Consolidated Condensed Unaudited Financial Statements of TiZir Limited for the half-year ended 30 June 2013

Registered N°: 07727671

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Directors

L Egeland
N J Limb
M C Ackland
W L Sharp
P G Vecten
H Montégu (appointed 21 March 2013)
J M Fourcade (resigned 21 March 2013)

Secretary

Norose Company Secretarial Services Limited
3 More London Riverside
London SE1 2AQ

Registered office

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London SE1 2AQ

Business address

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33 Cavendish Square
London W1G 0PW

Company number

07727671

Auditors

Constantin
25 Hosier Lane
London EC1A 9LQ

The directors present their report and the unaudited financial statements of TiZir Limited (the "Company") and its subsidiaries (the "Group") for the half-year ended 30 June 2013.

Directors

The directors who served during the period are as stated below:

L Egeland
N J Limb
M C Ackland
W L Sharp
P G Vecten
H Montégu (appointed 21 March 2013)
J M Fourcade (resigned 21 March 2013)

Principal activity

The principal activities of the Group for the half-year ended 30 June 2013 were focused on the mineral sands sector through the construction of the Grande Côte Mineral Sands Project in Senegal and the operation of the Tyssedal ilmenite upgrading facility in Norway.

Operating results

The underlying profit after tax for the half-year ended 30 June 2013 was $22.4 million, compared to $29.9 million in the previous corresponding period.

After recognition of non-cash amortisation of assets recognised on acquisition of $6.9 million (after tax), the company reported a net profit after tax of $15.5 million (2012 – $23.0 million).

Financial position

As at 30 June 2013 the company had net assets of $687.1 million (31 December 2012 – $637.3 million), comprising:

- Cash of $47.5 million (31 December 2012 – $128.3 million);
- Trade and other receivables of $28.3 million (31 December 2012 – $71.0 million);
- Inventories of $48.2 million (31 December 2012 – $46.4 million);
- Property, plant and equipment (including construction expenditure at Grande Côte) of $601.3 million (31 December 2012 – $427.5 million);
- Intangible assets of $192.5 million (31 December 2012 – $201.6 million);
- Borrowings of $150.3 million (31 December 2012 – $158.5 million);
- Current and deferred tax liabilities of $46.6 million (31 December 2012 – $46.8 million);
- Trade payables of $29.3 million (31 December 2012 – $35.9 million); and
- Other assets and liabilities netting off to a net liability position of $4.5 million (31 December 2012 – net asset of $3.7 million)

Cash flow

Cash balances reduced by $80.8 million during the half-year ended 30 June 2013, primarily a result of:

- net cash generated by operating activities of $75.7 million and equity contributions from the joint venture sponsors of $50.0 million; offset by
- construction expenditure for Grande Côte of $188.4 million, payment of capitalized interest on corporate bonds of $6.7 million and repayment of borrowings of $8.0 million.

Review of operations

Tyssedal Ilmenite Upgrading Facility, Norway

Titanium slag production for first half 2013 was 99.3kt, 28% higher than first half 2012, reflecting the plant operating at effective capacity. Titanium slag sales for first half 2013 were 80.6kt, 11% higher than first half 2012, with pricing on average approximately 30% lower than average full-year 2012 levels, and softening through the half.

High purity pig iron (HPPI) sales volumes for first half 2013 were 66.3kt, 27% higher than first half 2012, with pricing approximately 20% lower than average full-year 2012 levels. The increased sales volumes reflect the introduction of an intermediate grade product that is accessing a different customer segment.

Grande Côte Mineral Sands Project, Senegal

Construction at Grande Côte was over 80% complete at 30 June 2013. The dredge is fully constructed and in the start-up pond, the power station is complete and fully commissioned, the last of the 12 deep water bores (which have taken 18 months to drill) is nearing completion, and the rail and port are scheduled for completion in September/October. The majority of the final construction phase centres on the wet concentrator plant (WCP) (which includes the tails densification module) and the mineral separation plant (MSP), with piping and electricals being the major works to be undertaken. Commissioning of the WCP and MSP is scheduled during the March 2014 quarter.

Corporate

On 21 March 2013, Jean-Michel Fourcade was appointed Chief Executive Officer of the Company and consequently resigned as a Director. He replaces Mr Clever Fonseca who resigned as Chief Executive Officer in December 2012. Mr Fourcade has begun establishing an executive management team in the company's head office in London.

Hervé Montégu was appointed to replace Mr Fourcade as a Director on the same date. Mr Montégu graduated from Sciences Po of Paris and the Advanced Management Program of INSEAD Business School. He has held various senior executive positions within the Eramet Group since 1994 and is currently the Chief Financial Officer of Manganese Division. Effective 1 October 2013, Mr Montégu will be appointed CEO of Eramet Chemicals Business Unit.

Dividends

The Directors have not recommended the payment of an interim dividend for the half-year ended 30 June 2013 (2012 – Nil).

