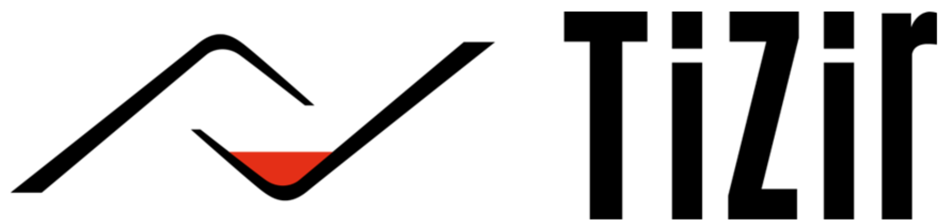

Consolidated Annual Financial Statements of TiZir Limited for the year ended 31 December 2012

Registered N°: 07727671

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Directors

L Egeland
N J Limb
M C Ackland
W L Sharp
J M Fourcade
P G Vecten

Secretary

Norose Company Secretarial Services Limited

Registered office

3 More London Riverside
London SE1 2AQ

Company number

07727671

Auditors

Constantin
25 Hosier Lane
London EC1A 9LQ

The directors present their report and the financial statements of TiZir Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2012.

Directors

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

L Egeland
N J Limb
M C Ackland
W L Sharp
J M Fourcade
P G Vecten

Restatement of comparative period

During the year, the Company completed the purchase price allocation (PPA) of the fair value of assets and liabilities acquired on its establishment (effective 1 October 2011). As a consequence, amounts previously recognised as goodwill in relation to the acquisition of TiZir Titanium & Iron AS and TiZir Mauritius Limited have been reclassified to the identifiable tangible and intangible assets acquired in accordance with IFRS 3 Business combinations. The impact of the purchase price allocation has resulted in a restatement of the comparative period in the statement of comprehensive income and the statement of financial position.

Principal activity

The principal activities of the Group for the year ended 31 December 2012 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.

Business review

Tyssedal ilmenite upgrading facility, Norway

Tyssedal production for the 2012 year was 181.1kt of titanium slag (2011 - 178.1kt) and 101.3kt of high purity pig iron (2011 - 100.1kt). The facility produced at an annualised rate above 200kt of titanium slag during the second half of the year, following a one month shutdown of the pre-reduction rotary kiln for a major maintenance programme during the second quarter.

The average selling price of titanium slag more than doubled in 2012 compared to 2011 (consistent with an overall more buoyant titanium feedstock sector) while the average selling price for high purity pig iron was modestly lower compared to 2011.

Grande Côte Mineral Sands Project, Senegal

By year-end, construction of Grande Côte was more than 55% complete, with US$324 million spent on the build (including US$271 million during 2012). Importantly, from a safety perspective the project reached 4 million man hours in January 2013 without incurring a Lost Time Injury (LTI), however, shortly thereafter, the first LTI unfortunately occurred.

Major achievements during the year included:

- construction in Thailand of the dredge and surge bin, and their subsequent safe arrival at site for reassembly which is expected to be completed by end-March;
- excavation of the dredge start-up pond and start-up water storage dam;
- fabrication in Spain and the arrival on-site of the 18 pontoons for the spiral module of the wet concentrator, and their subsequent bolting and welding together;
- major construction works on multiple fronts at the mineral separation plant – including approximately 85% completion of the power station; and
- excavation of the corridor and completion of the laying of the new rail track from the mineral separation plant to Méckhe ready for welding.

Results and dividends

The results for the year are set out on page 7.

The directors do not recommend payment of a final dividend (2011 – 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 (Note 20). 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

Tyssedal 2013 production guidance is approximately 190kt of titanium slag and 105kt of high purity pig iron, some 5% above 2012 levels. However, earnings from Tyssedal are expected to be lower in 2013 compared with 2012 due to lower anticipated selling prices for both products.

Grande Côte Mineral Sands Project, Senegal

Engineering is essentially complete and procurement is nearing completion. The timely delivery to site of pre-fabricated steel work is crucial to remaining on schedule. Some re-design of the tailings system is being undertaken to ensure the effective handling of the tailings in a conservative and efficient manner.

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 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.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements. The Directors are required to prepare the financial statements for the Group in accordance with International Financial Reporting Standards as adopted by the EU (IFRS).

In the case of International Financial Reporting Standards (IFRS) accounts, International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with IFRS where applicable.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

The Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific IFRS requirements is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

To the best of each Director's knowledge: the financial statements, prepared in accordance with IFRS and contained within this Annual Report and Accounts, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole; and, the management report, which is incorporated into the Directors' report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with the description of the principal risks and uncertainties they face.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website and accordingly the auditors accept no responsibility for the information published. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In so far the directors are aware:

- there is no relevant audit information (information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware,
- the directors have taken all the steps that he ought to have taken to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditors

In accordance with Section 487(1) of the Companies Act 2006, a resolution proposing that Constantin be reappointed as auditors of the company will be put to the Annual General Meeting.

This report was approved by the Board on April 16th, 2013 and signed on its behalf by

Rick Sharp
Director

Independent auditor's report to the members of TiZir Limited

We have audited the financial statements of TiZir Limited for the year ended 31 December 2012 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Financial Position, the Consolidated and Company Cash Flow Statements, the Consolidated Changes in Equity and the related Notes 1 to 37. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2012 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in Note 2 to the group financial statements, the group in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the group financial statements comply with IFRSs as issued by the IASB.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of TiZir Limited (cont'd)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Peter Smith, FCA (Senior Statutory Auditor)
For and on behalf of Constantin, Statutory Auditor

25 Hosier Lane
London
EC1A 9LQ

Date: 18 April 2013.

	Note	12 months ended 31 Dec 2012 US$'000	3 months ended 31 Dec 2011 US$'000	
			Restated	Reported
Sales	21	**231,127**	**41,350**	**41,350**
Other income	21	2,038	894	894
Cost of products sold		(119,915)	(32,717)	(32,717)
Administrative and selling costs		(4,070)	(1,610)	(1,610)
EBITDA for the year/period		**109,180**	**7,917**	**7,917**
Amortisation and depreciation of non-current assets	26	(33,556)	(6,708)	(1,917)
Operating allowances for losses and contingencies	27	209	137	137
Current operating profit for the year/period		**75,833**	**1,346**	**6,137**
Other operating income and expenses	28	(154)	15	15
Operating profit for the year/period		**75,679**	**1,361**	**6,152**
Net borrowing costs	29	(106)	(20)	(162)
Other finance income and expenses	29	(4,649)	(407)	(265)
Income tax	30	(22,504)	(841)	(2,183)
Profit for the year/period		**48,420**	**93**	**3,542**
Attributable to non-controlling interests		(585)	(17)	(17)
Profit for the year/period attributable to equity holders of the parent		**49,005**	**110**	**3,559**
Other comprehensive income/(loss)				
Translation adjustments for financial statements of subsidiaries in a foreign currency		10,995	(2,653)	(2,653)
Change in revaluation reserve for cash flow hedging instruments		1,543	(319)	(319)
Income tax in relation to revaluation of cash flow hedging instruments		(432)	89	89
Other comprehensive income(loss) for the year/period		**12,106**	**(2,883)**	**(2,883)**
Attributable to non-controlling interest		(55)	-	-
Other comprehensive income/(loss) for the year/period attributable to equity holders of the parent		**12,051**	**(2,883)**	**(2,883)**
Total comprehensive income/(loss) for the year/period				
Attributable to equity holders of the parent		60,526	(2,790)	659
Attributable to non-controlling interests		530	17	17
Total comprehensive income/(loss) for the year/period attributable to equity holders of the parent		**61,056**	**(2,773)**	**676**
Earnings per share				
Basic earnings per share	31	189.33	0.44	14.24
Diluted earnings per share	31	189.33	0.44	14.24

Notes to the financial statements are included on pages 13 to 32.

