Sierra Rutile Limited

Sierra Rutile Limited

Unaudited Interim Results for the Six Months Ended 30 June 2014

London, UK, 17 September 2014: Sierra Rutile Limited (AIM: SRX) ("Sierra Rutile" or the "Group" or the "Company") is pleased to announce its unaudited interim results for the six months ended 30 June 2014.

Highlights

- 8% increase in rutile production to 56,060 tonnes (H1 2013: 51,985 tonnes)
- 34% increase in rutile sales volumes to 71,565 tonnes (H1 2013: 53,446 tonnes)
- Revenue of US$64.1 million in-line with H1 2013 of US$66.4 million despite lower market pricing
- US$8.7 million EBITDA[1] (H1 2013: US$13.5 million)
- Further reduction in unit operating costs:
  - 18% reduction in direct operating cash costs[2] to US$481/tonne (H1 2013: US$586/tonne) below full-year guidance of US$490/tonne, despite a lower weighting of H1 production
  - 24% reduction in total operating cash costs[3] to US$609/ tonne (H1 2013: US$799/tonne; no previous guidance provided)
  - 26% reduction in all-in cash costs[4] to US$627/tonne (H1 2013: US$846/tonne) slightly above full-year guidance of US$605/tonne
- Repayment of US$6.1 million of the loan to the Government of Sierra Leone
- Strong balance sheet with total current assets of US$84.4 million (31 December 2013: US$89.9 million)
- US$3.9 million invested in the upgrade to the mineral separation plant, with commissioning expected in H2 2014

Commenting on the first half performance, CEO John Sisay said: "We are pleased with the performance in the first half. Despite the lower weighting of first half production, the continued focus on unit cash costs has resulted in a strong cost performance from the operations. The company has seen good demand for its products and sales volumes for the period were at record levels, albeit at subdued prices, providing us with confidence for the rest of the year.

While there continues to be no reported or suspected cases of Ebola at Sierra Rutile's operations, we remain vigilant in monitoring the situation closely and ensuring that our employees and the local communities have the necessary support to identify any Ebola cases early."

[1] Earnings before interest, tax, depreciation and amortisation, excluding exceptional items and non-cash stock option expense.
[2] Direct operating cash cost (includes direct operating costs but excludes depreciation) less by-product revenue divided by tonnes of rutile produced.
[3] Total operating cash cost (includes direct operating costs, general administrative costs and corporate costs but excluding depreciation) less by-product revenue divided by tonnes of rutile produced.
[4] All-in cash costs (Total operating cash cost plus stay-in-business capital cost, but excluding depreciation) less by-product revenue divided by tonnes of rutile produced.

Financial Review

Revenue

Sales of rutile, ilmenite, zircon and other concentrates were at US$64.1 million in H1 2014, 3% lower than H1 2013 at US$66.4 million. The major contributor to the decrease in revenue in H1 2014 over H1 2013 was the weaker pricing obtained with an average realised price for rutile in H1 2014 of US$855/tonne (H1 2013: US$1,265/tonne), partially offset by a 34% increase in sales volumes to 71,565 tonnes (H1 2013: 53,446).

Cost of Sales

On an absolute basis, cost of sales was 8% higher at US$58.1 million (H1 2013: US$53.7 million) due to the increased production and shipping costs required to support higher sales levels and an increased non-cash depreciation charge of US$9.8 million (H1 2013: US$8.0 million), principally due to the addition of the recently commissioned Lanti dry mining assets.

On a unit basis, direct operating cash costs reduced 18% to US$481/tonne (H1 2013: US$586/tonne) below full-year guidance of US$490/tonne and substantially lower than H1 2013.

The Group remains committed to controlling costs and continue to focus on the implementation of its cost efficiency programs.

Administrative and Marketing Expenses

Administrative and marketing expenses decreased by US$0.2 million to US$7.7 million in H1 2014 (H1 2013: US$7.9 million), mainly as a result of cost efficiency programs as well as a reduction in one-off costs incurred during the period. This was despite US$0.6 million of costs being incurred in relation to the strategic discussions announced in November 2013.

On a unit basis, there was a 24% reduction in total operating cash costs to US$609/ tonne (H1 2013: US$799/tonne). The half year total operating cash costs were negatively impacted by the lower H1 2014 weighting of production volume.

