Sierra Rutile Limited

Sierra Rutile Limited

Unaudited Interim Results for the Six Months Ended 30 June 2013

London, UK, 29 August 2013: Sierra Rutile Limited (AIM: SRX) ("Sierra Rutile") is pleased to announce its unaudited interim results for the six months ended 30 June 2013.

Operational Highlights

Rutile production in line with full year target:

- H1 2013 rutile production of 51,985 tonnes 22% higher than H1 2012 (H1 2012: 42,610 tonnes) due to contribution from Lanti Dry Mining.
- 70,000 tonnes rutile supply agreement signed with a leading pigment producer.
- H1 2013 Ilmenite by-product production up 45% to 14,962 tonnes (H1 2012: 10,315 tonnes).

Financial Highlights

Performance affected by lower mineral sands pricing:

- Sales decreased by 33% to US$66.4 million in H1 2013 (H1 2012: US$98.7 million) primarily due to lower market pricing (Average realised prices fell from US$2,522 per tonne in H1 2012 to US$1,265 per tonne for H1 2013 while sales volumes were 40% higher).
- Rutile cash production costs[1] increased by 5% from US$636 per tonne in H1 2012 to US$665 per tonne in H1 2013 due to an 8% reduction in operating days compared to H1 2012 as a result of a 21-day planned shutdown on the Lanti Dredge.
- Profit before tax of US$3.8 million (H1 2012: US$56.7 million).
- US$13.5 million EBITDA[2] (H1 2012: US$66.9 million).
- Strong balance sheet with current assets of US$78.4 million (31 December 2012: US$92.2 million).

Growth Projects

Good progress with the growth project pipeline

- Lanti Dry Mining project successfully commissioned (built within budget and ahead of original timeline) and operating above name-plate capacity.
- Definition of an additional 39,300 tonnes of rutile (at 3.49% grade) and 17,300 tonnes of zircon (at 1.54% grade) in several tailings areas surrounding the mineral separation plant, providing a readily-available source of high-margin, easily accessible, rutile and zircon.
- Completion of a successful value-optimisation and re-costing exercise for the Gangama Dry Mining feasibility study, which has resulted in a decrease of over 17% in the capital cost to a total of US$85 million from the US$103 million originally anticipated in the pre-feasibility study.

Commenting on the first half performance, CEO John Sisay said: "We are pleased with the performance in the first half, with rutile production on track to meet our full year target and a continued focus on effectively managing our cost base and disciplined investment. Going forward, we believe that there are substantial near-term opportunities to reduce per tonne costs. In addition, our recent efforts have resulted in the elimination of a significant amount of near-term capital requirements, whilst at the same time ensuring that we retain flexibility to develop our growth plans. Whilst our financial performance in the period was affected by lower mineral sands prices, we have a strong pipeline of new business, exciting growth options and a strong balance sheet, all of which means that we look forward to the rest of the year with confidence".

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[1] Cash cost of production less by-product revenue divided by volume produced. In H1 2012 cash cost of US$617 per tonne was used, calculated as cost of sales, less depreciation, less by-product ilmenite credit divided by rutile volume sold during the period. By-product ilmenite credit equals the volume of ilmenite produced in proportion to the rutile sold during the period, multiplied by the average ilmenite price achieved during the period.

[2] Earnings before tax depreciation and amortisation, excluding exceptional items and non-cash stock option expense.

Financial Review

Revenue

Group revenue was US$66.4 million (H1 2012: US$98.7 million) down 33%, due to weaker rutile prices offset by strong sales volumes. The average realised sales price of rutile was US$1,265 per tonne for the first six months of the year, compared to US$2,522 per tonne in H1 2012. Rutile sales volumes were 40% higher at 53,446 tonnes (H1 2012: 38,309 tonnes).

Cost of Sales

Cost of sales was higher at US$53.7 million (H1 2012: US$32.3 million) due to the higher levels of production, impacted by:

- increased production and shipping costs required to support increased production levels; and
- increased depreciation charge of US$8.0 million (H1 2012: US$5.2 million) mainly due to additional depreciation on additions over the past year.

