



## TITANIUM RESOURCES GROUP LTD Interim Results

30 September, 2005

Titanium Resources Group ("TRG" or "the Group") today announces maiden interim results for the six months ended 30 June 2005.

### Highlights

- Financial results in line with the Board's expectations at the time of the Group's IPO in August 2005.
- Successful admission to the Alternative Investment Market of the London Stock Exchange and raising of £41 million.
- Demand for the Group's rutile and bauxite remains strong.
- Refurbishment plans for the Group's rutile and bauxite mines are on budget and on schedule, with production from both projects expected to commence in the first quarter of 2006.
- Offtake agreements signed for more than half of the Group's production of rutile and negotiations continue with a number of other buyers for the remaining production. Interest from buyers exceeds the Group's current production capacity.
- Long term offtake agreements for the Group's entire bauxite production already in place.

Commenting on the results, TRG Chairman Walter Kansteiner said:

"The successful IPO provides TRG with the financial strength to accelerate its restart programme at its flagship mine, Sierra Rutile Limited, and expedite the completion of Dredge No. 2."

"Sierra Minerals Holdings' refurbishment of the bauxite operation is well underway. PW Mining International Limited is completing the refurbishment programme and will operate the mine following commissioning."

"Both operations are on track to begin production first quarter 2006."

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## **CHAIRMAN'S REVIEW**

The first six months of 2005 proved a pivotal period for Titanium Resources Group following the Group's listing on the Alternative Investment Market ("AIM") of the London Stock Exchange in August. The successful IPO provided TRG with the financial strength to accelerate the restart programme at its flagship rutile mine, Sierra Rutile Limited, and to fund the restart of the Group's SML Bauxite Project. With the successful completion of the IPO, the TRG Board will be able to make operational decisions, independent of any single shareholder.

TRG successfully raised approximately £41 million through an institutional placing of 87.1 million shares at 47p per share. TRG's shares were admitted to AIM for trading on 25 August 2005. The AIM offering increased the Group's financial resources and raised its profile in the mineral sands industry.

Consolidated financial statements have been prepared for the first six months ended 30 June 2005. As indicated in the accountants' report contained in the Group's AIM admission document, as of 31 December 2004 the combined companies did not constitute a legal group and the individual financial accounts of the companies were aggregated. Accordingly, historical comparative consolidated financial information is not available for this period. However, the Board regards these results as having been prepared under IFRS and as in line with the financial statements for the full year set out in the Group's AIM Admission Document.

Expenditures during the period relate mainly to ongoing restart activities with full-scale refurbishment of the Sierra Rutile Project beginning May 2005. Full-scale bauxite refurbishment started in June 2005 and is scheduled for completion by the first quarter of 2006.

As previously reported, on 1 March 2005, Sierra Rutile Limited (“SRL”) received the first disbursement amounting to Euro 18 million of the EU borrowing facility secured through the Government of Sierra Leone. Interest is payable at the rate of 8% per annum with the first interest payment due in 2008. The repayment is in 10 equal instalments with the first repayment due on 1 March 2012.

## **REFURBISHMENT PLAN**

The Group has successfully accelerated the restart of the rutile mine without impeding restart operations of the bauxite mine. Both operations are on track to begin production in the first quarter of 2006. Dredge D1 is expected to produce 100,000 tonnes of product in 2006. The bauxite mine is expected to produce at least 1.2 million tonnes in 2006.

Sierra Minerals Holdings’ refurbishment of the bauxite operation is well underway. PW Mining International Limited is completing the refurbishment programme and will operate the mine following commissioning.

## **MARKET OUTLOOK**

### Titanium

Demand for SRL’s high quality rutile is strong and SRL has signed sales contracts for more than half of its production and is negotiating with a number of buyers for the remainder of its production. Interest from buyers exceeds SRL’s current production capacity.

2004 saw a major increase in world titanium dioxide pigment demand to approximately 4.6 million tonnes with a number of pigment producers seeking to implement additional production capacity through the de-bottlenecking and brown-field expansion of existing manufacturing facilities. In addition, the industry witnessed additional demand for high-titanium bearing minerals as a result of increased requirements from titanium sponge producers and other industrial markets such as welding rods because of higher construction activity. While overall pigment demand eased in the first half of 2005, plants using high-titanium ores, such as those produced at SRL, are operating at or near full capacity.

SRL will produce two grades of rutile, namely Standard Grade rutile and Industrial Grade rutile. Standard Grade rutile is principally destined for consumption in the manufacturing of titanium dioxide pigments via the chloride process and titanium sponge. Industrial Grade rutile is specifically produced for the welding rod, thermal insulation and ceramics markets.

At the current pace of sales, the production of Standard Grade rutile from SRL’s operation should be fully committed on contract shortly, with terms extending up to five years. In addition, the Group has received considerable interest from the industrial market segment, with extensive product testing and evaluation currently being undertaken by potential customers throughout the world. Commercial negotiations to secure long-term contracts are being

undertaken by The Natural Rutile Company Limited, the marketing business which is a wholly owned subsidiary of TRG.

