Interim Condensed Consolidated Unaudited Financial Statements of TiZir Limited for the half-year ended 30 June 2014

Registered N°: 07727671

Directors

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

Secretary

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Registered office

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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 2014.

Directors

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

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

Principal activity

The principal activities of the Group for the half-year ended 30 June 2014 were focused on the mineral sands sector through the operation of the Grande Côte mine in Senegal and the Tyssedal ilmenite upgrading facility in Norway.

Operating results

The underlying net profit for the half-year ended 30 June 2014 was $3.6 million, compared to US$22.4 million in the previous corresponding period. The result reflects a lower contribution from Tyssedal, primarily due to lower titanium slag prices, and a negative contribution from Grande Côte as commissioning was completed and ramp-up of production activities began.

After inclusion of amortization of assets recognised on acquisition of $$1.2 million (after tax) (2013 – $6.9 million), the Company reported a net profit after tax of $2.4 million, compared to $15.5 million in 2013.

Financial position

As at 30 June 2014 the company had net assets of $685.4 million (31 December 2013 – $684.4 million), comprising:

- Cash of $74.0 million (31 December 2013 – $11.6 million);
- working capital (being the net of trade and other receivables, inventories and trade and other payables) of $38.8 million (31 December 2013 – $17.4 million)
- Property, plant and equipment (including commissioning and ramp-up associated expenditure at Grande Côte) of $812.7 million (31 December 2013 – $740.6 million);
- intangible assets (including mining rights and other identifiable intangible assets recognised on acquisition) of $182.8 million (31 December 2013 – $183.7 million)
- corporate bonds of $278.8 million (31 December 2013 – $150.6 million)
- a working capital facility of $1.9 million (31 December 2013 – $31.2 million)
- subordinated loans from the joint owners of $128.3 million (31 December 2013 – $55.4 million)
- current and deferred tax liabilities of $11.3 million (31 December 2013 - $27.9 million)
- other assets and liabilities netting to a liability of $2.6 million (31 December 2013 – net liability of $3.8 million)

Cash flow

Cash balances increased by $62.4 million during the half-year ended 30 June 2014, primarily a result of:

- cash used by operations of $13.2 million
- capital expenditure of $84.7 million
- interest paid to bondholders of $6.8 million
- subordinated loan contributions from the joint owners of $70.0 million
- net proceeds from a corporate bond TAP issue of $126.6 million
- Repayment of working capital facility of $29.3 million (net of other borrowing proceeds)
- net other movements of negative $0.2 million.

Review of operations

Tyssedal ilmenite upgrading facility, Norway

		1H 2014	1H 2013	Change
Titanium slag produced	(kt)	90.4	99.3	-9%
Titanium slag sold	(kt)	86.5	80.6	+7%
High purity pig iron produced	(kt)	50.9	55.7	-9%
High purity pig iron sold	(kt)	58.2	66.3	-12%
Revenue	(US$m)	77.8	96.2	-19%
Underlying EBITDA	(US$m)	11.3	28.0	-60%

Tyssedal's revenue of $77.8 million in 1H 2014 was 19% lower than 1H 2013, attributable to 28% lower prices for titanium slag (partly offset by higher titanium slag sales volumes) and 12% lower sales volumes of high purity pig iron (combined with marginally lower pricing). Underlying EBITDA of $11.3 million in 1H 2014 was 60% lower than 1H 2013, due to the lower revenue, partly offset by a slight reduction in costs.

Titanium slag production for the half year ended 30 June 2014 was 90.4kt, 9% lower than 2013 due to maintenance on the pre-reduction rotary kiln in March.

Grande Côte Operations, Senegal

Following construction completion in 1Q 2014, significant advancement in the ramp-up of mining operations at Grande Côte has been made since the effective commencement in early-May. Whilst it is expected to take up to 12 months to reach full production rates on a steady state basis, the progress achieved in the first few months of mining has been pleasing. Feed rates through the Wet Concentrator Plant ("WCP") will remain restricted during 3Q 2014 as tails are pumped through land-based lines off the mine path to enable the size of the dredge pond to be increased.