	Note	31 Dec 2012 US$'000	31 Dec 2011 US$'000	
			Restated	Reported
Assets				
Non-current assets				
Goodwill	8	-	-	149,016
Intangible assets	9	201,625	219,896	54,139
Property, plant & equipment	10	427,535	147,227	138,139
Other non-current financial assets		146	124	124
Other non-current assets	12	254	247	247
Total non-current assets		**629,560**	**367,494**	**341,665**
Current assets				
Inventories	11	46,356	32,299	32,299
Trade receivables and other current assets	12	71,009	20,015	20,015
Derivative financial assets	20	3,490	1,358	1,358
Cash and cash equivalents	13	128,293	105,334	105,334
Total non-current assets		**249,148**	**159,006**	**159,006**
Total assets		**878,708**	**526,500**	**500,671**
Shareholders' equity and liabilities				
Share capital	14	303	250	250
Share premium	14	571,438	471,491	471,491
Cash flow hedging instrument revaluation reserve		1,914	(230)	(230)
Foreign currency translation reserve		7,254	(2,653)	(2,653)
Other reserves		49,115	110	3,559
Attributable to equity holders of the parent		**630,024**	**468,968**	**472,417**
Attributable to non-controlling interests	15	7,299	7,829	(3,103)
Total shareholders' equity		**637,323**	**476,797**	**469,314**
Liabilities				
Non-current liabilities				
Liabilities to employees	16	148	340	340
Deferred tax	17	19,721	22,442	4,096
Borrowings	18	147,375	-	-
Total non-current liabilities		**167,244**	**22,782**	**4,436**
Current liabilities				
Borrowings	18	11,135	31	31
Trade payables and other current liabilities	19	35,942	23,778	23,778
Current tax payables		27,064	3,112	3,112
Total current liabilities		**74,141**	**26,921**	**26,921**
Total liabilities		**241,385**	**49,703**	**31,357**
Total shareholders' equity and liabilities		**878,708**	**526,500**	**500,671**

Notes to the financial statements are included on pages 13 to 32.

The financial statements were approved by the Board on April 16th, 2013 and signed on its behalf by

Rick Sharp
Director

Registration number 07727671

	Note	31 Dec 2012 US$'000	31 Dec 2011 US$'000
Assets			
Non-current assets			
Property, plant & equipment		482	131
Investments in subsidiaries	7	331,504	216,365
Loans to related parties		334,507	182,451
Total non-current assets		**666,493**	**398,947**
Current assets			
Other current assets		76	-
Cash and cash equivalents		111,261	71,346
Total non-current assets		**111,337**	**71,346**
Total assets		**777,830**	**470,293**
Shareholders' equity and liabilities			
Share capital	14	303	250
Share premium	14	571,438	471,491
Accumulated losses		(7,458)	(1,686)
Total shareholders' equity		**564,283**	**470,055**
Liabilities			
Non-Current Liabilities			
Borrowings		147,375	-
Other non-current liabilities		62,723	-
Total non-current liabilities		**210,098**	**-**
Current liabilities			
Borrowings		2,812	-
Trade payables and other current liabilities		637	238
Total current liabilities		**3,449**	**238**
Total shareholders' equity and liabilities		**777,830**	**470,293**

Notes to the financial statements are included on pages 13 to 32.

The financial statements were approved by the Board on April 16th, 2013 and signed on its behalf by

Rick Sharp
Director

Registration number 07727671

	12 months ended 31 Dec 2012 US$'000	3 months ended 31 Dec 2011 US$'000	
		Restated	Reported
Operating activities			
Profit for the year/period	**48,420**	**93**	**3,542**
Elimination of non-cash and non-operating income and expenses:		6,571	1,780
- Depreciation, amortization and provisions	33,347	(1,846)	(504)
- Deferred tax	(3,566)	-	-
- Loss on asset disposals	105	-	-
- Technical assistance fees	229	-	-
- Foreign exchange losses	4,829	-	-
Cash generated by operating activities	**83,364**	**4,818**	**4,818**
Increase in inventories	(10,303)	(2,766)	(2,766)
(Increase)/decrease in trade receivables	(43,147)	2,664	2,664
Increase/(decrease) in trade payables	(513)	6,115	6,115
Change in other assets and liabilities	23,293	10,187	10,187
Interest received	-	26	26
Interest paid	3,791	(6)	(6)
Tax paid	(3,376)	(50)	(50)
Net change in current operation assets and liabilities	**(30,255)**	**16,170**	**16,170**
Net cash generated by operating activities	**53,109**	**20,988**	**20,988**
Cash flows from investing activities			
Payments for non-current assets	(286,568)	(20,652)	(20,652)
Proceeds from borrowings	1,842	-	-
Net cash used in investing activities	**(284,726)**	**(20,652)**	**(20,652)**
Cash flows from financing activities			
Proceeds from issue of shares	100,000	63,589	63,589
Cash subscriptions from shareholder	-	30,000	30,000
Proceeds from and payment for treasury shares	-	12,484	12,484
Proceeds from borrowings	157,965	-	-
Repayment of borrowings	(3,530)	11	11
Net cash provided by financing activities	**254,435**	**106,084**	**106,084**
Net effect of cash held in foreign currency	141	(1,086)	(1,086)
Net increase in cash held	**22,959**	**105,334**	**105,334**
Opening cash and cash equivalents	**105,334**	**-**	**-**
Closing cash and cash equivalents	**128,293**	**105,334**	**105,334**

Notes to the financial statements are included on pages 13 to 32.

	12 months ended 31 Dec 2012 US$'000	3 months ended 31 Dec 2011 US$'000 Reported
Operating activities		
Profit for the year/period	**(5,772)**	**(1,686)**
Elimination of non-cash and non-operating income and expenses:		1,780
- Depreciation, amortization and provisions	2	-
- Foreign exchange losses	863	-
Cash generated by operating activities	**(4,907)**	**(1,686)**
Increase/(decrease) in trade payables	(32)	238
Change in other assets and liabilities	440	(20,664)
Interest paid	3,676	-
Net change in current operation assets and liabilities	**4,084**	**(20,426)**
Net cash generated by operating activities	**(823)**	**(22,112)**
Cash flows from investing activities		
Payments for non-current assets	(254)	(131)
Payments to subsidiaries	(205,512)	-
Net cash used in investing activities	**(205,766)**	**(131)**
Cash flows from financing activities		
Proceeds from issue of shares	100,000	63,589
Proceeds from borrowings	150,000	-
Repayment of borrowings	(3,498)	-
Cash subscription from shareholder	-	30,000
Net cash provided by financing activities	**246,502**	**93,589**
Net effect of cash held in foreign currency	2	-
Net increase in cash held	**39,915**	**71,346**
Opening cash and cash equivalents	**71,346**	**-**
Closing cash and cash equivalents	**111,261**	**71,346**

Notes to the financial statements are included on pages 13 to 32.