### Bauxite

Sierra Minerals Holdings 1, Ltd will produce 1.2 million tonnes of metallurgical-grade bauxite in 2006, which has been sold on contract to two major producers of aluminium. World demand for bauxite for the first half of 2005 continues to be very strong, and the Group is evaluating ways to increase production to take advantage of the strong market.

**TITANIUM RESOURCES GROUP LTD**

**UNAUDITED CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2005**

	Note	<u>2005</u>
		<u>USD'000</u>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	4	6,720
Property, plant and equipment		47,021
Non-current receivables		741
Deferred tax assets	5	<u>43,680</u>
		<b><u>98,162</u></b>
<b>Current assets</b>		
Inventories		7,059
Trade and other receivables		70
Bank balances and cash		<u>30,323</u>
		<b><u>37,452</u></b>
<b>TOTAL ASSETS</b>		<b><u><u>135,614</u></u></b>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>		
Share capital		1,050
Share consideration	6	99,000
Revenue deficit		<u>(2,632)</u>
Shareholders' interests		<b><u>97,418</u></b>
<b>Non-current liabilities</b>		
Provision for liabilities and charges		2,017
Borrowings		24,990
Non-current payables		<u>3,855</u>
		<b><u>30,862</u></b>
<b>Current liabilities</b>		
Trade and other payables		6,760
Provisions for liabilities and charges		358
Current tax liability		<u>216</u>
		<b><u>7,334</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u><u>135,614</u></u></b>

**TITANIUM RESOURCES GROUP LTD**

**UNAUDITED CONSOLIDATED PROFIT AND LOSS STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2005**

	<u>2005</u>
	<u>USD'000</u>
Operating revenue	-
Cost of sales	<u>-</u>
Gross profit	-
Other income	-
Operating expense	-
Administrative expenses	(820)
Other operating expenses	(227)
Exceptional item	<u>(663)</u>
Operating loss	(1,710)
Finance costs	<u>(872)</u>
Net loss	(2,582)
Taxation	<u>-</u>
Net loss for the period	<u><u>(2,582)</u></u>

**TITANIUM RESOURCES GROUP LTD**

**UNAUDITED CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD SIX MONTHS ENDED 30 JUNE 2005**

	<u>2005</u>
	<u>USD'000</u>
<b>Cash flows from operating activities</b>	
Net generated from operations	<u>13,558</u>
<b>Investing activities</b>	
Purchase of property, plant and equipment	(7,212)
<b>Net cash used in investing activities</b>	<u>(7,212)</u>
<b>Financing activities</b>	
Proceeds from long-term borrowings	<u>23,875</u>
<b>Net cash provided by financing activities</b>	<u>23,875</u>
<b>Net increase in cash and cash equivalents</b>	<u><u>30,221</u></u>
<b>Movement in cash and cash equivalents</b>	
At January 1,	102
Increase	<u>30,221</u>
<b>At June 30,</b>	<u><u>30,323</u></u>

## TITANIUM RESOURCES GROUP LTD

### NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2005

#### 1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards.

#### 2. CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements incorporate the financial statements of the Group and enterprises controlled by the Group (its subsidiaries). Control is achieved where the Group has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the date of their acquisition or up to the date of their disposal.

The consolidated financial statements have been prepared in accordance with the purchase method. Goodwill is initially measured at cost. After initial recognition, goodwill is measured at cost less any accumulated losses. The results of subsidiaries which are not consolidated are brought into the financial statements to the extent of dividends received.

All significant inter company transactions, balances and unrealised gains on transactions are eliminated. Unrealised losses are also eliminated unless cost cannot be recovered.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

#### 3. INVESTMENTS IN SUBSIDIARIES

The subsidiary companies are as follows:

	% Holding
• Global Aluminium Ltd	100
• Sierra Mineral Holdings 1, Ltd	100
• Bauxite Marketing Ltd	100
• Titanium Fields Resources Ltd	100
• SRL Acquisition No.1 Ltd "A" Share <sup>1</sup>	100
• The Natural Rutile Company Ltd	100
• SRL Acquisition No.3, Ltd	100
• Sierra Rutile Holdings Ltd	100
• Sierra Rutile Ltd	100

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<sup>1</sup> Nord Resources Corp. holds one "B" share under an agreement dated 16 June 1999, the details of which are set in paragraph 10.9 of Part 5 of the TRG AIM Admission Document (p. 103).

#### 4. INTANGIBLE ASSETS

Intangible assets represent goodwill arising on the acquisition of the subsidiaries.

	USD'000
Fair value of shares issued	1,000
Convertible into shares	<u>99,000</u>
	100,000
Fair value of net assets acquired	<u>(93,280)</u>
Goodwill	<u>6,720</u>

#### 5. DEFERRED TAX ASSET

Deferred tax asset is made up as follows:

	USD'000
Sierra Rutile Limited	43,579
Sierra Mineral Holdings 1 Ltd	<u>101</u>
	<u>43,680</u>

#### 6. SHARE CONSIDERATION

The share consideration represents the balance of convertible shares which will be issued in TRG after the period end in respect of the acquisition of Global Aluminium Ltd and Titanium Fields Resources Ltd.

#### 7. PAR VALUE OF SHARES

The common shares have no par value.