Principal risks and uncertainties

Foreign currency risks: when the exposure arising from borrowings taken out by Group companies in currencies other than their functional currencies is not offset by income in those currencies, the Group may have recourse to hedging. In addition, the Group uses derivative financial instruments to limit its exposure to the currency risk on its sales and on certain dollar-denominated costs.

Future developments

Tyssedal Ilmenite Upgrading Facility, Norway

Titanium slag production of approximately 100kt is anticipated in the second half of 2013, giving approximately 200kt for the 2013 year, some 10% above 2012 levels. Titanium slag sales volumes of approximately 100kt is anticipated in the second half of 2013, some 25% higher than the first half of 2013.

HPPI sales volumes of approximately 55kt is anticipated in the second half of 2013, compared to 66.3kt in the first half of 2013.

Grande Côte Mineral Sands Project, Senegal

Commissioning of the wet concentrator plant and mineral separation plant is scheduled during the March 2014 quarter. As at 30 June 2013, the estimated cost to complete construction was approximately $100 million.

Payments of creditors

The Company does not adopt a specific code or standard payment policy. However, it is the Company's policy to pay its suppliers in accordance with the terms agreed with them, provided that the supplier has met its contractual obligations.

Events after the balance sheet date

There have not been any significant events since the balance sheet date.

Financial instruments

The Group's financial instruments comprise bonds, bank loans, finance leases, overdrafts and performance guarantees. The principal purpose of these is to raise funds for general corporate purposes. In addition, various other financial instruments such as trade creditors and trade debtors arise from its trade. The use of interest rate swaps and currency swaps will be used to manage interest and currency risk when necessary or material.

This report was approved by the Board on 26 August 2013 and signed on its behalf by

Rick Sharp
Director

	Note	Half-year ended 30 Jun 2013 US$'000	30 Jun 2012 US$'000
Sales	5	**96,158**	**107,435**
Other income		15,025	2,018
Cost of products sold		(71,223)	(59,519)
Administrative and selling costs		(2,232)	(1,497)
EBITDA for the period		**37,728**	**48,437**
Amortization and depreciation of non-current assets		(6,946)	(8,133)
Amortization of assets recognized on acquisition		(9,583)	(9,634)
Operating profit for the period		**21,199**	**30,670**
Net borrowing costs		53	(39)
Other finance income and expenses		1,968	1,973
Income tax	6	(8,170)	(9,643)
Profit for the period	**5**	**15,050**	**22,961**
Attributable to non-controlling interests		(458)	(49)
Profit for the period attributable to equity holders of the parent		**15,508**	**23,010**
Other comprehensive loss, net of income tax			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Translation adjustments for financial statements of subsidiaries in a foreign currency		(10,115)	(3,541)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		**(10,115)**	**(3,541)**
Items that will not to be reclassified to profit or loss in subsequent periods:			
Change in revaluation reserve for cash flow hedging instruments		(7,218)	(348)
Income tax in relation to revaluation of cash flow hedging instruments		2,021	76
Net other comprehensive loss that will not to be reclassified to profit or loss in subsequent periods:		**(5,197)**	**(272)**
Total other comprehensive loss for the period		(15,312)	(3,813)
Attributable to non-controlling interest		23	293
Other comprehensive loss for the period attributable to equity holders of the parent		**(15,289)**	**(3,520)**
Total comprehensive income/(loss) for the period			
Attributable to equity holders of the parent		(262)	19,148
Attributable to non-controlling interests		481	342
Total comprehensive income for the period attributable to equity holders of the parent		219	**19,490**
Earnings per share (US$)			
Basic earnings per share		49.39	91.09
Diluted earnings per share		49.39	91.09

Notes to the financial statements are included on pages 11 to 20.

	Half-year ended	
	30 Jun 2013 US$'000	**30 Jun 2012 US$'000**
Administrative and costs	(751)	(382)
EBITDA for the period	**(751)**	**(382)**
Amortization and depreciation of non-current assets	(61)	(1)
Operating loss for the period	**(812)**	**(383)**
Net borrowing costs	(6,623)	-
Other finance income and expenses	88,053	(465)
Income tax	-	-
Profit/(Loss) for the period	**80,618**	**(848)**

Notes to the financial statements are included on pages 11 to 20.