The Group remains committed to controlling costs and continues to focus on a number of cost reduction programs.

Administrative and Marketing Expenses

Administrative expenses decreased to US$7.9 million in H1 2013 (H1 2012: US$8.8 million), mainly as a result of US$2.7 million decrease in non-cash stock option expense and reduced bonus provisions. These decreases were offset by increases in other administration costs.

Exceptional Items

The Group recorded an exceptional loss of US$0.4 million relating to impairment of feasibility study costs incurred on the D3 Dredge.

Borrowings

Net finance costs decreased US$0.2 million from US$1.0 million in H1 2012 to US$0.8 million in H1 2013. The decrease was principally due to the depreciation of the Euro against the US Dollar and the impact this had on the Euro-denominated loan from the Government of Sierra Leone ("GOSL"), which contributed to a net foreign exchange gain of US$0.5 million in H1 2013 (H1 2012: gain of US$0.3 million).

The next repayment of principal on the loan from the GOSL of US$2.8 million is due in December 2013. Prior to this date, only interest on the loan is payable. The final installment on the loan will be repaid in December 2016.

Results and dividend

On 4 April 2013, the Board approved a new dividend policy which will aim to distribute to shareholders at least 50% of cash flows after capital expenditure, committed future expenditures and the repayment of any borrowings. The declaration of any future dividends, and the frequency of them, will be subject to the Group's financial condition, future prospects and satisfactory solvency tests and other factors deemed by the Board to be relevant at the time.

The Directors have not declared a dividend during the period (H1 2012: $nil).

Financial Position

Net assets increased by 2.5% to US$189.8 million (31 December 2012: US$185.1million). The main movements in the balance sheet positions were as follows:

- Capital expenditures of US$18.5 million, added to property, plant and equipment related to sustaining capital and expansion capital expenditures on both our new Lanti Dry mining plant and the mineral separation plant.
- Inventories (finished goods and stores) increased by 2.8% to US$44.1 million (31 December 2012: US$42.9 million), due to the increased levels of production.
- Trade payables decreased 66% to US$5.4 million (31 December 2012: US$15.8 million).

Financing, liquidity and going concern

As at 30 June 2013, the Group had cash on hand of US$11.1 million and US$31.1 million of debt outstanding, predominantly due to the GOSL, representing a net gearing level of 10.4%.

On 19 August 2013, the Group entered and subsequently satisfied all conditions precedent for a renewable one-year US$20 million working capital facility. The facility contains certain financial covenants related to financial performance and position which are sensitive to key assumptions including commodity price and production.

The Group's internal forecasts and projections, taking account of potential downside changes in the trading performance of the Group, show that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from date of this report during which all covenants will be met. Accordingly, the Board continues to adopt the going concern basis in preparing the condensed financial statements.

Furthermore, the Group received credit approval for a four-year US$30 million senior loan facility. The facility is currently being documented and is expected to close in H2 2013.

Post-balance sheet events

These are disclosed in note 16.

Related party

Related party transactions are disclosed in note 13 to the condensed set of financial statements.

There have been no material changes in related party transactions described in the last annual report.

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 2012 and remain appropriate in 2013. 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
- Dependence on key personnel, contractors, experts and other advisers

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.

ENDS

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Notes to Editors

About Sierra Rutile Limited

Sierra Rutile produces titanium feedstock industrial minerals (primarily rutile, with some associated ilmenite), as well as smaller quantities of zircon. Sierra Rutile's mine, located in the south west of Sierra Leone, is one of the largest natural rutile deposits in the world, with a JORC-Compliant Mineral Resource for measured, indicated and inferred resources for the Sierra Rutile mine of over 800 million tonnes (as at 31 August 2012).

www.sierra-rutile.com

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	Martyn Buttenshaw
29 August 2013	29 August 2013

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 2013 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 16. 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 2013 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

29 August 2013

Sierra Rutile Ltd and its subsidiaries

Unaudited condensed consolidated income statement
Interim period ended 30 June 2013