Borrowings

During H1 2014, the Group repaid US$6.1 million in principal and interest on the unsecured loan from the Government of Sierra Leone ("GOSL"). The balance outstanding as at 30 June 2014 is US$24.7 million. The remainder of the loan will be re-paid in six-monthly instalments through December 2016. The next repayment is due in December 2014 and will include a principal payment of approximately US$4.9 million and accrued interest of US$1.0 million.

On 19 August 2013, the Group entered and subsequently satisfied all conditions precedent for a one-year US$20 million working capital facility ("Nedbank Loan"). This facility was recently renewed for a further two years on 22 July 2014. The Nedbank Loan carries an interest rate of LIBOR plus 4% in the first year (through to 22 July 2014) moving to 5% thereafter and is secured against assets of the Group. The Nedbank Loan contains certain financial covenants related to financial performance and position which are sensitive to key assumptions including commodity price and production. As at 30 June 2014, this loan was drawn down in full.

On 13 December 2013, the Group entered into an agreement for the provision of a US$30 million senior loan facility ("Nedbank Senior Loan"). The Nedbank Senior Loan has a tenor of four years from financial close, carries an interest rate of LIBOR plus 5.25%, and is secured against the assets of the Group. Use of the Nedbank Senior Loan is restricted to capital expansion projects. Closing and drawdown of this loan is subject to satisfaction of a limited number of outstanding conditions customary for a financing of this type. Sierra Rutile has until 31 December 2014 to reach financial close after which the funds will be available for drawdown for 18 months.

Net finance costs increased from US$0.8 million in H1 2013 to US$2.2 million in H1 2014. The increase was mainly due to the interest and arrangement fees paid on the Nedbank Loan of US$1.1 million and was partially offset by a weaker Euro which contributed to the net foreign exchange gain of US$0.3 million in 2014 (H1 2013: gain of US$0.5 million) related to the Euro denominated loan from the GOSL.

Financial Position

Balance sheet highlights are as follows:

- As at 30 June 2014, the Group had cash and cash equivalents of US$10.8 million.
- Inventories (finished goods and consumables) decreased 16% to US$51.1 million (31 December 2013: US$61.1 million) primarily as a result of a reduction in finished goods inventory.
- Capital expenditures of US$6.8 million on property, plant and equipment additions related to sustaining capital and the ongoing upgrade of the mineral separation plant. Additionally, US$1.6 million was spent on continued investment in the agricultural operations.
- Trade and other receivables increased to US$22.1 million (31 December 2013: US$5.9 million), due to sales timing and larger sales volumes during H1 2014. All receivables have been received in line with their terms of credit.
- Net assets decreased by 2% to US$193.6 million (31 December 2013: US$197.2 million).

Going Concern

At 30 June 2014, the Group had cash and cash equivalents of US$10.8 million and total borrowings of US$44.6 million.

The Board has considered the Group's cash flow forecasts for the period to the end of September 2015. The Board is satisfied that the Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group will be able to operate with the level of its current facilities for the foreseeable future. In the event of certain adverse pricing scenarios, management has within its control the option of deferring uncommitted capital expenditure to maintain the Group's funding position.

Accordingly, the Board continues to adopt the going concern basis in preparing the financial statements.

Post-balance sheet events

These are disclosed in note 13.

Related party

Related party transactions are disclosed in note 11 to the condensed set of financial statements.

Principal risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the year and which could cause actual results to differ materially from expected results. These risks were set out in detail in the Annual Report for the year ended 31 December 2013 and remain appropriate in 2014. Key risks relate to the following:

- Exploration and estimates of mineral reserves and resources
- Operating risks
- Insurance
- Competition
- Volatility of mineral prices
- Political risk
- Protection of assets and personnel
- Government regulation
- Title to properties
- Environmental regulation
- Rehabilitation
- Energy cost and supply
- Currency risk
- Interest rate risk
- Financing risk
- Dependence on key personnel, contractors, experts and other advisers

The Company continues to closely monitor the incidents of Ebola in the country and has put in place precautionary measures to minimise the risks to its employees, contractors and visitors, as detailed in its announcement of 5 August 2014. To date, there have been no reported or suspected cases of Ebola at Sierra Rutile's operations.

