</b>                |      |  |   |  |
| At January 1  |      | 25,892                                     | 7,354   | 7,354                                      |
| Increase/(Decrease)   |      | 2,769                                      | 18,538  | (2,842)                                    |
| Effect of foreign exchange rate changes                     |      | (1,396)                                    | -   | -  |
| <b>At June 30 / December 31</b>                             |      | <u>27,265</u>                              | <u>25,892</u>                                 | <u>4,512</u>                               |



**NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED JUNE 30, 2010**

**1. GENERAL INFORMATION**

Titanium Resources Group Ltd (TRG) is a limited liability company incorporated and domiciled in the British Virgin Islands. The address of its registered office is at P.O.Box 4301, Trinity Chambers, Road Town, Tortola, British Virgin Islands.

**2. BASIS OF PREPARATION**

The financial information presented herein does not represent statutory accounts. The Group's statutory financial statements for the year ended December 31, 2009 were prepared in accordance with International Financial Reporting Standards (IFRS) and under the historical cost convention. The auditors, BDO & Co, reported on those accounts and their report was unqualified. A copy of the 2009 Annual Report, including the auditors' report referred to above, is available on the Company's website: [www.titaniumresources.com](http://www.titaniumresources.com).

These condensed half year financial statements have not been audited or reviewed by the independent auditors pursuant to the Auditing Practices Board guidance on the "Review of Interim Financial Information". The accounting policies used in the preparation of the interim unaudited financial statements are consistent with those used in the annual financial statements for the year ended December 31, 2009. The interim financial statements comply with IAS 34.

**3. EARNINGS/(LOSS) PER SHARE**

|  | <u>6 months to<br/>June 30, 2010</u><br>USD | <u>Year ended<br/>December<br/>31, 2009</u><br>USD | <u>6 months to<br/>June 30,<br/>2009</u><br>USD |
|--|---|--|---|
| (a) <u>Basic earnings/(loss) per share</u>   |   |  |   |
| Profit/(Loss) attributable to equity holders of the group (thousand)   | <u>3,878</u>                                | <u>(7,867)</u>                                     | <u>(4,953)</u>                                  |
| Weighted average number of ordinary shares in issue  | <u>385,864,075</u>                          | <u>257,635,328</u>                                 | <u>245,342,848</u>                              |
| Basic earnings/(loss) per share  | <u>0.010</u>                                | <u>(0.03)</u>                                      | <u>(0.02)</u>                                   |
| (b) <u>Diluted earnings/(loss) per share</u>   |   |  |   |
| Profit/(Loss) attributable to equity holders of the group used to determine diluted earnings/(loss) per share (thousand) | <u>3,878</u>                                | <u>(7,867)</u>                                     | <u>(4,953)</u>                                  |
| <u>Number of shares</u>  |   |  |   |
| Weighted average number of ordinary shares in issue  | <u>385,864,075</u>                          | <u>245,621,354</u>                                 | <u>245,342,848</u>                              |
| Adjustments for share options  | <u>-</u>                                    | <u>483,333</u>                                     | <u>1,216,667</u>                                |
| Weighted average number of ordinary shares for diluted earnings/(loss) per share   | <u>385,864,075</u>                          | <u>246,104,687</u>                                 | <u>246,559,515</u>                              |
| Diluted earnings/(loss) per share  | <u>0.010</u>                                | <u>(0.03)</u>                                      | <u>(0.02)</u>                                   |

**NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED JUNE 30, 2010**

**4. CAPITAL COMMITMENTS**

|   | <u>6 months to<br/>June 30, 2010</u> | <u>Year ended<br/>December<br/>31, 2009</u> | <u>6 months to<br/>June 30,<br/>2009</u> |
|---|--------------------------------------|---|--|
|   | USD'000                              | USD'000                                     | USD'000                                  |
| Property, plant and equipment acquisition contracted for at the end of the reporting period but not yet incurred: | <u>259</u>                           | <u>1,100</u>                                | <u>1,100</u>                             |

- (a) Sierra Rutile Limited (SRL), a subsidiary of Titanium Resources Group Ltd, entered into the above capital commitments.