	Note	30 Jun 2013 US$'000	31 Dec 2012 restated[(1)] US$'000
Assets			
Non-current assets			
Intangible assets	7	192,488	201,625
Property, plant and equipment	8	601,258	427,535
Other non-current financial assets		152	146
Other non-current assets	10	254	254
Total non-current assets		**794,152**	**629,560**
Current assets			
Inventories	9	48,243	46,356
Trade and other receivables	10	28,121	71,009
Derivative financial assets		-	3,490
Cash and cash equivalents	11	47,507	128,293
Total non-current assets		**123,871**	**249,148**
Total assets		**918,023**	**878,708**
Shareholders' equity and liabilities			
Share capital	12	329	303
Share premium	12	621,412	571,438
Cash flow hedging instrument revaluation reserve		(3,283)	1,914
Foreign currency translation reserve		(2,834)	7,250
Actuarial gains and losses reserve		98	106
Retained earnings		64,553	49,045
Attributable to equity holders of the parent		**680,275**	**630,056**
Attributable to non-controlling interests		6,818	7,299
Total shareholders' equity		**687,093**	**637,355**
Liabilities			
Non-current liabilities			
Liabilities to employees		94	103
Deferred tax		14,069	19,734
Borrowings	14	147,539	147,375
Total non-current liabilities		**161,702**	**167,212**
Current liabilities			
Borrowings	14	2,806	11,135
Trade other payables	15	29,347	35,942
Current tax payables		32,575	27,064
Derivative financial liabilities		4,500	-
Total current liabilities		**69,228**	**74,141**
Total liabilities		**230,930**	**241,353**
Total shareholders' equity and liabilities		**918,023**	**878,708**

(1) See Note 13

Notes to the financial statements are included on pages 11 to 20.

The financial statements were approved by the Board on 26 August 2013 and signed on its behalf by

Rick Sharp
Director

Registration number 07727671

	30 June 2013 US$'000	31 Dec 2012 US$'000
Assets		
Non-current assets		
Property, plant and equipment	424	482
Investments in subsidiaries	504,209	331,504
Loans to related parties	343,431	334,507
Total non-current assets	**848,064**	**666,493**
Current assets		
Other current assets	309	76
Cash and cash equivalents	30,785	111,261
Total non-current assets	**31,094**	**111,337**
Total assets	**879,158**	**777,830**
Shareholders' equity and liabilities		
Share capital	329	303
Share premium	621,412	571,438
Retained earnings	73,160	(7,458)
Total shareholders' equity	**694,901**	**564,283**
Liabilities		
Non-Current Liabilities		
Borrowings	147,539	147,375
Other non-current liabilities	33,259	62,723
Total non-current liabilities	**180,798**	**210,098**
Current liabilities		
Borrowings	2,699	2,812
Trade payables and other current liabilities	760	637
Total current liabilities	**3,459**	**3,449**
Total shareholders' equity and liabilities	**879,158**	**777,830**

Notes to the financial statements are included on pages 11 to 20.

The financial statements were approved by the Board on 26 August 2013 and signed on its behalf by

Rick Sharp
Director

Registration number 07727671

	Note	Half-year ended 30 Jun 2013 US$'000	30 Jun 2012 US$'000
Operating activities			
Profit for the period		**15,050**	**22,961**
Elimination of non-cash and non-operating income and expenses:			
- Depreciation, amortization and provisions		16,730	17,767
- Deferred tax		(3,266)	(1,917)
- Borrowing costs capitalized on consolidation		(180)	-
- Loss on asset disposals		-	21
- Foreign exchange losses		1,398	(914)
Cash generated by operating activities		**29,732**	**37,918**
Increase in inventories		(223)	(1,621)
(Increase)/decrease in trade receivables		39,084	(145)
Increase/(decrease) in trade payables		(411)	905
Change in other assets and liabilities		11,052	9,955
Interest received		(108)	-
Accrued interest		38	(15)
Tax paid		(3,443)	(3,364)
Net change in current operation assets and liabilities		**45,989**	**5,715**
Net cash generated by operating activities		**75,721**	**43,633**
Cash flows from investing activities			
Payments for non-current assets		(189,283)	(107,336)
Payment of capitalized interest costs	14	(6,750)	-
Proceeds from disposal of non-current assets		-	(1)
Interest received		108	-
Proceeds from/(repayment of) borrowings		-	(30)
Net cash used in investing activities		**(195,925)**	**(107,367)**
Cash flows from financing activities			
Proceeds from issue of shares		50,000	20,000
Proceeds from borrowings		-	653
Repayment of borrowings		(7,960)	-
Net cash provided by financing activities		**42,040**	**20,653**
Net effect of cash held in foreign currency		(2,622)	272
Net decrease in cash held		**(80,786)**	**(42,809)**
Opening cash and cash equivalents		**128,293**	**105,334**
Closing cash and cash equivalents	**11**	**47,507**	**62,525**

Notes to the financial statements are included on pages 11 to 20.

	Half-year ended 30 Jun 2013 US$'000	Half-year ended 30 Jun 2012 US$'000
Operating activities		
Profit/(loss) for the period	**80,618**	**(860)**
Elimination of non-cash and non-operating income and expenses:		
- Depreciation, amortization and provisions	61	1
- Foreign exchange losses	37	465
- Dividend received from subsidiary, offset against intercompany payable	(88,558)	-
- Amortization of borrowing costs	384	-
Cash generated by operating activities	**(7,458)**	**(394)**
Increase in trade receivables	(235)	(7)
Increase/(decrease) in trade payables	123	275
Change in other assets and liabilities	(57)	-
Interest received	(108)	-
Accrued interest	38	12
Net change in current operation assets and liabilities	**(239)**	**280**
Net cash used in operating activities	**(7,697)**	**(114)**
Cash flows from investing activities		
Interest received	108	-
Payments for non-current assets	(4)	(57)
Payments to subsidiaries	(122,694)	(54,484)
Net cash used in investing activities	**(122,590)**	**(54,541)**
Cash flows from financing activities		
Proceeds from issue of shares	50,000	20,000
Payment of borrowing costs	(275)	-
Net cash provided by financing activities	**49,725**	**20,000**
Net effect of cash held in foreign currency	86	(627)
Net decrease in cash held	**(80,476)**	**(35,282)**
Opening cash and cash equivalents	**111,261**	**71,346**
Closing cash and cash equivalents	**30,785**	**36,064**

Notes to the financial statements are included on pages 11 to 20.