	Notes	6 months to 30 June 2013 US$'000	6 months to 30 June 2012 US$'000	Year ended 31 December 2012 US$'000
Revenue	3	**66,365**	98,722	179,094
Cost of sales		**(53,665)**	(32,300)	(78,274)
Gross profit		**12,700**	66,422	100,820
Other income		**84**	106	261
Administrative and marketing expenses		**(7,876)**	(8,829)	(13,525)
Exceptional items	4	**(396)**	-	248
		4,512	57,699	87,804
Finance costs	5	**(751)**	(1,044)	(3,407)
Profit before taxation		**3,761**	56,655	84,397
Income tax expense	6	**(332)**	(497)	(895)
Profit attributable to owners of the Company		**3,429**	56,158	83,502
Earnings per share (US$)				
- basic	7	**0.007**	0.110	0.164
- diluted	7	**0.007**	0.106	0.159

Sierra Rutile Ltd and its subsidiaries

Unaudited condensed consolidated statement of comprehensive income
Interim period ended 30 June 2013

	6 months to 30 June 2013 US$'000	6 months to 30 June 2012 US$'000	Year ended 31 December 2012 US$'000
Profit for the period/year	**3,429**	56,158	83,502
Items that will not be subsequently reclassified to the income statement:			
Actuarial loss on retirement benefit scheme	**-**	-	(543)
Total comprehensive income for the period/year attributable to owners of the Company	**3,429**	56,158	82,959

Sierra Rutile Ltd and its subsidiaries

Unaudited condensed consolidated statement of financial position
Interim period ended 30 June 2013

ASSETS	Notes	30 June 2013 US$'000	31 December 2012 US$'000	30 June 2012 US$'000
Non-current assets				
Intangible assets		**11,541**	11,827	10,852
Property, plant and equipment	8	**149,896**	142,212	116,258
		161,437	154,039	127,110
Current assets				
Inventories		**44,053**	42,921	27,031
Trade and other receivables		**22,848**	43,508	28,748
Current tax assets		**249**	-	-
Cash and cash equivalents	11	**11,264**	5,783	23,525
		78,414	92,212	79,304
Total assets		**239,851**	246,251	206,414
LIABILITIES				
Current liabilities				
Trade and other payables		**14,589**	24,664	16,364
Current tax liabilities		**-**	191	39
Short-term borrowings	9	**7,503**	5,911	424
Provision for liabilities and charges		**383**	380	-
		22,475	31,146	16,827
Non-current liabilities				
Medium- and long-term borrowings	9	**23,590**	26,300	29,759
Retirement benefit obligations		**1,853**	1,678	1,497
Provision for liabilities and charges		**2,085**	2,063	2,473
		27,528	30,041	33,729
Total liabilities		**50,003**	61,187	50,556
Net assets		**189,848**	185,064	155,858
EQUITY AND LIABILITIES				
Share capital	10	**274,785**	274,013	272,687
Share capital option reserve		**5,872**	5,661	5,199
Retained loss		**(90,809)**	(94,610)	(122,028)
Total equity attributable to equity holders of the parent		**189,848**	185,064	155,858

Sierra Rutile Ltd and its subsidiaries

Unaudited condensed consolidated statement of cash flows
Interim period ended 30 June 2013

	Notes	6 months to 30 June 2013 US$'000	6 months to 30 June 2012 US$'000	Year ended 31 December 2012 US$'000
Operating activities				
Cash inflow from operations	11	**25,938**	51,647	68,812
Interest received		**-**	-	2
Interest paid		**(1,255)**	(1,198)	(2,452)
Tax paid		**(772)**	(570)	(816)
Net cash inflow from operating activities		**23,911**	49,879	65,546
Investing activities				
Purchase of property, plant and equipment		**(18,484)**	(22,981)	(57,510)
Purchase of intangible assets		**(161)**	(1,813)	(2,812)
Net cash used in investing activities		**(18,645)**	(24,794)	(60,322)
Financing activities				
Net proceeds from exercise of share options		**772**	-	1,404
Acquisition of non-controlling interests	14	**-**	(12,396)	(12,396)
Net cash from/(used in) financing activities		**772**	(12,396)	(10,992)
Net increase/(decrease) in cash and cash equivalents		**6,038**	12,689	(5,768)
Cash and cash equivalents at beginning of the period		**5,091**	10,658	10,658
Net increase/(decrease) to cash and cash equivalents		**6,038**	12,689	(5,768)
Effect of foreign exchange rate changes		**60**	(10)	201
Cash and cash equivalents at end of period	11	**11,189**	23,337	5,091