Forward looking information

This financial report contains certain forward looking statements with respect to the financial condition, results, operations and business of the Group. These statements and forecasts involve risk and uncertainty because they relate to events that depend on circumstances in the future. There are a number of factors that could cause actual results or developments to differ from those expressed or implied by these forward looking statements.

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DIRECTORS' RESPONSIBILITY STATEMENT

We confirm to the best of our knowledge:

a) the condensed set of financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting"; and

b) the half yearly financial report includes a fair review of the information:

- being an indication of important events that have occurred during the first six months of the financial year, and their impact on the half yearly financial report and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- being disclosure of related party transactions that have taken place in the first six months of the financial year and that have materially affected the financial position or the performance of the Group during that period and any changes in the related party transactions described in the last annual report that could have a material effect on the financial position or performance of the Group in the first six months of the current financial year.

By order of the Board

John Sisay	Alex Kamara
17 September 2014	17 September 2014

INDEPENDENT REVIEW REPORT TO SIERRA RUTILE LIMITED

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2014 which comprises the unaudited condensed consolidated income statement, the unaudited condensed consolidated statement of comprehensive income, the unaudited condensed consolidated statement of financial position, the unaudited condensed consolidated statement of cash flows, the unaudited condensed consolidated statement of changes in equity and related Notes 1 to 13. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the AIM rules of the London Stock Exchange.

As disclosed in Note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2014 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the AIM rules of the London Stock Exchange.

Deloitte LLP

Chartered Accountants and Statutory Auditor

London, UK

17 September 2014

Sierra Rutile Ltd and its subsidiaries

Unaudited condensed consolidated income statement
Interim period ended 30 June 2014

	Notes	6 months to 30 June 2014 US$'000	6 months to 30 June 2013 US$'000
Revenue	3	**64,052**	66,365
Cost of sales		**(58,116)**	(53,665)
Gross profit		**5,936**	12,700
Other income		**131**	84
Administrative and marketing expenses		**(7,722)**	(7,876)
Exceptional items	4	**-**	(396)
		(1,655)	4,512
Finance costs	5	**(2,150)**	(751)
(Loss)/profit before taxation		**(3,805)**	3,761
Income tax expense	6	**(320)**	(332)
(Loss)/profit attributable to owners of the Company		**(4,125)**	3,429
(Loss)/earnings per share (US$)			
- basic	7	**(0.008)**	0.007
- diluted	7	**(0.008)**	0.007

Sierra Rutile Ltd and its subsidiaries

Unaudited condensed consolidated statement of comprehensive income
Interim period ended 30 June 2014

	6 months to 30 June 2014 US$'000	6 months to 30 June 2013 US$'000
(Loss)/profit for the period	**(4,125)**	**3,429**
Total comprehensive (loss)/income for the period attributable to owners of the Company	**(4,125)**	**3,429**

Sierra Rutile Ltd and its subsidiaries

Unaudited condensed consolidated statement of financial position
Interim period ended 30 June 2014

ASSETS	Notes	30 June 2014 US$'000	Audited 31 December 2013 US$'000
Non-current assets			
Intangible assets		**11,706**	11,641
Property, plant and equipment		**160,509**	162,734
Biological assets		**3,684**	2,123
		175,899	176,498
Current assets			
Biological assets		**92**	77
Inventories		**51,110**	61,149
Trade and other receivables		**22,050**	5,853
Current tax assets		**319**	241
Cash and cash equivalents		**10,818**	22,628
		84,389	89,948
Total assets		**260,288**	266,446
LIABILITIES			
Current liabilities			
Trade and other payables		**16,851**	15,086
Short-term borrowings	8	**31,522**	31,262
Provision for liabilities and charges		**295**	295
		48,668	46,643
Non-current liabilities			
Medium-and-long-term borrowings	8	**13,126**	17,842
Retirement benefit obligations		**2,682**	2,612
Provision for liabilities and charges		**2,181**	2,137
		17,989	22,591
Total liabilities		**66,657**	69,234
Net assets		**193,631**	197,212
EQUITY AND LIABILITIES			
Share capital	9	**275,102**	275,102
Share capital option reserve		**5,324**	6,439
Retained loss		**(86,795)**	(84,329)
Total equity attributable to equity holders of the parent		**193,631**	197,212