Processing through the Mineral Separation Plant ("MSP") commenced in June, with more than 30,000 tonnes of mined Heavy Mineral Concentrate ("HMC") being processed through the Wet Plant for the production of over 21,000 tonnes of magnetic concentrate and nearly 3,000 tonnes of non-magnetic concentrate. More than 12,000 tonnes of magnetic concentrate was also processed through the Ilmenite Circuit of the Dry Plant, with 11,463 tonnes of ilmenite produced. Following a further two week campaign in early July, the Ilmenite Circuit is now fully operational at nameplate throughput, producing both 54% TiO2 and 58% TiO2 ilmenite to specification. The first non-magnetic concentrate was processed through the Primary Circuit of the Dry Plant in mid-July, giving rise to the first production of zircon.

The first ilmenite shipment is expected in September, giving rise to the commencement of revenue from Grande Côte.

Corporate

On 23 May 2014, the Company completed a US$125 million tap issue of the existing US$150 million 9.00% senior secured callable bond due 2017. The bond was issued primarily to fund working capital during ramp-up of production activities at Grande Côte and a plant upgrade at Tyssedal in 2015. The bonds were issued at 102.9% of par value, representing a yield to maturity of approximately 8.0%. The total of corporate bonds issued by the Company is now $275 million, is secured by the Company's 100% interest in both TiZir Titanium & Iron AS and TiZir Mauritius Limited and matures on 28 September 2017.

Dividends

The Directors have not recommended the payment of an interim dividend for the half-year ended 30 June 2014 (2013 – 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.

Interest rate risk

The Company is part of a group pooling arrangement with other group companies whereby excess funds are lent to or deficits borrowed from other group companies. Rates of interest are set with reference to the market rates ruling in the lender's country. At 30 June 2014, the Company is exposed to changes in market interest rates through its lending to group companies, which are subject to the variable interest rates.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade or above. This information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by management on a regular basis.

Trade receivables consist of a large number of customers, spread across geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

Apart from a small number of large customers, the Group does not have significant credit risk exposure to a single counterparty. Concentration of credit risk related to these large customers did not exceed 20% of gross monetary assets at any time during the half-year. Concentration of credit risk to any other counterparty did not exceed 5% of gross monetary assets at any time during the half-year.

The maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors who have built an appropriate liquidity risk management framework for the management of the group's funding and liquidity management requirements. The group manages liquidity risk by maintaining sufficient cash balances.

Future developments

The priority for the second half of 2014 and in 2015 is the continued ramp-up in activities of Grande Côte in order to reach full operating capacity during the first half of 2015. The first shipment of ilmenite is expected in September.

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 18 August 2014 and signed on its behalf by

Rick Sharp
(sign)
Director

	Note	Half-year ended 30 Jun 2014 US$'000	30 Jun 2013 US$'000
Sales	5	**77,848**	**96,158**
Other income		3,060	15,025
Cost of products sold		(65,831)	(71,223)
Administrative and selling costs		(2,577)	(2,232)
EBITDA for the period		**12,500**	**37,728**
Amortization and depreciation of non-current assets		(7,932)	(6,946)
Amortization of assets recognized on acquisition		(1,360)	(9,583)
Operating profit for the period		**3,208**	**21,199**
Net borrowing costs		48	53
Other finance income and expenses		420	1,968
Income tax	6	(1,634)	(8,170)
Profit for the period	5	**2,042**	**15,050**
Add loss attributable to non-controlling interests		384	458
Profit for the period attributable to equity holders of the parent		**2,426**	**15,508**
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		(1,814)	(10,115)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		**(1,814)**	**(10,115)**
Items that will not to be reclassified to profit or loss in subsequent periods:			
Change in revaluation reserve for cash flow hedging instruments		1,106	(7,218)
Income tax in relation to revaluation of cash flow hedging instruments		(310)	2,021
Net other comprehensive loss that will not to be reclassified to profit or loss in subsequent periods:		**796**	**(5,197)**
Total other comprehensive loss for the period		(1,018)	(15,312)
Attributable to non-controlling interest		1	23
Other comprehensive loss for the period attributable to equity holders of the parent		**(1,017)**	**(15,289)**
Total comprehensive income/(loss) for the period			
Attributable to equity holders of the parent		1,024	(262)
Attributable to non-controlling interests		385	481
Total comprehensive income for the period attributable to equity holders of the parent		1,409	219
Earnings per share (US$)			
Basic earnings per share		7.37	49.39
Diluted earnings per share		7.37	49.39

Notes to the financial statements are included on pages 12 to 20.