Sierra Rutile Ltd and its subsidiaries

Unaudited condensed consolidated statements of changes in equity
Interim period ended 30 June 2013

	Equity attributable to owners of the Company					
	Share capital US$'000	Share option reserve US$'000	Retained loss US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 January 2012	272,609	1,984	(148,822)	125,771	(19,063)	106,708
Total comprehensive income for the period	-	-	56,158	56,158	-	56,158
Acquisition of non-controlling interests.	-	-	(29,408)	(29,408)	19,063	(10,345)
Exercise of share options	78	(44)	44	78	-	78
Recognition of share- based payments	-	3,259	-	3,259	-	3,259
Balance at 30 June 2012	272,687	5,199	(122,028)	155,858	-	155,858
Total comprehensive income for the period.	-	-	26,801	26,801	-	26,801
Issue of ordinary shares	-	-	-		-	
Exercise of share options	1,326	(617)	617	1,326	-	1,326
Recognition of share-based payments	-	1,079	-	1,079	-	1,079
Balance at 31 December 2012	274,013	5,661	(94,610)	185,064	-	185,064
Total comprehensive income for the period	-	-	3,429	3,429	-	3,429
Exercise of share options	772	(372)	372	772	-	772
Recognition of share-based payments	-	583	-	583	-	583
At 30 June 2013	274,785	5,872	(90,809)	189,848	-	189,848

Notes to unaudited interim condensed consolidated financial statements Interim period ended 30 June 2013

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 financial statements for the six month period ended 30 June 2013 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 2012, 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 2012 does not therefore constitute statutory accounts. This information was derived from the statutory accounts for the year ended 31 December 2012. 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 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 2012, 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 2013. 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 2012.

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1. Items that may be reclassified (or recycled) to the income statement at a future time are separately presented to those that will not be reclassified.

IFRS 13 Fair Value Measurement. An amendment to IAS 34 resulting from this single framework for measuring fair value has resulted in some IFRS 13 disclosures being included in these condensed financial statements.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine. In periods where there is benefit of waste removal (stripping) during the production phase of a surface mine, the stripping costs are accounted for as the cost of inventory (where the stripping activity is realised in the current period) or as a non-current asset (where the benefit is deferred to future periods). Non-current stripping assets are then be depreciated on a unit of production basis over the identified component of the ore body to which the stripping made accessible.

Going concern

The Board has considered the Group's cash flow forecasts for the period to the end of August 2014. 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 within the level of its current facilities for the foreseeable future. Accordingly the Board continues to adopt the going concern basis in preparing the condensed financial statements (see Financial Review section of this report).

3. Segment information

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

The strategy of the Company 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 Company itself has only one product being rutile, with ilmenite, zircon and other revenue streams being by-products of the integrated rutile production process.

As such, the Company considers there to be one operating segment being the production, refining and sale of rutile.

(a) 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 2013 US$'000	6 months to 30 June 2012 US$'000	Year ended 31 December 2012 US$'000
Rutile	**62,225**	96,622	165,076
Ilmenite	**3,456**	2,100	6,649
Zircon and other concentrates	**684**	-	7,369
	66,365	98,722	179,094

(b) 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 2013 US$'000	6 months to 30 June 2012 US$'000	Year ended 31 December 2012 US$'000
Asia	**26,755**	51,475	118,282
Europe	**33,436**	29,030	37,291
North America	**3,494**	14,390	22,491
South America	**2,239**	3,827	897
MENA (Middle East and North Africa)	**441**	-	133
Russia			
	66,365	98,722	179,094

No customers are currently located in Sierra Leone.

For the period ended 30 June 2013 revenues of US$21,917,000, US$13,015,000 and US$10,501,000 were generated from three customers (30 June 2012: Revenues of US$49,204,000 and US$30,863,000 were derived from two customers), each of whom accounted for more than 10% of our total sales in each period.