Sierra Rutile Ltd and its subsidiaries

Unaudited condensed consolidated statement of cash flows
Interim period ended 30 June 2014

	6 months to 30 June 2014	**6 months to 30 June 2013**
	US$'000	US$'000
Operating activities		
(Loss)/profit for the period before tax	**(3,805)**	3,761
Adjustments for:		
Depreciation on property, plant and equipment	**9,757**	7,987
Amortisation of intangible assets	**86**	51
Write off of property, plant and equipment	**473**	-
Interest expense	**2,473**	1,287
Exchange (gain)/loss	**(313)**	(574)
Share option expense	**544**	583
Impairment of property, plant and equipment	**-**	396
Provision for doubtful debts	**336**	-
Changes in working capital		
- inventories	**10,039**	28
- trade and other receivables	**(17,732)**	22,315
- trade and other payables	**1,764**	(10,075)
- Increase in rehabilitation provision	**(3)**	4
- Increase in provision for retirement benefit obligations	**(75)**	175
Interest paid	**(1,532)**	(1,255)
Tax paid	**(398)**	(772)
Net cash inflow from operating activities	**1,614**	23,911
Investing activities		
Purchase of property, plant and equipment	**(6,806)**	(18,484)
Purchase of biological assets	**(1,576)**	-
Purchase of intangible assets	**(151)**	(161)
Net cash used in investing activities	**(8,533)**	(18,645)
Financing activities		
Net proceeds from borrowings	**20,000**	-
Repayment of borrowings	**(24,939)**	-
Net proceeds from exercise of share options	**-**	772
Net cash (used in)/from financing activities	**(4,939)**	772
Net (decrease)/increase in cash and cash equivalents	**(11,858)**	6,038
Cash and cash equivalents at beginning of the period	**22,628**	5,091
Net (decrease)/increase to cash and cash equivalents	**(11,858)**	6,038
Effect of foreign exchange rate changes	**48**	60
Cash and cash equivalents at end of period	**10,818**	11,189

Sierra Rutile Ltd and its subsidiaries

Unaudited condensed consolidated statements of changes in equity
Interim period ended 30 June 2014

	Share capital US$'000	Share option reserve US$'000	Retained loss US$'000	Total equity US$'000
Balance at 1 January 2013	274,013	5,661	(94,610)	185,064
Total comprehensive income for the period	-	-	3,429	3,429
Exercise of share options	772	(372)	372	772
Recognition of share-based payments	-	583	-	583
Balance at 30 June 2013	274,785	5,872	(90,809)	189,848
Total comprehensive income for the period.	-	-	6,332	6,332
Exercise of share options	317	(148)	148	317
Recognition of share-based payments	-	715	-	715
Balance at 31 December 2013	275,102	6,439	(84,329)	197,212
Total comprehensive loss for the period	**-**	**-**	**(4,125)**	**(4,125)**
Exercise of share options settled for nil consideration (see note 9)	**-**	**(1,659)**	**1,659**	**-**
Recognition of share-based payments	**-**	**544**	**-**	**544**
At 30 June 2014	**275,102**	**5,324**	**(86,795)**	**193,631**

Notes to unaudited interim condensed consolidated financial statements Interim period ended 30 June 2014

1. General information

Sierra Rutile Limited ("Sierra Rutile") is a public limited 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. Accounting policies

Basis of preparation

The condensed consolidated financial statements for the six month period ended 30 June 2014 have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting".

These financial statements are condensed financial statements and accordingly do not include all of the information required for a full annual financial report and are to be read in conjunction with the Group's financial statements for the year ended 31 December 2013, which were prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use by the European Union. The financial information for the year ended 31 December 2013 does not therefore constitute statutory accounts. This information was derived from the statutory accounts for the year ended 31 December 2013. The auditor's report on these accounts was unqualified and did not include a reference to any matters to which the auditor drew attention by way of an emphasis of matter.