	Half-year ended	
	30 Jun 2014 US$'000	**30 Jun 2013 US$'000**
Administrative and costs	(1,687)	(751)
EBITDA for the period	**(1,687)**	**(751)**
Amortization and depreciation of non-current assets	(62)	(61)
Operating loss for the period	**(1,749)**	**(812)**
Net borrowing costs	(11,196)	(6,623)
Other finance income and expenses	352	88,053
Income tax	-	-
(Loss)/Profit for the period	**(12,593)**	**80,618**

Notes to the financial statements are included on pages 12 to 20.

	Note	30 Jun 2014 US$'000	31 Dec 2013 US$'000
Assets			
Non-current assets			
Intangible assets	7	182,770	183,685
Property, plant and equipment	8	812,668	740,578
Other non-current financial assets		147	124
Other non-current assets	10	209	263
Total non-current assets		**995,794**	**924,650**
Current assets			
Inventories	9	49,355	46,877
Trade and other receivables	10	27,230	22,315
Cash and cash equivalents	11	73,970	11,552
Total non-current assets		**150,555**	**80,744**
Total assets		**1,146,349**	**1,005,394**
Shareholders' equity and liabilities			
Share capital	12	329	329
Share premium	12	621,412	621,412
Cash flow hedging instrument revaluation reserve		(1,854)	(2,650)
Foreign currency translation reserve		(6,943)	(5,130)
Actuarial gains and losses reserve		123	123
Retained earnings		66,456	64,030
Attributable to equity holders of the parent		**679,523**	**678,114**
Attributable to non-controlling interests		5,863	6,248
Total shareholders' equity		**685,386**	**684,362**
Liabilities			
Non-current liabilities			
Liabilities to employees		14	14
Deferred tax		8,932	9,427
Shareholder loans	13	128,298	55,420
Borrowings	14	273,247	179,160
Total non-current liabilities		**410,491**	**244,021**
Current liabilities			
Borrowings	14	7,520	2,755
Trade other payables	15	37,803	51,809
Current tax payables		2,352	18,454
Derivative financial liabilities		2,797	3,993
Total current liabilities		**50,472**	**77,011**
Total liabilities		**460,963**	**321,032**
Total shareholders' equity and liabilities		**1,146,349**	**1,005,394**

Notes to the financial statements are included on pages 12 to 20.

The financial statements were approved by the Board on 18 August 2014 and signed on its behalf by

Rick Sharp
(sign)
Director

Registration number 07727671

	Note	30 June 2014 US$'000	31 Dec 2013 US$'000
Assets			
Non-current assets			
Property, plant and equipment		303	365
Investments in subsidiaries		899,486	819,136
Loans to related parties		161,801	161,801
Total non-current assets		**1,061,590**	**981,302**
Current assets			
Other current assets		498	388
Cash and cash equivalents		73,555	6,359
Total non-current assets		**74,053**	**6,747**
Total assets		**1,135,643**	**988,049**
Shareholders' equity and liabilities			
Share capital		329	329
Share premium		621,412	621,412
Retained earnings		47,700	60,293
Total shareholders' equity		**669,441**	**682,034**
Liabilities			
Non-Current Liabilities			
Shareholder loans	13	128,298	55,420
Borrowings	14	273,247	147,919
Other non-current liabilities		56,369	97,664
Total non-current liabilities		**457,914**	**301,003**
Current liabilities			
Borrowings	14	5,549	2,755
Trade payables and other current liabilities		2,739	2,257
Total current liabilities		**8,288**	**5,012**
Total shareholders' equity and liabilities		**1,135,643**	**988,049**