For the year ended 31 December 2012 revenues of US$65,209,000, US$30,863,000 and US$ 23,144,000 were generated from three customers each of whom accounted for more than 10% of our total annual sales.

3. Segment information *(continued)*

(b) Geographical information

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

(c) Segment assets

All of the Company's assets are in Sierra Leone.

4. Exceptional items

Capitalised costs of $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, 2013 US$'000	6 months to 30 June 2012 US$'000	Year ended 31 December 2012 US$'000
Net finance costs			
Interest expense:			
- Government of Sierra Leone loan	**(1,250)**	(1,370)	(2,619)
- Other	**(15)**	-	-
Unwinding of discount on rehabilitation provision	**(22)**	-	(53)
Interest expense on retirement benefit	**-**	-	(102)
Total borrowing costs	**(1,287)**	(1,370)	(2,774)
Interest income	**-**	-	2
Net foreign exchange transaction gains/(losses)	**536**	326	(635)
	(751)	(1,044)	(3,407)

6. Income taxes

(a) Income tax expense

	6 months to 30 June 2013 US$'000	6 months to 30 June 2012 US$'000	Year ended 31 December 2012 US$'000
Current tax	-	-	-
Deferred tax	-	-	-
Minimum turnover tax	**332**	497	895
Prior year adjustment	**-**	-	-
Income tax expense	**332**	497	895

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 Company'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.

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

	6 months to 30 June 2013 US$'000	**6 months to 30 June 2012 US$'000**	**Year ended 31 December 2012 US$'000**
Profit before tax	**3,761**	56,655	84,397
Tax at Sierra Leone corporate income tax rate applicable to the Group - 0%	**-**	-	-
Minimum turnover tax	**332**	497	895
Income tax expense	**332**	497	895

(b) Current tax (asset)/liabilities

	6 months to 30 June 2013 US$'000	**6 months to 30 June 2012 US$'000**	**Year ended 31 December 2012 US$'000**
Beginning balance	**191**	112	112
Charged to the income statement	**332**	497	895
Paid during the year	**(772)**	(570)	(816)
At end of period	**(249)**	39	191

7. Earnings per share

	6 months to 30 June 2013 US$'000	6 months to 30 June 2012 US$'000	Year ended 31 December 2012 US$'000
(a) Basic earnings per share			
Profit attributable to owners of the parent	**3,429**	56,158	83,502
Weighted average number of ordinary shares in issue	**513,348,671**	509,256,370	509,974,315
Basic earnings per share	**0.007**	0.110	0.164

	6 months to 30 June 2013 US$'000	6 months to 30 June 2012 US$'000	Year ended 31 December 2012 US$'000
(b) Diluted earnings per share			
Profit attributable to owners of the parent	**3,429**	56,158	83,502
Weighted average number of ordinary shares in issue	**513,348,671**	509,256,370	509,974,315
Effect of dilutive ordinary shares-share options	**13,181,153**	21,933,129	15,458,737
Weighted average number of ordinary shares for diluted earnings per share	**526,529,824**	531,189,499	525,433,052
Diluted earnings per share	**0.007**	0.106	0.159

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. Property, plant and equipment

	Infrastructure US$'000	Plant, machinery and equipment US$'000	Mineral sand prospect and mine development US$'000	Construction work in progress US$'000	Explorations US$'000	Total US$'000
Cost						
Balance at 1 January 2012	29,745	160,862	69,319	16,120	6,384	282,430
Additions	-	7,424	741	12,773	821	21,759
Impairment charge	-	(250)	-	-	-	(250)
Transfers	-	950	-	-	(950)	-
At 30 June 2012	29,745	168,986	70,060	28,893	6,255	303,939
Depreciation						
Balance at 1 January 2012	(15,540)	(125,233)	(41,475)	-	(210)	(182,458)
Charge for the period	(239)	(2,856)	(2,128)	-	-	(5,223)
At 30 June 2012	(15,779)	(128,089)	(43,603)	-	(210)	(187,681)
Net Book Value 30 June 2012	13,966	40,897	26,457	28,893	6,045	116,258