	Number of shares	Share capital US$'000	Share premiums US$'000	Cash flow hedging reserve US$'000	Foreign currency translation reserve US$'000	Actuarial gains and losses reserve US$'000	Retained earnings US$'000	Attributable to equity holders of parent US$'000	Attributable to non-controlling interests US$'000	Total shareholders' equity US$'000
Shareholders' equity at 1 January 2012	**250,000**	**250**	**471,491**	**(230)**	**(2,653)**	**-**	**110**	**468,968**	**7,829**	**476,797**
Impact of adoption of IAS19R by TiZir Limited	-	-	-	-	-	(237)	-	(237)	-	-
Restated balance at 1 January 2012	**250,000**	**250**	**471,491**	**(230)**	**(2,653)**	**(237)**	**110**	**468,731**	**7,829**	**476,560**
Profit for the half-year ended 30 June 2012	-	-	-	-	-	-	23,010	23,010	(49)	22,961
Exchange differences on translation of foreign subsidiaries	-	-	-	-	(3,248)	-	-	(3,248)	(293)	(3,541)
Change in hedging instruments revaluation reserve	-	-	-	(272)	-	-	-	(272)	-	(272)
Other components of comprehensive income	-	-	-	(272)	(3,248)	-	-	(3,520)	(293)	(3,813)
Total comprehensive income	**-**	**-**	**-**	**(272)**	**(3,248)**	**-**	**23,010**	**19,490**	**(342)**	**19,148**
Proceeds from share capital increases	11,200	11	19,989	-	-	-	-	20,000	-	20,000
Transfer between equity components	-	-	-	1,033	(1,033)	-	-	-	-	-
Total transactions with shareholders	11,200	11	19,989	1,033	(1,033)	-	-	20,000	-	20,000
Shareholders' equity at 30 June 2012	**261,200**	**261**	**491,480**	**531**	**(6,934)**	**(237)**	**23,120**	**508,221**	**7,487**	**515,708**
Shareholders' equity at 1 January 2013	**303,000**	**303**	**571,438**	**1,914**	**7,254**	**-**	**49,115**	**630,024**	**7,299**	**637,323**
Impact of adoption of IAS19R by TiZir Limited	-	-	-	-	(4)	106	(70)	32	-	32
Restated balance at 1 January 2013	**303,000**	**303**	**571,438**	**1,914**	**7,250**	**106**	**49,045**	**630,056**	**7,299**	**637,355**
Profit for the half-year ended 30 June 2013	-	-	-	-	-	-	15,508	15,508	(458)	15,050
Exchange differences on translation of foreign subsidiaries	-	-	-	-	(10,092)	-	-	(10,092)	(23)	(10,115)
Change in hedging instruments revaluation reserve	-	-	-	(5,197)	-	-	-	(5,197)	-	(5,197)
Change in actuarial gains and losses reserve	-	-	-	-	8	(8)	-	-	-	-
Other components of comprehensive income	-	-	-	(5,197)	(10,084)	(8)	-	(15,289)	(23)	(15,312)
Total comprehensive income	**-**	**-**	**-**	**(5,197)**	**(10,084)**	**(8)**	**15,508**	**219**	**(481)**	**(262)**
Proceeds from share capital increases	26,000	26	49,974	-	-	-	-	50,000	-	50,000
Total transactions with shareholders	26,000	26	49,974	-	-	-	-	50,000	-	50,000
Shareholders' equity at 30 June 2013	**329,000**	**329**	**621,412**	**(3,283)**	**(2,834)**	**98**	**64,553**	**680,275**	**6,818**	**687,093**

Notes to the financial statements are included on pages 11 to 20.

1. GENERAL INFORMATION

TiZir Limited (the "Company") is a limited company incorporated in the United Kingdom. The parent entities of the Company are MDL (Mining) Limited and Eralloys Holding AS (Formerly ERAMET Titan AS). The addresses of its registered office and principal places of business are disclosed in the Directors' Report.

The condensed consolidated unaudited interim financial statements as at and for the half-year ended 30 June 2013 were authorized for issue in accordance with a resolution of the directors on 26 August 2013.

2. STATEMENT OF COMPLIANCE

The interim condensed consolidated unaudited financial statements for the half-year ended 30 June 2013 have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2012.