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Rick Sharp
(sign)
Director

Registration number 07727671

	Note	Half-year ended 30 Jun 2014 US$'000	30 Jun 2013 US$'000
Operating activities			
Profit for the period		**2,042**	**15,050**
Elimination of non-cash and non-operating income and expenses:			
- Depreciation, amortization and provisions		9,293	16,730
- Deferred tax		(757)	(3,266)
- Borrowing costs capitalized on consolidation		-	(180)
- Foreign exchange (losses)/gains		(77)	1,398
Cash generated by operating activities		**10,501**	**29,732**
Decrease/(increase) in inventories		1,327	(223)
(Increase)/decrease in trade receivables		(5,329)	39,084
Decrease in trade payables		(2,204)	(411)
Change in other assets and liabilities		1,583	11,052
Interest received		-	(108)
Accrued interest		(536)	38
Tax paid		(18,527)	(3,443)
Net change in current operation assets and liabilities		**(23,686)**	**45,989**
Net cash (used in)/generated by operating activities		**(13,185)**	**75,721**
Cash flows from investing activities			
Payments for non-current assets		(84,729)	(189,283)
Payment of capitalized interest costs	13	(6,750)	(6,750)
Interest received		-	108
Net cash used in investing activities		**(91,479)**	**(195,925)**
Cash flows from financing activities			
Proceeds from issue of shares		-	50,000
Proceeds from borrowings		202,327	-
Payment of borrowing costs		(3,693)	(275)
Repayment of borrowings		(31,365)	(7,685)
Net change in current financial assets and liabilities		(25)	-
Net cash provided by financing activities		**167,244**	**42,040**
Net effect of cash held in foreign currency		(162)	(2,622)
Net increase/(decrease) in cash held		**62,418**	**(80,786)**
Opening cash and cash equivalents		**11,552**	**128,293**
Closing cash and cash equivalents	**11**	**73,970**	**47,507**

Notes to the financial statements are included on pages 12 to 20.

	Half-year ended 30 Jun 2014 US$'000	Half-year ended 30 Jun 2013 US$'000
Operating activities		
(Loss) /Profit for the period	**(12,593)**	**80,618**
Elimination of non-cash and non-operating income and expenses:		
- Depreciation, amortization and provisions	62	61
- Foreign exchange losses	(353)	37
- Dividend received from subsidiary, offset against intercompany payable	-	(88,558)
- Amortization of borrowing costs	374	384
Cash used in operating activities	**(12,510)**	**(7,458)**
Increase in trade receivables	(123)	(235)
Increase in trade payables	479	123
Change in other assets and liabilities	16	(57)
Interest received	-	(108)
Accrued interest	4,071	38
Net change in current operation assets and liabilities	**4,443**	**(239)**
Net cash used in operating activities	**(8,067)**	**(7,697)**
Cash flows from investing activities		
Interest received	-	108
Payments for non-current assets	-	(4)
Payments to subsidiaries	(121,350)	(122,694)
Net cash used in investing activities	**(121,350)**	**(122,590)**
Cash flows from financing activities		
Proceeds from issue of shares	-	50,000
Proceeds from borrowings	200,320	-
Payment of borrowing costs	(3,693)	(275)
Net cash provided by financing activities	**196,627**	**49,725**
Net effect of cash held in foreign currency	(14)	86
Net increase/(decrease) in cash held	**67,196**	**(80,476)**
Opening cash and cash equivalents	**6,359**	**111,261**
Closing cash and cash equivalents	**73,555**	**30,785**

Notes to the financial statements are included on pages 12 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 2013	**303,000**	**303**	**571,438**	**1,914**	**7,248**	**108**	**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	26,500	26	49,974	-	-	-	-	50,000	-	50,000
Total transactions with shareholders	26,500	26	49,974	-	-	-	-	50,000	-	50,000
Shareholders' equity at 30 June 2013	**329,500**	**329**	**621,412**	**(3,283)**	**(2,836)**	**100**	**64,553**	**680,275**	**6,818**	**687,093**
Shareholders' equity at 1 January 2014	**329,500**	**329**	**621,412**	**(2,650)**	**(5,130)**	**123**	**64,030**	**678,114**	**6,248**	**684,362**
Profit for the half-year ended 30 June 2014	-	-	-	-	-	-	2,426	2,426	(384)	2,042
Exchange differences on translation of foreign subsidiaries	-	-	-	-	(1,813)	-	-	(1,813)	(1)	(1,814)
Change in hedging instruments revaluation reserve	-	-	-	796	-	-	-	796	-	796
Other components of comprehensive income	-	-	-	796	(1,813)	-	-	(1,017)	(1)	(1,018)
Total comprehensive income	**-**	**-**	**-**	**796**	**(1,813)**	**-**	**2,426**	**1,409**	**(385)**	**1,024**
Total transactions with shareholders	-	-	-	-	-	-	-	-	-	-
Shareholders' equity at 30 June 2014	**329,500**	**329**	**621,412**	**(1,854)**	**(6,943)**	**123**	**66,456**	**679,523**	**5,863**	**685,386**

Notes to the financial statements are included on pages 12 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. 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 2014 were authorized for issue in accordance with a resolution of the directors on 18 August 2014.