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8. Property, plant and equipment (continued)

	Infrastructure US$'000	Plant, machinery and equipment US$'000	Mineral sand prospect and mine development US$'000	Construction work in progress US$'000	Explorations US$'000	Total US$'000
Cost						
Balance at 1 July 2012	29,745	168,986	70,060	28,893	6,255	303,939
Additions	835	14,375	430	19,958	1,006	36,604
Transfers	-	12,180	5,308	(12,647)	(4,841)	-
Disposals	(1,113)	(32,599)	-	-	-	(33,712)
At 31 December 2012	29,467	162,942	75,798	36,204	2,420	306,831
Depreciation						
Balance at 1 July 2012	(15,779)	(128,089)	(43,603)	-	(210)	(187,681)
Charge for the period	(313)	(7,257)	(3,080)	-	-	(10,650)
Transfers	-	(210)	-	-	210	-
Disposals	1,113	32,599	-	-	-	33,712
At 31 December 2012	(14,979)	(102,957)	(46,683)	-	-	(164,619)
Net Book Value 31 December 2012	14,488	59,985	29,115	36,204	2,420	142,212

8. Property, plant and equipment (continued)

	Infrastructure US$'000	Plant, machinery and equipment US$'000	Mineral sand prospect and mine development US$'000	Construction work in progress US$'000	Explorations US$'000	Total US$'000
Cost						
Balance at 1 January 2013	29,467	162,942	75,798	36,204	2,420	306,831
Additions	195	1,254	247	14,078	1,057	16,831
Transfers	1,359	25,800	-	(28,319)	-	(1,160)
At 30 June 2013	31,021	189,996	76,045	21,963	3,477	322,502
Depreciation						
Balance at 1 January 2013	(14,979)	(102,957)	(46,683)	-	-	(164,619)
Charge for the period	(305)	(5,065)	(2,617)	-	-	(7,987)
At 30 June 2013	(15,284)	(108,022)	(49,300)	-	-	(172,606)
Net Book Value-30 June 2013	15,737	81,974	26,745	21,963	3,477	149,896

(b) Expenditure capitalised in the period in respect of the construction in progress amounted to US$14,078,000 (31 December 2012: US$32,731,000). Depreciation has not been charged where the assets are presently not in the condition necessary to operate in the manner intended by management.

(c) As at 31 December 2012 an impairment provision of $250,000 was made against a damaged barge.

(d) Upon commencement of commercial production at the Lanti Dry Mining plant in May 2013, inventory with a value of US$1.1 million was transferred from Construction work in progress to Inventory.

9. Borrowings

	30 June 2013 US$'000	30 June 2012 US$'000	31 December 2012 US$'000
Medium-and long-term borrowings			
Government of Sierra Leone	**23,590**	29,759	26,300
Short-term borrowings			
Bank overdraft	**75**	188	692
Government of Sierra Leone	**7,428**	236	5,219
	31,093	30,183	32,211

The GOSL borrowing is subject to interest of 8% per annum and is repayable semi-annually commencing in 2013. The Company 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.

The carrying amounts of non-current borrowings are not materially different from their fair value.

10. Share capital

Issued shares and options	Number of shares	Share capital US$'000
At 1 January 2012	509,255,000	272,609
Options exercised	250,000	78
At 30 June 2012	509,505,000	272,687
Options exercised	2,880,000	1,326
At 31 December 2012	512,385,000	274,013
Options exercised	1,852,917	772
At 30 June 2013	**514,237,917**	**274,785**

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.

Sierra Rutile Ltd and its subsidiaries

Notes to unaudited interim condensed consolidated financial statements
Interim period ended 30 June 2013