	Number of shares	Share capital US$'000	Share premiums US$'000	Cash flow hedging reserve US$'000	Foreign currency translation reserve US$'000	Other reserves 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 October 2011	**250,000**	**250**	**471,491**	**-**	**-**	**-**	**471,741**	**(3,086)**	**468,655**
Profit for the period 31 December 2011	-	-	-	-	-	3,559	3,559	(17)	3,542
Exchange differences on translation of foreign subsidiaries	-	-	-	-	(2,653)	-	(2,653)	-	(2,653)
Change in hedging instruments revaluation reserve	-	-	-	(230)	-	-	(230)	-	(230)
Other components of comprehensive income	-	-	-	(230)	(2,653)	-	(2,883)	-	(2,883)
Total comprehensive income	**-**	**-**	**-**	**(230)**	**(2,653)**	**3,559**	**676**	**(17)**	**659**
Prior period adjustment	-	-	-	-	-	(3,449)	(3,449)	10,932	7,483
Total transactions with shareholders	-	-	-	-	-	(3,449)	(3,449)	10,932	7,483
Shareholders' equity at 31 December 2011	**250,000**	**250**	**471,491**	**(230)**	**(2,653)**	**110**	**468,968**	**7,829**	**476,797**
Profit for the year ended 31 December 2012	-	-	-	-	-	49,005	49,005	(585)	48,420
Exchange differences on translation of foreign subsidiaries	-	-	-	-	10,940	-	10,940	55	10,995
Change in hedging instruments revaluation reserve	-	-	-	1,111	-	-	1,111	-	1,111
Other components of comprehensive income	-	-	-	1,111	10,940	-	12,051	55	12,106
Total comprehensive income	**-**	**-**	**-**	**1,111**	**10,940**	**49,005**	**61,056**	**(530)**	**60,526**
Proceeds from share capital increases	53,000	53	99,947	-	-	-	100,000	-	100,000
Other movements	-	-	-	1,033	(1,033)	-	-	-	-
Total transactions with shareholders	53,000	53	99,947	1,033	(1,033)	-	100,000	-	100,000
Shareholders' equity at 31 December 2012	**303,000**	**303**	**571,438**	**1,914**	**7,254**	**49,115**	**630,024**	**7,299**	**637,323**

Notes to the financial statements are included on pages 13 to 32.

1. GENERAL INFORMATION

TiZir Limited (the Company) is a limited company incorporated in United Kingdom. The parent entities of the Company are MDL (Mining) Limited and Eralloys Holding A/S (Former Eramet Titan A/S). The addresses of its registered office and principal places of business are disclosed in the Directors Report. The subsidiaries of the Company which comprise the consolidated group (the Group) are described in Note 7.

2. STATEMENT OF COMPLIANCE

The consolidated financial statements of TiZir Limited and its subsidiaries (the Group) are prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the European Union, effective for the year ended 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.

The accounting policies in Note 6 have been applied in preparing the consolidated financial statements.

Initial contributions on establishment of the joint venture were made based on historical book values; however during the year, the Company completed the purchase price allocation (PPA) of the fair value of assets and liabilities acquired on its establishment (effective 1 October 2011). As a consequence, amounts previously recognised as goodwill in relation to the acquisition of TiZir Titanium & Iron AS and TiZir Mauritius Limited have been reclassified to the identifiable tangible and intangible assets acquired in accordance with IFRS 3 Business combinations. The impact of the purchase price allocation has resulted in a restatement of the comparative period in the statement of profit or loss and other comprehensive income and the statement of financial position.

4. USE OF ESTIMATES AND JUDGMENTS

The preparation of these financial statements requires management to make judgements, 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 judgements, 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 recognised primarily relate to deductible temporary differences and tax losses carried forward in accordance with IAS 12. These deferred tax assets are recognised 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 recognised deferred-tax assets is based in particular on the earnings forecasts drawn up by each tax entity. Further information on the Group's deferred tax balances is included in Note 17.

5. CHANGES IN ACCOUNTING METHODS, ERRORS AND ESTIMATES

A change in accounting methods is only applied where required under a standard or interpretation and where it provides for more reliable and more pertinent information. Accounting changes are applied retrospectively, except in the event of transitory provisions specific to the standard or interpretation. The financial statements affected by a change in accounting method are adjusted for all the periods presented, as though the new method had always been applied.

Once an error is detected, it is likewise adjusted retrospectively.

Changes to estimates are recognised prospectively; they affect the financial year in which they arise and, as the case may be, future financial years.

6. PRINCIPAL ACCOUNTING POLICIES

6.1 Basis of consolidation

The financial statements consolidate the financial statements of TiZir (the Company) and its subsidiaries (the Group).

All inter-entities balances and transactions, including unrealised profits and losses arising from intra-Group transactions, have been eliminated in full.

The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passes. Control is achieved where the Group has the power to govern the financial and operating policy of an entity so as to obtain benefits from its activities. This occurs when the Group has more than 50% voting power through ownership or agreements, except where minority rights are such that a minority shareholder is able to prevent the Group from exercising control. In addition, control may exist without having more than 50% voting power through ownership or agreements, or in the circumstances of enhanced minority rights, as a consequence of de facto control. De facto control is control without the legal right to exercise unilateral control, and involves decision-making ability that is not shared with others and the ability to give directions with respect to the operating and financial policies of the entity concerned. Where there is a loss of control of a subsidiary, the financial statements include the results for the part of the reporting period during which TiZir limited has control.

6.2 Scope and method of consolidation

All material entities that TiZir exclusively controls either directly or indirectly are fully consolidated. The list of consolidated companies is provided in Note 7. Material transactions between consolidated companies are eliminated on consolidation.

6.3 Foreign currency transactions and financial statements

Financial statements of subsidiaries are maintained in their functional currencies and converted to US dollars for consolidation of the Group results. The functional currency of each entity is determined after consideration of the primary economic environment of the entity.

Foreign currency transactions are translated at the applicable exchange rate at the time of the transaction. Foreign currency debts and receivables are measured at the closing rate under IAS 21 – The Effects of Changes in Foreign Exchange Rates. Translation adjustments resulting from this translation are recognised in income (Note 28), except those involving loans and borrowings between Group companies considered an integral part of the net investment in a foreign subsidiary. These are recognised directly in shareholders' equity under the "Translation adjustments" heading and linked to the foreign subsidiary.

The financial statements of foreign entities with functional currencies other than the US dollars are translated using the official exchange rates at the end of the period for balance sheet items, except for shareholders' equity, for which historical rates are applied. The items in the comprehensive income statement and the cash flow statement are translated at the average exchange rates for the period. Goodwill arising from an acquisition is considered part of the acquired entity and therefore denominated in its functional currency; it is then translated in the same way as the other balance sheet items. Translation adjustments stemming from currency fluctuations used to translate shareholders' equity and profit for the period are allocated to reserves. Translation adjustments are carried as a change to shareholders' equity and broken down between Group and non-controlling interests. Where a foreign subsidiary ceases to be consolidated, the cumulative amount of translation adjustments is recognised in the income statement under "Other financial income and expenses".

6.4 Presentation currency

As permitted by UK company law, the Group's financial statements are presented in US dollars, the currency in which its business is primarily conducted.

6.5 Business combinations

The Group recognizes business combinations using the purchase method. The assets, liabilities and contingent liabilities of an acquired company are measured at their fair value and valuation differences are charged to the relevant assets and liabilities, including the share of non-controlling interests. Any difference between the cost of the business combination and the share in the net fair value of the assets, liabilities and identifiable contingent liabilities is recognised as goodwill under balance sheet assets.

When the Group acquires assets and liabilities from non-controlling interests in a company already controlled, no additional fair value adjustment is recognized and the difference between the purchase price and carrying amount of the net assets acquired is recognized in equity.

6.6 Goodwill

The cost of a business combination recognised when taking an interest is allocated to the fair value of the assets, liabilities and identifiable contingent liabilities of the acquired entity. The residual, unassigned part is recognised as "Goodwill" under balance sheet assets. Any resulting goodwill is allocated to the relevant cash generating units (CGU). Goodwill is not amortised under IFRS 3 - Business combinations, but is instead subject to an impairment test to detect any impairment loss. Goodwill is impairment-tested at least once a year at the annual balance sheet date. These impairment losses are not reversible.