2. STATEMENT OF COMPLIANCE

The interim condensed consolidated unaudited financial statements for the half-year ended 30 June 2014 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 2013.

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 2013, except for the adoption of new standards and interpretations effective as of 1 January 2014.

In the current year, the group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Boards ("IASB") that are relevant to its operations and effective for the current reporting period.

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the group's accounting policies and has no effect on the amounts reported for current or prior periods. The new and revised Standards and Interpretations have not had a material impact and not resulted in changes to the group's presentation of, or disclosure in, its half-year financial report.

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 2014 as Grande Côte Operations continues its commissioning and ramp-up phase.

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 2014 US$'000	**30 Jun 2013 US$'000**	**30 Jun 2014 US$'000**	**30 Jun 2013 US$'000**
Upgraded ilmenite products	77,848	96,158	4,921	27,876
Extracted mineral sands products	-	-	(806)	(5,243)
Total	**77,848**	**96,158**	**4,115**	**22,633**
Administration costs			(1,687)	(751)
Other finance expenses			860	129
Depreciation expenses			(62)	(61)
Amortization of non-current assets recognized on acquisition			(1,360)	(9,583)
Income tax on amortization of non-current assets recognized on acquisition			176	2,683
Profit for the period			**2,042**	**15,050**

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 (2013 – 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 2014 US$'000	31 Dec 2013 US$'000
Segment assets		
Upgraded ilmenite products	93,938	98,468
Extracted mineral sands products	813,251	745,354
Total segment assets	**907,189**	**843,822**
Unallocated	239,160	161,572
Total consolidated assets	**1,146,349**	**1,005,394**
Segment liabilities		
Upgraded ilmenite products	28,561	78,300
Extracted mineral sands products	15,594	27,229
Total segment liabilities	**44,155**	**105,529**
Unallocated	416,808	215,503
Total consolidated liabilities	**460,963**	**321,032**

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 2014 US$'000	30 Jun 2013 US$'000
Income tax expense		
Current income tax expense	(2,396)	(11,437)
Deferred income tax expense related to origination and reversal of deferred taxes	762	3,267
Total	**(1,634)**	**(8,170)**

7. INTANGIBLE ASSETS

	Gross Value US$'000	Amortization US$'000	Net value 30 Jun 2014 US$'000	Net value 31 Dec 2013 US$'000
By category				
Mine development expenditure	51,590	-	51,590	51,590
Capitalised mining convention costs	111,832	-	111,832	111,832
Other intangible assets	61,417	(42,069)	19,348	20,263
Total	**224,839**	**(42,069)**	**182,770**	**183,685**

Changes over the period		
At beginning of the period	183,685	201,625
Capital expenditure during the period	-	345
Amortization expenses during the period	(911)	(18,273)
Translation adjustments	(4)	(12)
At end of the period	**182,770**	**183,685**

There were no impairment losses recognized in relation to intangible assets of the Group for the half-year ended 30 June 2014 (2013 – Nil).

Mine development expenditure relates exclusively to Grande Côte.

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

Other intangible assets mainly comprise intangible assets recognised on acquisition (representing an ilmenite supply contract and electricity supply contract) and computer software that are being amortised over their useful economic lives of between 2.5 to 20 years.

8. PROPERTY, PLANT AND EQUIPMENT

	Gross Value US$'000	Depreciation US$'000	Net value 30 Jun 2014 US$'000	Net value 31 Dec 2013 US$'000
By category				
Land and buildings	36,260	(1,182)	35,078	36,168
Industrial and mining facilities	64,413	(38,573)	25,840	31,516
Other property, plant and equipment	34	(21)	13	19
Work in progress	764,355	(12,618)	751,737	672,875
Total	**865,062**	**(52,394)**	**812,668**	**740,578**

Changes over the period		
At beginning of the period	740,578	427,535
Capital expenditure during the period	81,051	332,637
Disposals during the period	(6)	-
Depreciation during the period	(8,381)	(15,252)
Translation adjustments	(574)	(4,342)
At end of the period	**812,668**	**740,578**

There were no impairment losses recognized in relation to property, plant and equipment of the Group for the half-year ended 30 June 2014 (2013 – Nil).