3. BASIS OF PREPARATION

The consolidated financial statements are presented in United States dollars, which is the Company's functional and presentation currency. All values are rounded to the nearest thousand except where otherwise indicated.

3.1 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2012, except for the adoption of new standards and interpretations effective as of 1 January 2013.

The Group applies, for the first time, certain standards and amendments that require restatement of previous financial statements. These include IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IAS 19 (Revised 2011) Employee Benefits, IFRS 13 Fair Value Measurement and amendments to IAS 1 Presentation of Financial Statements. As required by IAS 34, the nature and the effect of these changes are disclosed below. In addition, the application of IFRS 12 Disclosure of Interest in Other Entities would result in additional disclosures in the annual consolidated financial statements.

Several other new standards and amendments apply for the first time in 2013. However, they do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

The nature and the impact of each new standard/amendment are described below:

IAS 1 Presentation of items of other comprehensive income – Amendments to IAS 1

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affected presentation only and had no impact on the Group's financial position or performance.

IAS 1 Clarification of the requirement for comparative information (Amendment)

The amendment to IAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional voluntarily comparative information does not need to be presented in a complete set of financial statements.

An opening statement of financial position (known as the 'third balance sheet') must be presented when an entity applies an accounting policy retrospectively, makes retrospective restatements, or reclassifies items in its financial statements, provided any of those changes has a material effect on the statement of financial position at the beginning of the preceding period. The amendment clarifies that a third balance sheet does not have to be accompanied by comparative information in the related notes. Under IAS 34, the minimum items required for interim condensed financial statements do not include a third balance sheet.

IAS 32 Tax effects of distributions to holders of equity instruments (Amendment)

The amendment to IAS 32 Financial Instruments: Presentation clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders. The amendment did not have an impact on the interim condensed consolidated financial statements for the Group, as there is no tax consequences attached to cash or non-cash distribution.

IAS 34 Interim financial reporting and segment information for total assets and liabilities (Amendment)

The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 Operating Segments. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment. The Group provides this disclosure as total segment assets were reported to the chief operating decision maker (CODM). As a result of this amendment, the Group now also includes disclosure of total segment liabilities as these are reported to the CODM. See Note 5.

IAS 19 Employee Benefits (Revised 2011) (IAS 19R)

IAS 19R includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognized in other comprehensive income (OCI) and permanently excluded from profit and loss; expected returns on plan assets that are no longer recognized in profit or loss, instead, there is a requirement to recognize interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation; and unvested past service costs are now recognized in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognized. Other amendments include new disclosures, such as, quantitative sensitivity disclosures.

In case of the Group, the transition to IAS 19R had an impact on the net defined benefit plan obligations due to the difference in accounting for interest on plan assets and unvested past service costs. The effect of the adoption of IAS 19R is explained in Note 13.

IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7

The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set-off in accordance with IAS 32. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set-off in accordance with IAS 32. As the Group is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Group.

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements

IFRS 10 establishes a single control model that applies to all entities including special purpose entities.

IFRS 10 replaces the parts of previously existing IAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including:

(a) an investor has power over an investee;

(b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and

(c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns.

IFRS 10 had no impact on the consolidation of investments held by the Group.

IFRS 11 Joint Arrangements and IAS 28 Investments in Associates and Joint Ventures

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method.

IFRS 11 had no impact on any investments held by the Group.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. None of these disclosure requirements are applicable for interim condensed consolidated financial statements, unless significant events and transactions in the interim period require that they are provided. Accordingly, the Group has not made such disclosures.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group.

In addition to the above-mentioned amendments and new standards, IFRS 1 First-time Adoption of International Financial Reporting Standards was amended with effect for reporting periods starting on or after 1 January 2013. The Group is not a first-time adopter of IFRS, therefore, this amendment is not relevant to the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4. USE OF ESTIMATES AND JUDGMENTS

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the date of the financial statements. Actual outcomes could differ from these estimates.

The below are the most critical judgments, estimates and assumptions:

4.1 Impairment testing

When events or economic changes in the markets in which the Group operates indicate the possibility of impairment losses on its goodwill, intangible assets and property, plant and equipment, these assets are subject to impairment tests to determine whether their carrying amount has fallen below their recoverable amount or value in use.

Goodwill is impairment-tested at least once a year. In the event that the recoverable amount is below the net carrying amount, an impairment loss is recognized for the difference. The recoverable amount is determined on the basis of the value in use by applying the method of future cash flows expected from the use of the assets projected over a five-year period with a terminal value.

4.2 Employee benefits

Group companies' offer their employees various long-term benefits such as retirement packages, pension plans and healthcare plans. All these liabilities are estimated on the basis of assumptions such as discount rates, rates of return on financial investments under these plans, salary increases, employee turnover rates and mortality tables. The Group generally updates these assumptions once a year and the most recent assumptions used are included in the specific note.

4.3 Environmental rehabilitation costs

The provisions for rehabilitation costs are based on estimated future costs using information available at the balance sheet date. These provisions are estimated on the basis of forecast cash flows by maturity and discounted using inflation and discount rates determined in accordance with local economic conditions. To the extent the actual costs differ from these estimates, adjustments will be recognized which may impact the Group's income statement.