If the cost of the business combination is less than the share in the net fair value of the assets, liabilities and contingent liabilities, the identification and measurement of the items acquired are reassessed and any remaining surplus is recognised directly in income for the period under "Other operating income and expenses".

6.7 "Current" and "non-current" assets and liabilities

"Current" refers to assets and liabilities that are part of the operating cycle, regardless of their maturity, and other assets and liabilities with a maturity of less than one year from their balance sheet entry date. "Non-current" assets and liabilities comprise other assets and liabilities, namely those with maturities of over one year that are not part of the operating cycle.

6.8 Intangible assets

Intangible assets are measured at acquisition cost and amortised on a straight-line basis or on the basis of work units in current operating profit/(loss).

Computer software is amortised over a variable period not exceeding five years.

Intangible assets are allocated to cash generating units (CGUs). When the net carrying amount of an intangible asset exceeds its recoverable amount, an impairment loss is recognised.

6.9 Mine development expenditure

Development expenditure is recognised at cost less accumulated amortisation and any impairment losses. Where commercial production in an area of interest has commenced, the associated costs are amortised over the estimated economic life of the mine on a units of production basis.

6.10 Property, plant, and equipment

Items of property, plant and equipment are recognised in the balance sheet at acquisition or production cost (Note 4). Items of property, plant and equipment are depreciated on a straight-line basis over the estimated lifespan or useful life, based on the components of the asset, in current operating profit (loss). For reference:

Buildings	10 – 50 years
Industrial and mining facilities	5 – 50 years
Other intangible assets	2 – 10 years

Land is not depreciated.

Capital grants are recognised as deductions from the gross amounts of the items of property, plant and equipment in question. Spare parts deemed to be items of property, plant and equipment are capitalised and depreciated on the basis of their actual use. Tooling specifically manufactured for certain customers is recognised as an item of property, plant and equipment and depreciated over its likely useful life. Major repairs are deemed to be components of items of property, plant and equipment.

The costs of borrowing that is directly attributable to the acquisition or production of an asset are incorporated in the asset's cost where they are significant.

A provision is recognised upon starting up operations for the restoration of mining sites, with counterpart recognition of a component of an item of property, plant and equipment depreciated on a straight-line basis during the operation of the mine.

Mine stripping costs are capitalised under property, plant and equipment and depreciated on the basis of mined tonnage.

Leases transferring the risks and benefits inherent in ownership (finance leases) are recognised as items of property, plant and equipment, offset by a debt. These are amortised over their expected useful life on the same basis as the items of property, plant and equipment held or, if shorter, the term of the corresponding lease. Similarly, other agreements, and primarily sub-contracting, involving the use of a specific asset and the right to use it, are reclassified where necessary as leases, pursuant to IFRIC 4 – Determining Whether an Arrangement Contains a Lease, and in accordance with IAS 17 – Leases.

All items of property, plant and equipment were allocated to cash generating units (CGUs). Where the carrying amount of an item of property, plant and equipment exceeds its recoverable amount, an impairment loss is recognised.

6.11 Borrowing costs

Borrowing costs consist of interest on long-term debt and other costs that the Group incurs in connection with the borrowing of funds. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset and are deducted from the financing expense to which they relate. All other borrowing costs are expensed in the period they occur.

The Group began the capitalization of borrowing costs to qualifying assets on 31 December 2012.

6.12 Impairment of assets

Impairment tests are performed regularly and systematically at least once a year at the annual balance sheet date for goodwill and intangible assets with indefinite lives, and where there are indications of impairment. For intangible assets and items of property, plant and equipment with finite lives, impairment tests are carried out where there are indications of impairment.

The impairment test consists of comparing the carrying amount of the assets with their recoverable amount. Impairment losses are calculated as the difference between the recoverable and carrying amounts and recognised in "Other operating income and expenses". The recoverable amount is defined as the greater of the fair value less selling costs and the value in use. The fair value is the resale value determined, as appropriate, by reference to similar recent transactions or to appraisals carried out by independent appraisers with a view to disposal.

In order to determine the value in use, the Group uses the method of discounted future cash flows generated from their use or their disposal. The data used to calculate the discounted forecast cash flows is taken from the annual budgets and multiyear plans prepared by management at the business segments in question. These plans are created on the basis of 5-year projections plus a terminal value corresponding to the capitalisation to infinity of the cash flows deriving essentially from the last year of the plan.

Impairment tests are performed at the level of the cash generating units (CGUs). All intangible assets, including goodwill, and all items of property, plant and equipment are allocated to CGUs. Cash generating units are (CGUs) are homogeneous groups of assets whose continuous use generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The TiZir group has determined its cash-generating units (CGUs) by reference to the various production sites of its three major business lines: mineral sands and titan & iron.

No impairment losses were recognised during the year ended 31 December 2012.

6.13 Inventories

Inventories are measured using the weighted average cost or FIFO (first in, first out) method.

Inventories and work in progress are assessed at cost price and only include production costs, while not exceeding the realisable value. Costs stemming from sub-normal capacity usage are eliminated from inventory measurement at the end of the period.

The impairment of spare parts that do not qualify for capitalisation is calculated on the basis of their use during the year. Spare parts inventory in excess of one year's use is fully impaired.

Fixed production costs relating to recognised or planned sub-normal capacity usage are not incorporated in inventory measurement, and are recognised as ordinary operating expenses for the period in which they are incurred. Capacity usage is established as sub-normal when the actual production volume is below 10% of normal production volume (or normal capacity).

6.14 Loans and receivables

Receivables and debts are measured upon initial recognition at fair value plus any transaction expenses and are subsequently re-measured at each balance sheet date at amortised cost using the effective interest rate method. The effective interest rate is the rate that precisely discounts the expected future cash movements. Foreign currency receivables and debts are re-measured at the rate prevailing at the period-end date. Resultant translation adjustments are recognised in the income statement as exchange differences under current operating profit/(loss) or net borrowing cost, depending on the type of receivable or debt.

Trade receivables do not incur any interest, are short term in nature and are measured at their nominal value net of appropriate allowance for estimated irrecoverable amounts. Such allowances are raised based on an assessment of debtor ageing, past experience or known customer circumstances. This allowance, offset in income under "current operating profit/(loss)", reduces the nominal amount.

Receivables disposed of under a securitisation contract are derecognised in accordance with IAS 39 – "Financial instruments: recognition and measurement" where the Group has transferred the contractual rights to receive the future cash flows and substantially all the risks and benefits inhering in these assets are transferred. Where the risks are retained without prejudicing derecognition of the assets, they remain recognised in the balance sheet under other operating receivables together with the related security deposits.

Transfers with recourse against the transferor in the event of the debtor defaulting on payment preclude derecognition of receivables transferred and these assets are therefore retained in the balance sheet.

6.15 Other non-current financial assets

These assets primarily comprise securities that do not meet the criteria for cash equivalents defined in IAS 7. These securities are measured at fair value on their first recognition. The fair value used is the stock-market value for listed securities, and for unlisted securities, is based on estimates using specific financial criteria reflecting the particular situation of each stock (similar transactions or discounted value of future cash flows). Changes in the fair value of these a investments are recognised in recyclable [transferable] shareholders' equity under "Change in fair value of held-for-sale financial assets". Where those assets exhibit objective evidence of significant or lasting impairment, the cumulative impairment loss, previously recognised in equity, is recognised in income for the period under "other financial income and expenses".