Land and buildings include non-depreciating freehold land amounting to $15.5 million (2013 – $15.5 million).

Capital expenditure during the period includes $11.7 million of interest expense incurred on borrowings funding the construction of qualifying assets which has been capitalized during the half-year.

9. INVENTORIES

	30 Jun 2014 US$'000	31 Dec 2013 US$'000
By category		
Raw materials	24,033	20,198
Merchandise and finished products	19,067	20,315
Work in progress and semi-finished products	1,579	1,461
Consumables and spare parts	4,676	4,903
Total	**49,355**	**46,877**

Changes over the period		
At beginning of the period	46,877	46,356
Changes in working capital requirement	2,927	4,029
Translation adjustments and other movements	(449)	(3,508)
At end of the period	**49,355**	**46,877**

There was no inventory allowance for slow-moving inventory, excess of cost over net realizable value and obsolescence for the half – year ended 30 June 2014 (30 June 2013 – Nil).

10. TRADE AND OTHER RECEIVABLES

	30 Jun 2014 US$'000	31 Dec 2013 US$'000
By category		
Trade receivables	22,377	16,345
Payroll and tax receivables	677	1,862
Prepayments	3,836	3,852
Other operating receivables	549	519
Total	**27,439**	**22,578**
Represented in the statement of financial position as:		
- Current assets	27,230	22,315
- Non-current assets	209	263
Changes over the period		
At beginning of the period	22,578	71,263
Changes in working capital requirement	5,192	(46,299)
Allowance for doubtful debts	-	(201)
Translation adjustments	(331)	(2,185)
At end of the period	**27,439**	**22,578**

During the six months ended 30 June 2014, the Company did not recognize an allowance for impairment of trade receivables (30 June 2013 – $201,157).

11. CASH AND CASH EQUIVALENTS

	30 Jun 2014 US$'000	31 Dec 2013 US$'000
By category		
Cash	**73,970**	**11,552**

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.

In addition to the above stated figures the Group was only utilising $2.0 million of a $50.0 million working capital facility.

12. SHAREHOLDER'S EQUITY

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

	30 Jun 2014 US$'000	31 Dec 2013 US$'000
Share capital	329	329
Share premium	621,412	621,412
	621,741	**621,741**

	Number of shares '000	Share capital US$'000	Share premium US$'000
Movement in fully paid ordinary shares			
Balance at 1 January 2013	**303**	**303**	**571,438**
Issue of shares – 30 April 2013	26	26	49,974
Balance at 31 December 2013	**329**	**329**	**621,412**

There were no shares issued by the Company during the half-year ended 30 June 2014.

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's constitution does not disclose an authorised capital amount as this concept was abolished in the Companies Act 2006. As such, the authorised capital of the Company at 30 June 2014 is equal to the amount of share allotted to date.

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 2014.

13. SHAREHOLDER LOANS

	30 Jun 2014 US$'000	31 Dec 2013 US$'000
Loans from related parties (i)	**128,298**	**55,420**

(i) As part of the agreement to establish the joint venture on 1 October 2011, Eramet SA agreed to provide a US$45.0 million subordinated loan facility, which was contributed during the 2013 year. Interest on the subordinate loan facility is accrued at LIBOR plus 5 percent. For the half-year ended 30 June 2014, interest of $1,216,991 (2013 – nil) accrued on this facility

Further, during the year ended 31 December 2013, the Group entered into two $40 million subordinated loan agreements with each of Mineral Deposits Limited and ERAMET SA. These loans accrue interest at a rate of LIBOR 3 months plus 5 percent and are repayable on or before 29 September 2018. The Group received $5 million from each controlling party (for a total loan balance of $10.0 million) as part of these loan agreements in December 2013, whilst the remaining $70 million was received during the half year ended 30 June 2014.

Interest accrued to 30 June 2014 on the above subordinated loans amounted to $1,660,485 and has been capitalized to property, plant & equipment.

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

14. BORROWINGS

	30 Jun 2014 US$'000	31 Dec 2013 US$'000
Consolidated		
Current		
Bonds (i)	5,549	2,755
Bank overdrafts and creditor banks	1,971	-
	7,520	**2,755**
Non-current		
Operating line of credit	-	31,241
Bonds (i)	273,247	147,919
	273,247	**179,160**
Company		
Current		
Bonds (i)	**5,549**	**2,755**
Non-current		
Bonds (i)	**273,247**	**147,919**

(i) On 29 September 2012, the Company issued bonds with a face value of $150 million at 9% interest paid semi-annually and a term of five years.