4.4 Deferred tax

Deferred tax assets recognized primarily relate to deductible temporary differences and tax losses carried forward in accordance with IAS 12. These deferred tax assets are recognized whenever it is likely that the Group will have sufficient future taxable profit to absorb these timing differences and tax losses. The estimate of the Group's capacity to recover recognized deferred-tax assets is based in particular on the earnings forecasts drawn up by each tax entity.

5. SEGMENT REPORTING

The directors of the Company have chosen to organize the Group's operating segments based on differences in products and services provided by the Group.

Specifically, the Group's reportable segments under IFRS 8 are as follows:

- Upgraded ilmenite products
- Extracted mineral sands products

The extracted mineral sands products segment did not generate revenue during the half-year ended 30 June 2013 as the Grande Côte Mineral Sands Project continues its construction phase. Production from the project is expected to commence in the first quarter of 2014.

Revenues and profit by segment

The following is an analysis of the Group's revenue and profit by reportable segment:

	Segment Revenue Half-year ended		Segment Profit Half-year ended	
	30 Jun 2013 US$'000	30 Jun 2012 US$'000	30 Jun 2013 US$'000	30 Jun 2012 US$'000
Upgraded ilmenite products	96,158	107,435	27,876	31,703
Extracted mineral sands products	-	-	(5,243)	(958)
Total	**96,158**	**107,435**	**22,633**	**30,745**
Administration costs			(751)	(382)
Other finance expenses			129	(465)
Depreciation expenses			(61)	-
Amortization of non-current assets recognized on acquisition			(9,583)	(9,634)
Income tax on amortization of non-current assets recognized on acquisition			2,683	2,697
Total			**15,050**	**22,961**

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3.

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2012 – Nil).

Segment profit represents the profit after income tax earned by each segment without allocation of centralized administration costs, foreign exchange losses recognized outside the reportable segments, depreciation of non-current assets not allocated to a reportable segment and amortization and associated income tax impact of non-current assets recognized on acquisition. Segment profit is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment

	30 Jun 2013 US$'000	31 Dec 2012 US$'000
Segment assets		
Upgraded ilmenite products	127,821	177,500
Extracted mineral sands products	612,588	430,204
Total segment assets	**740,409**	**607,704**
Unallocated	177,614	271,004
Total consolidated assets	**918,023**	**878,708**
Segment liabilities		
Upgraded ilmenite products	69,356	62,431
Extracted mineral sands products	10,578	15,117
Total segment liabilities	**79,934**	**77,548**
Unallocated	150,996	163,805
Total consolidated liabilities	**230,930**	**241,353**

6. INCOME TAX

The Group calculates the income tax expense for the half-year using the applicable tax rates for each group entity that would be expected to be levied against total annual earnings.

The major components of income tax expense in the interim condensed income statement are:

	Half-year ended	
	30 Jun 2013 US$'000	**30 Jun 2012 US$'000**
Income tax expense		
Current income tax expense	(11,437)	(11,650)
Deferred income tax expense related to origination and reversal of deferred taxes	3,267	2,007
Total	**(8,170)**	**(9,643)**

7. INTANGIBLE ASSETS

	Gross Value US$'000	**Amortization US$'000**	**Net value 30 Jun 2013 US$'000**	**Net value 31 Dec 2012 US$'000**
By category				
Mine development expenditure	51,590	-	51,590	51,590
Capitalized mining convention costs	111,832	-	111,832	111,832
Assets recognized on acquisition	61,000	(31,948)	29,052	38,180
Computer software	87	(73)	14	23
Total	**224,509**	**(32,021)**	**192,488**	**201,625**

Changes over the period		
At beginning of the period	201,625	219,896
Amortization expenses during the period	(9,137)	(18,272)
Translation adjustments	-	1
At end of the period	**192,488**	**201,625**

There were no impairment losses recognized in relation to intangible assets of the Group for the half-year ended 30 June 2013 (2012 – Nil).

Mine development expenditure relates exclusively to the Grande Côte Mineral Sands Project.

Whilst the Grande Côte Mineral Sands Project is not currently generating cash flow, the Group is of the view that the project will contribute significant value in the future and that this value will be in excess of the current value of the capitalized costs.

Computer software is being amortized over their useful economic lives of between 2.5 to 5 years.

During the previous financial year, amounts initially recognised as goodwill were allocated to identifiable intangible assets, specifically ilmenite and electricity supply contracts. These assets are being amortized at 2.5 and 20 years respectively.