6.16 Cash and cash equivalents

Cash includes cash in hand and demand deposits, excluding bank overdrafts, which appear under financial liabilities. Cash equivalents correspond to marketable securities and consist of investments held to meet short-term cash requirements and are not considered as held to maturity.

Marketable securities of under three months' maturity are recognised in the balance sheet at their fair value in accordance with IAS 39 – Financial Instruments. To be considered a cash equivalent, they must be readily convertible to cash and subject to negligible risk of fluctuation in value. Fair value changes are recognised in income under net borrowing cost.

6.17 Deferred tax

The amount of tax actually owed at the balance sheet date is adjusted for deferred tax, which is calculated using the liability method with regard to temporary differences between carrying amounts and tax amounts, as well as with regard to consolidation restatements. Deferred tax assets, including those related to carried-forward losses, which are determined by fiscal entity, are recognised whenever it can be shown that they are likely to be realised. Deferred tax is not discounted.

To assess the likelihood that these assets will be realised, the Group reviews the following information:

- future forecast profitability;
- extraordinary losses not expected to recur in the future;
- past taxable profits; and
- tax strategies.

Deferred tax assets and liabilities are recognised as assets and liabilities in the statement of financial position and are deemed to be non-current (Note 17).

In the consolidated balance sheet, deferred tax assets and liabilities are offset individually within each tax entity, namely individually within the legal entity or tax consolidation group (Note 17).

Deferred tax liabilities on investments in subsidiaries, associates and joint ventures are only recognised where the Group can determine the timetable for the reversal of the related temporary differences. Provisions are recognised for non-recoverable levies on dividends planned in respect of the previous financial year.

6.18 Revenue

Revenue mainly comprises the following:

- Sales, including the sale of merchandise, goods and services generated in the course of the Group's main business activities. This is a component of "current operating profit(loss)" (Note 21).
- Other income includes other revenue assigned to current operating profit/(loss) (Note 21) such as translation adjustments on sales, capitalised production, lease income, operating subsidies and insurance premiums received.
- Interest income recognised in the income statement under "Net borrowing costs".
- Dividends included in income for the period under "Other financial income and expenses".

The revenue recognition criteria by category are as follows:

- Sales and other income: income is recognised as revenue once the company has transferred the main risks and benefits inherent in ownership of the goods to the buyer. Sales are measured at the fair value of the consideration received or receivable. In the event of a deferred payment having a material impact on the calculation of the fair value, future payments are discounted accordingly.
- Interest: income is recognised for the amount of accrued interest.
- Dividends: income from investments in associates is recognised whenever the Group is entitled to receive payment as a shareholder.

6.19 Current operating profit/ (loss) and other operating income and expenses

The Group specifically uses EBITDA and current operating profit/(loss) as performance indicators. EBITDA includes the gross profit (difference between sales and the cost of sales), administrative and selling expenses and research and development expenditure before depreciation, amortisation and provisions, which are presented separately. Current operating profit/ (loss) includes EBITDA, depreciation, amortisation and provisions; it consists in particular of the cost of employee-related liabilities including the financial component, the cost of employee profit-sharing and translation adjustments between the rates upon recognition and those at the balance sheet date (trade receivables and payables). Other operating income and expenses only include very limited, unusual, abnormal and infrequent income and expenses for particularly material amounts that the Group presents separately in its income statement in order to facilitate understanding of current operating performance. This item primarily consists of:

- Restructuring costs;
- costs incurred for development projects whose profitability has yet to be demonstrated,
- capital gains/losses or impairment losses on assets;
- impairment losses on goodwill, intangible assets and property, plant and equipment.

6.20 Income from financing activities

Net financial income consists of the following items:

- Net borrowing costs, these being income statement items relating to balance sheet components of net borrowing, namely, financial liabilities and cash and cash equivalents; and
- Other financial income and expenses, such as dividends, provisions for securities, accretion expenses and gains / losses on instruments that are non-eligible as hedges under IAS 39.

6.21 Earnings per share

Basic earnings per share are obtained by dividing the Group profit/(loss) for the period by the average number of shares outstanding during the period. This average number of shares outstanding excludes treasury shares.

Diluted earnings per share are obtained by adjusting Group profit/(loss) for the period and the number of shares for potentially dilutive effects, mainly represented by employee subscription and purchase option plans (stock options).

6.22 Risks

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 (Note 20). 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.

6.23 Standards in issue but not yet effective

The following accounting standards and interpretations are in issue but have not yet been adopted by the Company:

- IFRS 9 Financial Instruments (effective 1 January 2015)*
- IFRS 10 Consolidated Financial Statements (effective 1 January 2014)*
- IFRS 11 Joint Arrangements (effective 1 January 2014)*
- IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2014)*
- IFRS13 Fair Value Measurement (effective 1 January 2013)*
- IAS 19 Employee Benefits (revised June 2011) (effective 1 January 2013)*
- IAS 27 (Revised), Separate Financial Statements (effective 1 January 2013)*
- IAS 28 (Revised), Investments in Associates and Joint Ventures (effective 1 January 2013)*
- Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7 (effective 1 January 2013)*
- Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32 (effective 1 January 2014)*
- Mandatory Effective Date and Transition Disclosures - Amendments to IFRS 9 and IFRS 7 (effective 1 January 2015)*

* not yet adopted by the EU

The application of the revised IAS19 will subject the Company’s accounts to more volatility from the full recognition of actuarial gains and losses. None of the other standards listed above is expected to have a significant impact on the values presented in the Company’s financial statements.

7. CONSOLIDATION SCOPE

At 31 December 2012, the consolidation scope included the following subsidiaries of the TiZir Limited:.

	Country of incorporation and operation	Method of Consolidation	Proportion of ownership interest and voting power held	
			31 Dec 2012	31 Dec 2011
TiZir Limited	United Kingdom	Consolidation	-	-
Subsidiaries of TiZir Limited:				
- TiZir Titanium & Iron A/S	Norway	Fully Consolidated	100	100
- TiZir Mauritius Limited	Mauritius	Fully Consolidated	100	100
Subsidiaries of TiZir Mauritius Limited:				
- Grande Côte Operations SA	Senegal	Fully Consolidated	90	90

All companies within the scope of consolidation share the same financial year end of 31 December.

The Company has pledged its 100% interest in TiZir Titanium & Iron AS as security over the US$150.0 million bond issued by the Company on 29 September 2011. See Note 18 for further details.

8. GOODWILL

	31 Dec 2012 US$'000	31 Dec 2011 US$'000	
		Restated	Reported
By category			
TiZir Titanium & Iron A/S	-	-	50,627
TiZir Mauritius Limited	-	-	98,389
Total	**-**	**-**	**149,016**
Changes over the period			
At beginning of the period	-	-	-
Business combinations	-	-	149,016
At end of the period	**-**	**-**	**149,016**

During 2012, TiZir Limited completed the purchase price allocation of assets and liabilities acquired during the establishment of the joint venture in accordance with IFRS 3 Business Combinations. As such, the provisional amount attributed to goodwill of US$149.0 million has been reallocated as follows:

	US$'000
Asset or liability allocation	
Mineral rights	109,321
Identifiable intangible assets	61,000
Property, plant and equipment	9,315
Deferred tax liabilities	(19,688)
Non-controlling interests	(10,932)
Total goodwill allocated	**149,016**

The comparative period amounts in the financial statements have been restated to illustrate the impact of the purchase price allocation process.