The condensed consolidated financial statements have been prepared under the historical cost convention. The accounting policies applied are consistent with those adopted and disclosed in the Group's financial statements for the year ended 31 December 2013, with the exception of certain amendments to accounting standards or new interpretations issued by the International Accounting Standards Board, which were applicable from 1 January 2014. These have not had a material impact on the accounting policies, methods of computation or presentation applied by the Group.

New and revised International Financial Reporting Standards

The following accounting amendments, standards and interpretations became effective in the current reporting period but have not had a material impact on the financial statements of the Group. All other accounting policies, presentation and methods of computation in these condensed consolidated financial statements are as applied in the Group's financial statements for the year ended 31 December 2013.

IFRS 10 'Consolidated Financial Statements' (effective for periods beginning on or after 1 January 2014).
IFRS 11 'Joint Arrangements' (effective for periods beginning on or after 1 January 2014).
IFRS 12 'Disclosure of Interest in Other Entities' (effective for periods beginning on or after 1 January 2014).
IAS 27 'Separate Financial Statements' (effective for periods beginning on or after 1 January 2014).
IAS 28 'Investments in Associates and Joint Ventures ' (effective for periods beginning on or after 1 January 2014).
IAS 36, 'Impairment of Assets',-Recoverable Amount Disclosures for Non-Financial Assets (effective for periods beginning on or after 1 January 2014).
IFRIC 21 'Levies' (effective for periods beginning on or after 1 January 2014.

Going concern

The Board has considered the Group's cash flow forecasts for the period to the end of September 2015. The Board is satisfied that the Group's forecasts and projections, taking account of reasonably possible changes in trading performance show that the Group will be able to operate with the level of its current facilities for the foreseeable future. In the event of certain adverse pricing scenarios, management has within its control the option of deferring uncommitted capital expenditure to maintain the Group's funding position.

Accordingly, the Board continues to adopt the going concern basis in preparing the financial statements (see page 3 of this report).

3. Segment information

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker of the Group to allocate resources to the segments to assess their performance.

The strategy of the Group is to produce, refine and sell rutile. Information reported to the Board is on an integrated basis, which is how decisions over resource allocation are made. The Group itself has only one mining product being rutile, with ilmenite, zircon and other concentrates and other revenue streams being considered by-products of the integrated rutile production process.

As such, the Group considers there to be one segment being the production, refining and sale of rutile. Since the beginning of 2013, the Group has begun to grow certain agricultural products, but at 30 June 2014 this is not considered material enough to be a reportable segment.

Segment revenue

Revenue represents the invoiced amount in respect of sales of rutile, ilmenite and zircon and other concentrates extracted during the period excluding sales discount and consists of the following:

	6 months to 30 June 2014 US$'000	**6 months to 30 June 2013 US$'000**
Rutile	**58,477**	62,225
Ilmenite	**4,208**	3,456
Zircon and other concentrates	**1,367**	684
	64,052	66,365

Geographical information

Revenue is derived from sales to external customers domiciled in various geographical regions. Details of segment revenue by location of customers are as follows:

	6 months to 30 June 2014 US$'000	**6 months to 30 June 2013 US$'000**
Asia	**7,044**	26,755
Europe	**11,031**	33,436
North America	**18,370**	3,494
South America	**884**	2,239
MENA (Middle East and North Africa)	**26,723**	441
	64,052	66,365

No customers are currently located in Sierra Leone.

For the period ended 30 June 2014 revenues of US$26,316,000, US$18,321,000 and US$10,347,000 were generated from three customers (30 June 2013: Revenues of US$21,917,000,US$13,015,000 and US$10,501,000 were derived from three customers), each of whom accounted for more than 10% of our total sales in each period.

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3. Segment information *(continued)*

Seasonality information

Whilst certain of the activities of the Group's operations are subject to the effects of seasonality, the effect on the results of the Group are minimal.

Segment assets

All of the Group's assets are in Sierra Leone except certain inventory balances valued at US$4.5 million (31 December 2013: US$14.0 million) held in a warehouse in Europe.

4. Exceptional items

No exceptional items were recorded in the current period. In H1 2013, capitalised costs of US$0.4 million in relation to certain feasibility studies were written off from intangible assets in the period as the Board had decided that they would no longer be used.