8. PROPERTY, PLANT AND EQUIPMENT

	Gross Value US$'000	Depreciation US$'000	Net value 30 Jun 2013 US$'000	Net value 31 Dec 2012 US$'000
By category				
Land and buildings	37,240	(963)	36,277	37,706
Industrial and mining facilities	58,611	(23,411)	35,200	42,048
Other property, plant and equipment	32	(10)	22	24
Work in progress	536,244	(6,485)	529,759	347,757
Total	**632,127**	**(30,869)**	**601,258**	**427,535**

Changes over the period		
At beginning of the period	427,535	147,227
Capital expenditure during the period	185,206	291,546
Disposals during the period	-	(105)
Depreciation during the period	(7,391)	(15,284)
Translation adjustments	(4,092)	4,151
At end of the period	**601,258**	**427,535**

There were no impairment losses recognized in relation to property, plant and equipment of the Group for the half-year ended 30 June 2013 (2012 – Nil).

Land and buildings include non-depreciating freehold land amounting to $15.5 million (2012 – $15.5 million).

Capital expenditure during the period includes $6.7 million of interest expense incurred on borrowings funding the construction of qualifying assets which has been capitalized during the year.

9. INVENTORIES

	30 Jun 2013 US$'000	31 Dec 2012 US$'000
By category		
Raw materials	12,742	12,072
Merchandise and finished products	28,500	26,489
Work in progress and semi-finished products	2,222	2,409
Consumables and spare parts	4,779	5,386
Total	**48,243**	**46,356**

Changes over the period		
At beginning of the period	46,356	32,299
Changes in working capital requirement	5,334	10,303
Translation adjustments and other movements	(3,447)	3,754
At end of the period	**48,243**	**46,356**

There was no inventory allowance for slow-moving inventory, excess of cost over net realizable value and obsolescence for the year (30 June 2012 – Nil).

10. TRADE AND OTHER RECEIVABLES

	30 Jun 2013 US$'000	31 Dec 2012 US$'000
By category		
Trade receivables	22,633	64,765
Payroll and tax receivables	1,074	1,786
Other operating receivables	4,668	4,712
Total	**28,375**	**71,263**
Represented in the statement of financial position as:		
- Current assets	28,121	71,009
- Non-current assets	254	254
Changes over the period		
At beginning of the period	71,263	20,262
Changes in working capital requirement	(39,756)	47,546
Allowance for impairment of trade receivables	(201)	-
Translation adjustments	(2,931)	3,455
At end of the period	**28,375**	**71,263**

During the six months ended 30 June 2013, the Company recognized an allowance for impairment of trade receivables of $201,157 (30 June 2012 – Nil).

11. CASH AND CASH EQUIVALENTS

	30 Jun 2013 US$'000	31 Dec 2012 US$'000
By category		
Cash	**47,507**	**128,293**

Interest-free items mainly consist of non-interest sight deposits.

Cash include cash in hand and at bank. The change from one period to the next is analysed via a cash flow statement drawn up using the indirect method.

As at 30 June 2013, the company had $3.471 million of cash held on deposit as security for a letter of credit in favour of a supplier to Grande Côte which was restricted for use. The Company anticipates that this cash will be released in the second half of 2013.

12. SHAREHOLDER'S EQUITY

The share capital is comprised of 329,500 ordinary shares held by Eralloys Holding AS (Former ERAMET Titan AS) and MDL (Mining) Limited who hold 164,750 shares each.

During the six months ended 30 June 2013, the Company issued 26,500 ordinary shares at a nominal of US$1.00 for a consideration of US$50.0 million.

	30 Jun 2013 US$'000	31 Dec 2012 US$'000
Share capital	329	303
Share premium	621,412	571,438
	621,741	**571,741**

	Number of shares '000	Share capital US$'000	Share premium US$'000
Movement in fully paid ordinary shares			
Balance at 1 January 2012	**250**	**250**	**471,491**
Issue of shares – 16 May 2012	11	11	19,989
Issue of shares – 12 December 2012	42	42	79,958
Balance at 31 December 2012	**303**	**303**	**571,438**
Issue of shares – 30 April 2013	26	26	49,974
	329	**329**	**621,412**

Fully paid ordinary shares have a par value of US$1.00, carry one vote per share and carry a right to dividends.

The Company did not issue any share options or other instruments relating to rights over the Company's equity during the half-year ended 30 June 2013.

13. EMPLOYEE-RELATED LIABILITIES

TiZir Titanium & Iron AS offers their employees various long-term benefits in accordance with the rules and practices in force in the countries where it operates. An actuarial appraisal of the liabilities of Group companies is carried out using a standard actuarial framework (assumptions and methods) defined by the Group in accordance with the principles set out in IAS 19R – Employee Benefits at the end of each financial year. These liabilities are measured each year on a multi-annual basis (two or three years, except for non-recurring events requiring a new measurement for each case individually).

IAS 19R has been applied retrospectively from 1 January 2012. As a result, actuarial gains and losses previously recognized as an expense in the Statement of Profit or Loss are now recognized as a component of other comprehensive income. As such, there have been transfers between different components of equity in the current and prior accounting period. Further, defined benefit obligations of TiZir Titanium & Iron AS are measured at the end of the financial year and therefore there is no impact on the Statement of Profit or Loss or Other Comprehensive Income during the six months ended 30 June 2012 and 2013. The full impact will be recognized in the 31 December 2012 and 2013 financial years.