9. INTANGIBLE ASSETS

	Gross Value US$'000	Amortisation US$'000	Net value 31 Dec 2012 US$'000	Net value 31 Dec 2011 US$'000	
				Restated	Reported
By category					
Mine development expenditure	51,590	-	51,590	51,590	51,590
Capitalised mining convention costs	111,832	-	11,832	11,832	2,511
Other intangible assets	61,087	(22,884)	38,203	56,474	38
Total	**224,509**	**(22,884)**	**201,625**	**219,896**	**54,139**
Changes over the period					
At beginning of the period			219,896	-	-
Business combinations			-	224,426	54,105
Capital expenditure during the period			-	38	38
Amortisation expenses during the period			(18,272)	(4,568)	(4)
Translation adjustments			1	-	-
At end of the period			**201,625**	**219,896**	**54,139**

There were no impairment losses recognized in relation to intangible assets of the Group for the year ended 31 December 2012 (2011 – 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 capitalised costs.

Other intangible assets mainly comprise computer software that are being amortised over their useful economic lives of between 2.5 to 5 years.

During the year, the Company completed the purchase price allocation of the assets and liabilities acquired during its establishment in accordance with IFRS 3 Business Combinations. As such, amounts previously recognised as goodwill were allocated to identifiable intangible assets, property, plant & equipment acquired and related deferred tax liabilities. The amortisation of the identifiable intangible assets during the year amounted to US$18.3 million The comparable prior period amount was US$4.6 million.

10. PROPERTY, PLANT AND EQUIPMENT

	Gross Value US$'000	Depreciation US$'000	Net value 31 Dec 2012 US$'000	Net value 31 Dec 2011 US$'000	
				Restated	Reported
By category					
Land and buildings	38,536	(830)	37,706	35,933	35,933
Industrial and mining facilities	64,556	(22,508)	42,048	39,769	30,681
Other property, plant & equipment	29	(5)	24	131	131
Work in progress	351,523	(3,766)	347,757	71,394	71,394
Total	**454,644**	**(27,109)**	**427,535**	**147,227**	**138,139**
Changes over the period					
At beginning of the period			147,227	-	-
Business combinations			-	130,062	120,747
Capital expenditure during the period			291,546	20,614	20,614
Disposals during the period			(105)	-	-
Depreciation expenses during the period			(15,284)	(2,140)	(1,913)
Translation adjustments			4,151	(1,309)	(1,309)
At end of the period			**427,535**	**147,227**	**138,139**

There were no impairment losses recognized in relation to property, plant & equipment of the Group for the year ended 31 December 2012 (2011 - Nil).

Land and buildings include non-depreciating freehold land amounting to US$15.5 million (2011 – US$15.5 million).

Capital expenditure during the period includes US$3.5 million of interest expense incurred on borrowings funding the construction of qualifying assets which has been capitalized during the year.

During the year, the Company completed the purchase price allocation of the assets and liabilities acquired during its establishment in accordance with IFRS 3 Business Combinations. As such, amounts previously recognised as goodwill were allocated to identifiable intangible assets, property, plant & equipment acquired and related deferred tax liabilities. The depreciation of property, plant & equipment during the year amounted to US$0.9 million. The comparable prior period amount was US$0.2 million.

11. INVENTORIES

	31 Dec 2012 US$'000	31 Dec 2011 US$'000
By category		
Raw materials	12,072	8,507
Merchandise and finished products	26,489	17,552
Work in progress and semi-finished products	2,409	1,691
Consumables and spare parts	5,386	4,549
Total	**46,356**	**32,299**
Changes over the period		
At beginning of the period	32,299	-
Business combinations	-	30,484
Changes in working capital requirement	10,303	2,766
Translation adjustments and other movements	3,754	(951)
At end of the period	**46,356**	**32,299**

There was no inventory allowance for slow-moving inventory, excess of cost over net realizable value and obsolescence for the year (2011 – Nil).

12. TRADE AND OTHER RECEIVABLES

	31 Dec 2012 US$'000	31 Dec 2011 US$'000
By category		
Trade receivables	64,765	18,328
Payroll and tax receivables	1,786	1,398
Other operating receivables	4,712	536
Total	**71,263**	**20,262**
Represented in the statement of financial position as:		
- Current assets	71,009	20,015
- Non-current assets	254	247
Changes over the period		
At beginning of the period	20,262	-
Business combinations	-	93,016
Changes in working capital requirement	47,546	(72,383)
Translation adjustments	3,455	(371)
At end of the period	**71,263**	**20,262**

There was no allowance for doubtful debts made during the year (2011 – Nil).

13. CASH & CASH EQUIVALENTS

	31 Dec 2012 US$'000	31 Dec 2011 US$'000
By category		
Cash	**128,293**	**105,334**

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.

14. SHAREHOLDER'S EQUITY

The share capital is comprised of 303,000 ordinary shares broken down between Eralloys Holding A/S (formerly Eramet Titan A/S) as 50% and MDL (Mining) Limited as 50%.

During the year the company issued 53 000 ordinary shares at a nominal of US$1 for a consideration of US$100.0 million.

	31 Dec 2012 US$'000	31 Dec 2011 US$'000
Share capital	303	250
Share premium	571,438	471,491
	571,741	**471,741**

	Number of shares '000	Share Capital US$'000	Share Premium US$'000
Movement in fully paid ordinary shares			
Balance at 1 October 2011	250	250	471,491
Balance at 31 December 2011	**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**

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 right over the Company's equity during the year ended 31 December 2012.

15. ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

	% of non-controlling interests	31 Dec 2012		31 Dec 2011 Net value US$'000	
		Profit/(loss) US$'000	Total US$'000	Restated	Reported
Grande Côte Operations SA	10	(585)	7,299	7,829	(3,103)
Total		**(585)**	**7,299**	**7,829**	**(3,103)**

	31 Dec 2012	31 Dec 2011 Restated	31 Dec 2011 Reported
Changes over the period			
At beginning of the period	7,829	-	-
Business combinations	-	7,846	(3,086)
Profit/(loss) for the period	(585)	(17)	(17)
Translation adjustments	55	-	-
At end of the period	**7,299**	**7,829**	**(3,103)**

16. EMPLOYEE-RELATED LIABILITIES

TiZir Titan & Iron A/S offers their employees various long-term benefits in accordance with the rules and practices in force in the countries where they operate. An actuarial appraisal of the liabilities of Group companies was carried out using a standard actuarial framework (assumptions and methods) defined by the Group in accordance with the principles set out in IAS 19 – Employee Benefits. 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).

The outcome of appraisals is as follows:

	31 Dec 2012			31 Dec 2011		
	Actuarial value of liabilities US$'000	Fair value of assets US$'000	Financial position (surplus)/deficit US$'000	Actuarial value of liabilities US$'000	Fair value of assets US$'000	Financial position (surplus)/deficit US$'000
By category						
Pension plans	4,887	5,511	(624)	6,137	5,468	669
Total	**4,887**	**5,511**	**(624)**	**6,137**	**5,468**	**669**

	31 Dec 2012			31 Dec 2011		
	Unrecognised actuarial gains/(losses) US$'000	Unrecognised past service US$'000	Balance sheet provisions (assets)/ liabilities US$'000	Unrecognised actuarial gains/(losses) US$'000	Unrecognised past service US$'000	Balance sheet provisions (assets)/ liabilities US$'000
By category						
Pension plans	(772)	-	148	(329)	-	340
Total	**(772)**	**-**	**148**	**(329)**	**-**	**340**
Represented within the statement of financial position as:						
- Non-current liabilities			**148**			**340**

The following actuarial assumptions are used for measurements of values:

	Norway	
	31 Dec 2012 %	31 Dec 2011 %
Discount rate	4.0	2.4
Inflation rate	2.1	2.5
Salary increase rate	n/a	4.5
Return on plan financial assets	4.0	4.8