5. Finance costs

	6 months to 30 June 2014 US$'000	**6 months to 30 June 2013 US$'000**
Net finance costs		
Interest expense and arrangement fees:		
- Government of Sierra Leone loan	**(1,168)**	(1,250)
- Nedbank loan	**(1,112)**	-
- Other	**-**	(15)
Unwinding of discount on rehabilitation provision	**(46)**	(22)
Interest expense on retirement benefit	**(147)**	-
Total borrowing costs	**(2,473)**	(1,287)
Net foreign exchange transaction gains	**323**	536
	(2,150)	(751)

6. Income taxes

(a) Income tax expense

	6 months to 30 June 2014 US$'000	**6 months to 30 June 2013 US$'000**
Current tax	-	-
Deferred tax	-	-
Minimum turnover tax	**320**	**332**
Income tax expense	**320**	**332**

6. Income taxes (continued)

(a) Income tax expense (continued)

Under the provisions of an agreement reached with GOSL in June 2003, the Company's operations in Sierra Leone are not subject to standard Sierra Leone corporate income tax until 1 January 2015. Instead, up to that time, the operations are subject to a minimum tax charged at 0.5% of the turnover of the business. From 1 January 2015, the taxation of the Group's operations in Sierra Leone will revert to the provisions of the Sierra Rutile Agreement (Ratification) Act 2002, under which tax will be charged at an amount not less than 3.5% of turnover and not more than the standard Sierra Leone corporate income tax rate (up to a maximum rate of 37.5%) on taxable profits. The standard corporate income tax rate in Sierra Leone enacted at the balance sheet date was 30%.

Based on the above, the income tax expense can be reconciled to the Company's (loss)/profit before tax as follows:

	6 months to 30 June 2014 US$'000	6 months to 30 June 2013 US$'000
(Loss)/profit before tax	**(3,805)**	3,761
Tax at Sierra Leone corporate income tax rate applicable to the Group - 0%	**-**	-
Minimum turnover tax	**320**	332
Income tax expense	**320**	332

(b) Current tax (asset)/liabilities

	6 months to 30 June 2014 US$'000	6 months to 30 June 2013 US$'000
Beginning balance	**(241)**	191
Charged to the income statement	**320**	332
Paid during the period	**(398)**	(772)
At end of period	**(319)**	(249)

Notes to unaudited interim condensed consolidated financial statements
Interim period ended 30 June 2014

7. (Loss)/earnings per share

(a) Basic (loss)/earnings per share	6 months to 30 June 2014 US$'000	6 months to 30 June 2013 US$'000
(Loss)/profit attributable to owners of the parent	**(4,125)**	3,429
Weighted average number of ordinary shares in issue	**516,920,956**	513,348,671
Basic (loss)/earnings per share	**(0.008)**	0.007

(b) Diluted (loss)/earnings per share	6 months to 30 June 2014 US$'000	6 months to 30 June 2013 US$'000
(Loss)/profit attributable to owners of the parent	**(4,125)**	3,429
Weighted average number of ordinary shares in issue	**516,920,956**	513,348,671
Effect of dilutive ordinary shares-share options	**-**	13,181,153
Weighted average number of ordinary shares for diluted (loss)/earnings per share	**516,920,956**	526,529,824
Diluted (loss)/earnings per share	**(0.008)**	0.007

The outstanding share options at 30 June 2014 represent anti-dilutive potential ordinary shares, therefore basic and diluted earnings per share are the same for the current period.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue on the assumption of conversion of all potentially dilutive ordinary shares. Potential ordinary shares shall be treated as dilutive when, only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share.

8. Borrowings

	30 June 2014 US$'000	31 December 2013 US$'000
Unsecured borrowings:		
Government of Sierra Leone loan (a)	**24,737**	29,971
Bank overdrafts	**-**	-
	24,737	29,971
Secured borrowings:		
Nedbank loan (b)	**19,911**	19,133
	19,911	19,133
Total borrowings:		
Current	**31,522**	31,262
Non-current	**13,126**	17,842
	44,648	49,104

The group has two principal loans:

(a) **GOSL Loan-unsecured**

The GOSL borrowing is subject to interest of 8% per annum and is repayable semi-annually commencing June 2013. There are no covenants attached to the loan and the Group does not have any undertaking, nor is it contractually bound to create, any lien on or with respect to any of its rights or revenues. In June 2014, a principal amount of US$4,900,000 was repaid in respect of this loan.