Impact of transition to IAS 19R

Impact on interim condensed consolidated statement of financial position

	30 Jun 2013 US$'000	31 Dec 2012 US$'000
Re-measurement of defined benefit plan obligation actuarial gains (losses)	(8)	146
Deferred tax on actuarial gains(losses)	-	(40)
Increase/(decrease) in foreign currency translation reserve	8	(4)
Decrease in retained earnings	-	(70)
Impact on equity	**-**	**32**
Equity holders of the parent	-	32
Non-controlling interest	-	-

Impact on interim condensed consolidated statement of profit or loss and other comprehensive income

	30 Jun 2013 US$'000	31 Dec 2012 US$'000
Decrease of operating profit for the period/year	-	(97)
Increase in deferred tax expense	-	27
Net increase/(decrease) in profit for the year	**-**	**(70)**
Equity holders of the parent	-	(70)
Non-controlling interest	-	-

There was no material impact on the Group's interim condensed consolidated statement of cash flows or basic and diluted earnings per share.

14. BORROWINGS

	30 Jun 2013 US$'000	31 Dec 2012 US$'000
Current		
Bonds	2,699	2,812
Bank overdrafts and creditor banks	107	8,323
	2,806	**11,135**
Non-current		
Bonds	**147,539**	**147,375**

On 29 September 2012, the Company issued a bond with a face value of $150 million at 9% interest paid semi-annually and a term of five years. The bond was issued primarily to fund construction activities at Grande Côte and is secured by the Company's 100% interest in TiZir Titanium & Iron AS.

Interest accrued on the bond to 30 June 2013 amounted to $6.7 million and will be capitalized to property, plant & equipment during the construction phase of Grande Côte. When production commences at Grande Côte, interest and other associated borrowings costs will be recognized as an expense in the income statement.

The carrying value of borrowings includes principal repayments, transaction costs and unamortized discounts.

	30 Jun 2013 US$'000	31 Dec 2012 US$'000
By maturity		
Less than one year	2,806	11,135
One to five years	147,539	147,375
	150,345	**158,510**
By interest rate		
Fixed interest rates		
- 5.0% to 10.0%	150,238	150,187
	150,238	**150,187**
Variable interest rate		
- Under 5.0%	107	8,323
	107	**8,323**

15. TRADE AND OTHER PAYABLES

	30 Jun 2013 US$'000	31 Dec 2012 US$'000
By category		
Trade payables	17,492	21,584
Tax and payroll liabilities	6,180	6,424
Other operating liabilities	5,675	7,934
	29,347	**35,942**
Changes over the period		
At beginning of the period	35,942	23,778
Changes in working capital requirement	(5,320)	13,935
Translation adjustments	(1,275)	(1,771)
At end of the period	**29,347**	**35,942**

16. COMMITMENTS FOR EXPENDITURE

	30 Jun 2013 US$'000	31 Dec 2012 US$'000
Capital expenditure commitments		
Grande Côte Mineral Sands Project	87,826	142,674
Commitments not longer than 1 year	**87,826**	**142,674**

17. CONTINGENT ASSETS AND LIABILITIES

The Group faces potential liabilities in respect of the Grande Côte Mineral Sands Project and has agreed that the following amounts will be payable:

- During the term of the Mining Concession and the entire period of validity of the Mining Convention an amount of US$500,000 in total during the pre-production phase and thereafter US$400,000 per annum during the production phase on social development of local communities in the Grande Côte and surrounding region; and
- US$50,000 per year of production on training of Directorate of Mines and Geology officers and logistical support to the technical services of the Ministry for Mines.

18. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

Transactions with related parties

(1) The Company placed cash on deposit with an ERAMET group entity, Metal Securities SA at a rate of 0.75% per annum. The deposit was liquid and able to be accessed at call. The balance of this deposit was withdrawn during the half-year ended 30 June 2013 to fund construction of the Grande Côte Mineral Sands Project. At 30 June 2013 the amount held on deposit with Metal Securities SA was Nil (31 December 2012 – $100,819,437).

The Company earned $108,168 of interest on the above deposit for the half-year ended 30 June 2013 (half-year ended 30 June 2012 – Nil).

(2) As part of the agreement to establish the joint venture on 1 October 2011, ERAMET SA agreed to provide a $45.0 million subordinated loan facility. At 30 June 2013, the Group had not drawn any funding from this facility (31 December 2012 – Nil).

Compensation of key management personnel

The remuneration of directors and key management personnel during the year was as follows:

	Half-year ended	
	30 Jun 2013 US$'000	30 Jun 2012 US$'000
Short-term benefits	222	399

19. EVENTS AFTER REPORTING DATE

To the best of the Company's knowledge, there are no events to report after the balance sheet date.

20. ULTIMATE CONTROLLING PARTY

The Company's ultimate controlling parties are Mineral Deposits Limited, a company incorporated in Australia, and ERAMET SA, a company incorporated in France.