The pension funds are invested as follows:

	31 Dec 2012		31 Dec 2011	
	Amount US$'000	Percentage of total fund	Amount US$'000	Percentage of total fund
By category				
Equities	882	16.0	1,143	20.9
Bonds	3,086	56.0	3,204	58.6
Other investments	1,543	28.0	1,121	20.5
Total	**5,511**		**5,468**	

Changes over the period

	31 Dec 2012 US$'000	31 Dec 2011 US$'000
At beginning of the period	340	-
Expenses recognized:		
- service cost	26	-
- net interest expense	132	163
- return on plan assets	(260)	(167)
- amortization of actuarial gains/losses	32	(3)
Contributions paid	(140)	(129)
Translation adjustments and other movements	18	(2)
Total	**148**	**340**

17. DEFERRED TAX

The significant components of the Group's deferred tax assets and liabilities were as follows as at:

	31 Dec 2012 US$'000	31 Dec 2011 US$'000 Restated	31 Dec 2011 US$'000 Reported
Difference between tax and consolidated amounts of non-current assets	18,085	22,968	4,623
Other temporary differences	1,197	315	315
Hedging instruments	977	380	380
Deferred tax liabilities	**20,259**	**23,663**	**5,317**
Difference between tax and consolidated amounts of non-current assets	335	934	934
Other temporary differences	203	287	287
Deferred tax assets	**538**	**1,221**	**1,221**
Net deferred tax liabilities	**19,721**	**22,442**	**4,096**

Changes over the period:

	Liabilities US'000	Assets US$'000	31 Dec 2012 US$'000	31 Dec 2011 US$'000 Restated	31 Dec 2011 US$'000 Reported
At beginning of period	-	-	22,442	-	-
Business combinations	-	-	-	24,437	4,749
Deferred tax offset in shareholders' equity	(432)	-	(432)	89	89
Deferred tax on profit for the year/period	(2,391)	(102)	(2,289)	(1,846)	(504)
Translation adjustments	-	-	-	(238)	(238)
Total	**(2,823)**	**(102)**	**19,721**	**22,442**	**4,096**

Net deferred tax after offsetting by tax entity:	31 Dec 2012 US$'000	31 Dec 2011 US$'000 Restated	31 Dec 2011 US$'000 Reported
Deferred tax assets	(538)	(1,221)	(1,221)
Deferred tax liabilities	20,259	23,663	5,317
Net deferred tax liability	**19,721**	**22,442**	**4,096**

18. BORROWINGS

	31 Dec 2012 US$'000	31 Dec 2011 US$'000
Current		
Bonds	2,812	-
Bank overdrafts and creditor banks	8,323	31
	11,135	**31**
Non-current		
Bonds	**147,375**	**-**

On 29 September 2012, the Company issued a bond with a face value of US$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. Interest accrued on the bond to 31 December 2012 amounted to US$3.5 million and has been capitalised within property, plant and equipment. The bond is secured by the Company's 100% interest in TiZir Titanium & Iron AS.

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

	31 Dec 2012 US$'000	31 Dec 2011 US$'000
By maturity		
Less than one year	11,135	31
One to five years	147,375	-
	158,510	**31**
By interest rate		
Fixed interest rates		
- 5.0% to 10.0%	150,187	-
	150,187	**-**
Variable interest rate		
- Under 5.0%	8,323	31
	8,323	**31**

19. TRADE AND OTHER PAYABLES

	31 Dec 2012 US$'000	31 Dec 2011 US$'000
By category		
Trade payables	21,584	18,047
Tax and payroll liabilities	6,424	4,065
Other operating liabilities	7,934	1,666
	35,942	**23,778**
Changes over the period		
At beginning of the period	23,778	-
Business combinations	-	17,131
Changes in working capital requirement	13,935	7,386
Translation adjustments	(1,771)	(739)
At end of the period	**35,942**	**23,778**

20. DERIVATIVES FINANCIAL

	31 Dec 2012 US$'000	31 Dec 2011 US$'000
By category		
Financial instrument assets (2)	675	241
Financial instruments – currency hedges	2,815	1,117
	3,490	**1,358**
Changes over the period		
At beginning of the period	1,358	-
Business combinations	-	2,231
Changes in hedging instruments for the period – shareholders' equity (1)	1,543	(319)
Changes in financial instrument assets (2)	398	(117)
Translation adjustments	191	(437)
At end of the period	**3,490**	**1,358**

(1) The impact corresponds to the change in fair value of the new interest-rate instruments hedging future flows and the interest-rate instruments hedging future flows that were contracted during the financial year and were still outstanding at the year-end.

(2) The impact on financial income corresponds to the fair value of interest-rate instruments ineligible as hedges.

21. SALES AND OTHER INCOME

	12 months ended 31 Dec 2012 US$'000	3 months ended 31 Dec 2011 US$'000
Sales		
Sale of goods	**231,127**	**41,350**
Other income		
Exchange differences on sales	1,586	878
Other operating income	452	16
Total	**2,038**	**894**

22. 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 year ended 31 December 2012 as the Grande Côte Mineral Sands Project continues its construction phase. Production from the project is expected to commence in late 2013.

Revenues and profit by segment

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

	Segment Revenue		Segment Profit	
	12 months ended 31 Dec 2012 US$'000	3 months ended 31 Dec 2011 US$'000	12 months ended 31 Dec 2012 US$'000	3 months ended 31 Dec 2011 US$'000
Upgraded ilmenite products	231,127	41,350	71,591	5,564
Extracted mineral sands products	-	-	(7,176)	(336)
Total	**231,127**	**41,350**	**64,415**	**5,228**
Administration costs			(1,565)	(1,394)
Other finance expenses			(629)	(292)
Amortisation of non-current assets recognized on acquisition			(19,167)	(4,791)
Income tax on amortization of non-current assets recognized on acquisition			5,366	1,342
Total			**48,420**	**93**

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 6.

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2011 – Nil).

Segment profit represent 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. This 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

	31 Dec 2012 US$'000	31 Dec 2011 US$'000
Segment assets		
Upgraded ilmenite products	177,500	122,137
Extracted mineral sands products	430,204	158,041
Total segment assets	**607,704**	**280,178**
Unallocated	271,004	246,322
Total consolidated assets	**878,708**	**526,500**
Segment liabilities		
Upgraded ilmenite products	62,463	27,780
Extracted mineral sands products	15,117	3,339
Total segment liabilities	**77,580**	**31,119**
Unallocated	163,805	18,584
Total consolidated liabilities	**241,385**	**49,703**

Other segment information

	Depreciation & amortization		Additions to non-current assets(1)	
	12 months ended 31 Dec 2012 US$'000	3 months ended 31 Dec 2011 US$'000	12 months ended 31 Dec 2012 US$'000	3 months ended 31 Dec 2011 US$'000
Upgraded ilmenite products	10,234	1,757	11,398	1,580
Extracted mineral sands products	4,155	160	274,817	18,988
Unallocated	19,167	4,791	353	84
Total	**33,556**	**6,708**	**286,568**	**20,652**

(1) Additions to non-current assets is segmented on a cash basis and is reconciled to the consolidated cash flow statement.

There were no impairment losses recognized during the year ended 31 December 2012 (2011 – Nil).

Geographical information

The Group operates in four principal geographical areas – Norway, Senegal, Mauritius and United Kingdom.