(b) **US$50 million Nedbank Facility–secured**

The facility comprises two facilities:

(i) US$20 million Nedbank Working Capital Facility –secured

Initial revolving facility had a tenor of one year from 19 August 2013 and this was renewed for a further two years on 22 July 2014. This carries an interest rate of LIBOR plus 4% (through to 22 July 2014) in the first year, and then 5% thereafter, and is secured against the assets of the Group. If a portion of the loan is drawn down, any future cash receipts from sales are restricted until they cover the portion of the loan drawn down. As at 30 June 2014, this facility was fully drawn down. At the 30 June 2014 test date, although the Group was not compliant with the interest cover ratio covenant for the working capital facility, Nedbank provided a waiver.

(ii) US$30 million Nedbank Senior Loan Facility –secured

The facility has a tenor of four years from financial close, carries an interest rate of LIBOR plus 5.25%, and is secured against the assets of the Group. This facility is restricted for use on capital expansion projects and is currently undrawn at 30 June 2014.

Closing and drawdown of this facility is subject to satisfaction of a limited number of outstanding conditions customary for a financing of this type. Sierra Rutile has up until the 31 December 2014 to reach financial close and a further 18 months to draw down the funds.

The carrying amount of the borrowings approximates their fair value.

9. Share capital

Issued shares and options	**Number of shares**	**Share capital US$'000**
At 1 January 2013	512,385,000	274,013
Options exercised	1,852,917	772
At 30 June 2013	514,237,917	274,785
Options exercised	662,500	317
At 31 December 2013	514,900,417	275,102
Options exercised (a)	**6,189,441**	**-**
At 30 June 2014	**521,089,858**	**275,102**

(a) During the period a total of 9,398,750 share options held by management and directors were exercised with a net 6,189,441 shares actually being issued for nil consideration.

The total authorised number of ordinary shares is unlimited with no par value. All issued shares are fully paid and are admitted on the AIM market of the London Stock Exchange.

10. Capital Commitments

	30 June, 2014 US$'000	**31 December, 2013 US$'000**
Property, plant and equipment acquisition contracted for at the end of the reporting period but not yet incurred:	3,172	1,210

11. Related party transactions

(a) Transactions and balances	**Amount payable US$'000**	**Purchases/ project fees US$'000**	**Amounts receivable US$'000**
At 20 June 2013			
Director:			
Enterprise in which Mr. Alex Kamara is also a director – Cemmats Group *	-	(22)	-
At 30 June 2014			
Director:			
Advances to a director**	-	-	50
Director:			
Enterprise in which Mr. Alex Kamara is also a director – Cemmats Group *	(8)	(59)	-

* Mr. Alex B. Kamara is a Director of the Group. Mr. Kamara is also a non-executive director of Cemmats Group, a Sierra Leonean company which has a number of contracts with Sierra Rutile to supply mining services and equipment.

Notes to unaudited interim condensed consolidated financial statements Interim period ended 30 June 2014

11. Related party transactions *(continued)*

** Included in trade and other receivables is an amount owed to the company by one of the directors. The advance was made to Mr. A Kamara to cover medical and travel expenses. This amount does not carry interest and is payable on demand.

(a) Agreements with senior officers, directors and advisers

During the period the company granted 4,375,000 share options (30 June 2013: 5,100,000) to Directors, senior officers of the company with exercise price of £0.51 (30 June 2013: ranging between £0.695 and £0.564).

12. Financial instruments

The carrying value of the Group's financial assets (trade and other receivables and cash and cash equivalents) and financial liabilities (trade and other payables and borrowings) are deemed to approximate fair value. All financial assets are classified as loans and receivables and all financial liabilities are held at amortised cost.

13. Events after 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 at date of issuing this report, there were no material events after the reporting period to disclose, except for the following:

- On 1 July 2014 Sierra Rutile announced the resignation of Jan Castro as non-executive chairman and the appointment of Michael Barton as a non-executive chairman with effect from the same date.

- On 22 July 2014, the Group signed the renewal of the US$20 million Nedbank working capital facility. See page 2 for more details.