Further, on 23 May 2014 the Company completed a US$125 million tap issue of the existing bonds.

The total of corporate bonds issued by the Company is now $275 million, is secured by the Company's 100% interest in both TiZir Titanium & Iron AS and TiZir Mauritius Limited and matures on 28 September 2017.

Interest accrued on the bond to 30 June 2014 amounted to $11.7 million and has been capitalized to property, plant & equipment.

	30 Jun 2014 US$'000	31 Dec 2013 US$'000
By maturity		
Less than one year	7,520	2,755
One to five years	273,247	179,160
	280,767	**181,915**
By interest rate		
Fixed interest rates		
- 5.0% to 10.0%	**278,796**	**150,674**
Variable interest rate		
- Under 5.0%	**1,971**	**31,241**

15. TRADE AND OTHER PAYABLES

	30 Jun 2014 US$'000	31 Dec 2013 US$'000
By category		
Trade payables	29,388	30,575
Tax and payroll liabilities	5,420	8,009
Other operating liabilities (i)	2,995	13,225
	37,803	**51,809**
Changes over the period		
At beginning of the period	51,809	35,942
Changes in working capital requirement	(14,405)	17,136
Translation adjustments	399	(1,269)
At end of the period	**37,803**	**51,809**

(i) During 2013, Grande Côte Operations SA received a tax assessment from the Senegalese tax authorities claiming unpaid withholding tax of approximately $0.8 million on payments made to foreign providers.

16. COMMITMENTS FOR EXPENDITURE

	30 Jun 2014 US$'000	31 Dec 2013 US$'000
Capital expenditure commitments		
Grande Côte Operations	1,555	33,593
Commitments not longer than 1 year	**1,555**	**33,593**

17. CONTINGENT ASSETS AND LIABILITIES

The Group has agreed to the following payments in respect of Grande Côte Operations:

- 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.

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

(i) In the prior year, 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. This balance was included in the Group's cash and cash equivalents. The balance of this deposit was nil at 30 June 2013 and no further funds were deposited in the period to 30 June 2014.

The Company earned $108,168 of interest on the above deposit for the half-year ended 30 June 2013 prior to the deposit being called upon.

(ii) As part of the agreement to establish the joint venture on 1 October 2011, Eramet SA agreed to provide a US$45.0 million subordinated loan facility which was contributed during the year ended 31 December 2013. Interest on the subordinate loan facility is accrued at LIBOR plus 5 percent. For the half-year ended 30 June 2014, interest of $1,216,991 (2013 – nil) accrued on this facility.

(iii) During the year ended 31 December 2013, the Group entered into two $40 million subordinated loan agreements with each of Mineral Deposits Limited and ERAMET SA. These loans accrue interest at a rate of LIBOR 3 months plus 5 percent and are repayable on or before 29 September2018. The Group received $5 million from each controlling party (for a total loan balance of $10.0 million) as part of these loan agreements in December 2013, whilst the remaining $70 million was received during the half year ended 30 June 2014.

The Company accrued $1,660,485 of interest during the half-year ended 30 June 2014 (2013 – Nil). This interest was capitalised to property, plant and equipment in accordance with the accounting policy outlined in note 13 above.

(iv) During the year ended 31 December 2013, the Group entered into management fee agreements with each of Mineral Deposits Limited and ERAMET SA. The management fee is $500,000 per annum per joint venture sponsor and is related to group financial reporting, administrative and corporate overheads incurred by each sponsor. The management fee was applied retrospectively from 1 January 2012.

For the half-year ended 30 June 2014, the Group incurred management fee expenses of $500,000 (30 June 2013 - $nil). We note that the management fee was applied retrospectively during the second half of the 2013 financial year and as such no expenditure was recognised for the half year ended 30 June 2013. At 30 June 2014, the balance of management fees accrued was $2,500,000 (31 December 2013: $2,000,000).

Compensation of key management personnel

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

	30 Jun 2014 US$'000	30 Jun 2013 US$'000
Key management personnel		
Wages and salaries	412	222
Social security costs	18	-
Other costs	64	-
	494	**222**

Directors of the Company did not receive any remuneration during the half year ended 30 June 2014 2013: Nil)

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.