**5. EXCEPTIONAL ITEMS**

Profit before tax includes a net amount of USD 5.336 million relating to compensation received from re-insurers of Sierra Rutile Limited ("SRL") net of associated costs. This follows the final settlement agreement reached with all insurers in SRL's legal action relating to the capsizing of Dredge D2 in July 2008. Under the terms of the final settlement agreement, SRL received a total of USD 7.500 million from the remaining insurers. Professional fees associated with the claim amounted to USD 2.164 million in the Period.

**6. FINANCE INCOME/(COSTS)**

|                                       | <u>6 months to<br/>June 30, 2010</u> | <u>Year ended<br/>December<br/>31, 2009</u> | <u>6 months to<br/>June 30,<br/>2009</u> |
|---------------------------------------|--------------------------------------|---|--|
|                                       | USD'000                              | USD'000                                     | USD'000                                  |
| (a) <b>Net finance income/(costs)</b> |                                      |   |  |
| Net interest payable                  | (1,871)                              | (3,676)                                     | (1,773)                                  |
| Net foreign exchange gain / (loss)    | 5,070                                | (3,838)                                     | (1,304)                                  |
|                                       | <u>3,199</u>                         | <u>(7,514)</u>                              | <u>(3,077)</u>                           |

(b) **Interest on GOSL loan**

The interest portion of the Government of Sierra Leone (GOSL) loan falling due on the 15th of June, 2010, was not paid by SRL and reclassified as current liability in the statement of financial position.

**NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED JUNE 30, 2010**

| 7. NOTES TO THE STATEMENT OF CASH FLOWS                               | 6 months to<br>June 30, 2010<br>USD'000 | Year ended<br>December<br>31, 2009<br>USD'000 | 6 months to<br>June 30,<br>2009<br>USD'000 |
|---|---|---|--|
| <b>Cash generated from operations</b>                                 |   |   |  |
| Profit /(Loss) for the period/year before tax                         | 3,840                                   | (7,565)                                       | (4,854)                                    |
| <b>Adjustments for:</b>   |   |   |  |
| Depreciation on property, plant and equipment                         | 5,074                                   | 9,675   | 4,089                                      |
| Amortisation of intangible assets                                     | 34                                      | 68  | 34   |
| Interest income   | (32)                                    | (16)  | (7)  |
| Interest expense  | 1,871                                   | 3,676   | 1,773                                      |
| Unrealised exchange (gain)/loss                                       | (4,757)                                 | 2,901   | 1,170                                      |
| Profit on disposal of plant   | -                                       | 8   | 8  |
| Impairment of dredge D2   | -                                       | 395   | -  |
| Impairment of other property, plant and equipment                     | -                                       | 120   | -  |
| Share option scheme - Employee  | -                                       | (6,397)                                       | -  |
| Profit on disposal of shares in subsidiary                            | (331)                                   | (1,971)                                       | (1,188)                                    |
| (Decrease) / Increase in provision for retirement benefit obligations | (209)                                   | 174   | 174  |
|   | <b>5,490</b>                            | <b>1,068</b>                                  | <b>1,199</b>                               |
| Changes in working capital  |   |   |  |
| -inventories  | (788)                                   | (1,606)                                       | 271  |
| -trade and other receivables  | 989                                     | 1,565   | 2,325                                      |
| -trade and other payables   | (849)                                   | 973   | (1,444)                                    |
| <b>Cash generated from operations</b>                                 | <b>4,842</b>                            | <b>2,000</b>                                  | <b>2,351</b>                               |

**8. EVENTS AFTER THE REPORTING PERIOD**

Events after the reporting period are disclosed only to the extent that they relate directly to the interim financial statements and are material in effect. As announced on 20 August 2010, the Government of Sierra Leone (GOSL) has served SRL a notice of default for non payment of the interest. SRL has disputed the GOSL's claim. Subsequently, the parties agreed that SRL would make an interest payment of EUR 316,287. SRL has made the agreed payment. No conclusion has been reached as at the date of issuing this set of interim financial statements.