11. Notes to the condensed cash flow statement

		6 months to 30 June 2013 US$'000	6 months to 30 June 2012 US$'000	Year ended 31 December 2012 US$'000
(a)	**Cash inflow from operations**			
	Profit for the period/year before tax	**3,761**	56,655	84,397
	Adjustments for:			
	Depreciation on property, plant and equipment	**7,987**	5,223	15,873
	Amortisation of intangible assets	**51**	23	48
	Interest income	**-**	-	(2)
	Interest expense	**1,287**	1,370	2,774
	Exchange (gain)/loss	**(574)**	(800)	4,338
	Share option expense	**583**	3,259	439
	Tax claim liability	**-**	-	(498)
	Impairment of property, plant and equipment	**396**	250	250
		13,491	65,980	107,619
	Changes in working capital			
	- inventories	**28**	(6,538)	(22,428)
	- trade and other receivables	**22,315**	(4,436)	(21,270)
	- trade and other payables	**(10,075)**	(3,855)	4,942
	- Increase in rehabilitation provision	**4**	(5)	(51)
	- Increase in provision for retirement benefit obligations	**175**	501	-
	Cash inflow from operations	**25,938**	51,647	68,812

		30 June 2013 US$'000	30 June 2012 US$'000	31 December 2012 US$'000
(b)	**Cash and cash equivalents**			
	Cash in hand and at bank	**11,264**	18,405	5,783
	Short-term bank deposits	**-**	5,120	-
	Bank overdraft (included within short-term borrowings)	**(75)**	(188)	(692)
	Cash and cash equivalents	**11,189**	23,337	5,091

12. Capital Commitments

	30 June, 2013 US$'000	30 June, 2012 US$'000	31 December 2012 US$'000
Property, plant and equipment acquisition contracted for at the end of the reporting period but not yet incurred:	1,669	1,897	2,291

Sierra Rutile Limited (SRL), a subsidiary operating in Sierra Leone, entered into the above capital commitments.

13. Related party transactions

(a) Transactions and balances	Amounts receivable US$'000	Amounts payable US$'000	Purchases/ project fees US$'000	Total US$'000
Director:				
Enterprise in which Mr Alex Kamara is also a director-Cemmats Group**	-	(4)	(355)	(359)
Amounts receivable on exercise of options	78	-	-	78
At 30 June 2012				
Shareholder:				
Enterprise in which Mr Alex Kamara is also a director-Cemmats Group**	-	(325)	-	(325)
At 31 December 2012				
Director:				
Enterprise in which Mr Alex Kamara is also a director-Cemmats Group**	-	-	(22)	(22)
At 30 June 2013				

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

(b) Agreements with senior officers, directors and advisers

During the period the company granted share options of 5,100,000 (30 June 2012: 1,150,000) to Directors, Senior Officers and advisers of the company with exercise prices varying between £0.695 and £0.564 (30 June 2012: £0.6125 and £0.65).

14. Non-controlling interest

Under the First Amendment Agreement dated 4 February 2004, entered into between the GOSL and Sierra Rutile, in lieu of payment of PAYE taxes, Sierra Rutile used to transfer shares in Sierra Rutile Holdings Limited (the parent company of the operating subsidiary in Sierra Leone) to the GOSL.

On 30 April 2012, the Group entered into an agreement with the GOSL to pay, in cash, PAYE taxes that had historically been satisfied through the issuance of shares in Sierra Rutile's operating subsidiary in Sierra Leone. As part of the agreement the shares held by the GOSL were transferred back to Sierra Rutile. The total cost of this agreement was US$13,123,000, which included payment in respect of PAYE liabilities that had not yet been settled by share issuances. Additionally, as part of the agreement, the GOSL also agreed to settle its payable to Sierra Rutile of US$727,000 previously recorded as a non-current receivable.

The net cash outflow for Sierra Rutile was therefore US$12,396,000. The non-controlling interest balance previously recognised of US$19,063,000 was also eliminated with the balance being recorded within retained loss in accordance with IAS27 "Consolidated Financial Statements".

Concurrent with this agreement, the Group also prepaid US$5,200,000 of PAYE taxes to the GOSL.

15. 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.

16. 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 19 August 2013, the Group entered into a renewable one-year $20 million working capital facility. See Financial Review section for more details.
- On 3 July 2013, the Board of Directors announced the step down of Michael Barton as a non-executive director with effect from the close of the 2013 annual general meeting held on 9 July 2013. Concurrent with Mr. Barton's resignation, Sierra Rutile announced the appointment of Martyn Buttenshaw as a non-executive director with effect from the close of the 2013 AGM.