The Group's revenue from external customers by operational location and information about its non-current assets by location is included below:

	Revenue from external customers		Non-current assets(1)	
	12 months ended 31 Dec 2012 US$'000	3 months ended 31 Dec 2011 US$'000	12 months ended 31 Dec 2012 US$'000	3 months ended 31 Dec 2011 US$'000
Norway	231,127	41,350	56,085	51,062
Senegal	-	-	413,554	141,209
Mauritius	-	-	254	247
United Kingdom	-	-	159,667	174,976
Total	**231,127**	**41,350**	**629,560**	**367,494**

(1) Non-current assets by location does not include any intercompany loan receivables between Group companies.

Information about major customers

Included in sales arising from upgrade ilmenite products of US$231.1 million are revenues of approximately US$171.2 million (2011 – US$25.0 million) which arose from sales the Group's four largest customers. Each individual customer accounted for more than 10% of total sales. There were no other individual customers which contributed 10% or more to the Group's revenue for 2012 and 2011.

23. SALES BY GEOGRAPHICAL LOCATION

	12 months ended 31 Dec 2012 US$'000	3 months ended 31 Dec 2011 US$'000
Eurozone	159,779	29,914
Other European countries	3,912	3,818
South America	63,145	7,618
China	4,291	-
Total	**231,127**	**41,350**

24. EMPLOYMENT COSTS

	12 months ended 31 Dec 2012 US$'000	3 months ended 31 Dec 2011 US$'000
Wages and salaries	16,007	5,757

The average number of employees during the year was 619 (2011 – 287), including the project team in Senegal. The average number of employees related to the employment costs reported in this section is 171. These employees relate to the operations in Norway, United Kingdom and Mauritius. The employment costs related to the project team in Senegal are being capitalized as part of the construction of the Grande Côte Mineral Sands Project and are a component of property, plant & equipment.

25. AUDIT REMUNERATION

The consolidated audit remuneration for the period was US$535,000 (2011 – US$220,000)

26. DEPRECIATION, AMORTIZATION OF NON-CURRENT ASSETS

	12 months ended 31 Dec 2012 US$'000	3 months ended 31 Dec 2011 US$'000	
		Restated	Reported
Intangible assets	(18,272)	(4,568)	(4)
Property, plant & equipment	(15,284)	(2,140)	(1,913)
Total	**(33,556)**	**(6,708)**	**(1,917)**

27. OPERATING ALLOWANCES FOR LOSSES

	12 months ended 31 Dec 2012 US$'000	3 months ended 31 Dec 2011 US$'000
Pension and related liabilities	**209**	**137**

28. OTHER OPERATING INCOME AND EXPENSE

	12 months ended 31 Dec 2012 US$'000	3 months ended 31 Dec 2011 US$'000
Gains/(losses) on asset disposals	(105)	-
Other items	(49)	15
Total	**(154)**	**15**

29. NET BORROWING COST AND OTHER FINANCIAL ITEMS

	12 months ended 31 Dec 2012 US$'000	3 months ended 31 Dec 2011 US$'000
Net borrowing costs		
Interest income	9	6
Interest expense	(115)	(26)
Total	**(106)**	**(20)**

Borrowing costs capitalized to PP&E totalled US$3.5 million for the year ended 31 December 2012. Capitalized borrowing costs are deducted from the related interest expense (see Note 10).

	12 months ended 31 Dec 2012 US$'000	3 months ended 31 Dec 2011 US$'000
Other financial income and expenses		
Net translation adjustments	(4,666)	(409)
Other	17	2
Total	**(4,649)**	**(407)**

30. INCOME TAX

	12 months ended 31 Dec 2012 US$'000	3 months ended 31 Dec 2011 US$'000	
		Restated	Reported
Current tax expense	(26,070)	(2,687)	(2,687)
Deferred tax expense	3,566	1,846	504
Total	**(22,504)**	**(841)**	**(2,183)**

The reconciliation of income taxes, computed at the United Kingdom statutory rates, to income tax expense was as follows for the years ended:

	12 months ended 31 Dec 2012 US$'000	3 months ended 31 Dec 2011 US$'000	
		Restated	Reported
Operating profit	75,679	1,361	6,152
Net borrowing costs	(106)	(20)	(20)
Other financial income and expenses	(4,649)	(407)	(265)
Pre-tax profit for the period of the consolidated entity	**70,924**	**934**	**5,725**
Standard tax rate in United Kingdom	26.5%	26.5%	26.5%
Theoretical tax expense	**(18,795)**	**(248)**	**(1,517)**
Impact on theoretical tax of:			
- permanent differences between accounting and taxable profit	(2,503)	(130)	(130)
- standard tax differences in foreign countries	(1,206)	(11)	(84)
- miscellaneous items	-	(452)	(452)
Annual tax charge	**(22,504)**	**(841)**	**(21,983)**
Effective tax rate	**31.7%**	**90.0%**	**38.1%**

Income tax on the other components of comprehensive income

	12 months ended 31 Dec 2012 US$'000	3 months ended 31 Dec 2011 US$'000
Change in financial revaluation reserve for hedging financial instruments	**(432)**	**89**

The above reconciling items are disclosed at the tax rates that apply in the country where they have arisen.

31. EARNINGS PER SHARE

	12 months ended 31 Dec 2012 US$'000	3 months ended 31 Dec 2011 US$'000	
		Restated	Reported
Basic earnings per share	**189.33**	**0.44**	**14.24**
Diluted earnings per share	**189.33**	**0.44**	**14.24**

The earnings and weighted average number of ordinary share used in the calculation of basic and diluted earnings per share are as follows:

	12 months ended 31 Dec 2012 US$'000	3 months ended 31 Dec 2011 US$'000	
		Restated	Reported
Profit for the year attributable to owners of the company	49,005	110	3,559
Earnings used in the calculation of basic and diluted earnings per share	**49,005**	**110**	**3,559**
Weighted average number of ordinary share for the purpose of basic and diluted EPS ('000)	**259**	**250**	**250**

There were no outstanding share options as at 31 December 2012.

32. COMMITMENTS FOR EXPENDITURE

	31 Dec 2012 US$'000	31 Dec 2011 US$'000
Capital expenditure commitments		
Grande Côte Mineral Sands Project	142,674	65,411
Commitments not longer than 1 year	**142,674**	**65,411**

33. CONTINGENT ASSETS AND LIABILITIES

TiZir Titanium and Iron AS experienced operating disturbances / equipment breakdowns in both 2011 and 2012 where the company lost turnover / gross margin. The company filed insurance claims related to lost gross margin with reference to the company`s insurance coverage (business interruption insurance). In March 2013, the company has got indications from the insurance company about an insurance settlement of approx. 60 million NOK (Norwegian Krone).

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 per annum 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
- $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.

34. 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 has placed cash on deposit with a Eramet group entity , Metal Securities SA at a rate of 0.75% per annum. The deposit is liquid and able to be accessed at call. This balance is included in the Group's cash and cash equivalents. At 31 December 2012 the amount held on deposit with Metal Securities SA was US$100,819,437 (2011 – Nil).

The company earned $179,437 of interest on the above deposit for the year ended 31 December 2012 (2011 – Nil).

(2) As part of the agreement to establish the joint venture on 1 October 2011 with Eramet SA (the ultimate parent entity) agreed to provide a US$45.0 million subordinated loan facility before 30 June 2014.

At 31 December 2012, the Group had not drawn any funding from this facility (2011 – Nil).

Compensation of key management personnel

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

	31 Dec 2012 US$'000	31 Dec 2011 US$'000
Short-term benefits	963	113
Termination benefits	304	-
	1,267	**113**

35. COMPANY

The Company has not prepared its own profit and loss account as permitted by Section 408 of the Companies Act 2006. The loss for the year was US$5,772k (2011 – US$51,686k).

36. EVENTS AFTER THE BALANCE SHEET DATE

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

37. ULTIMATE CONTROLLING PARTY

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