

## QUARTERLY REPORT

---

*TiZir Limited owns 90% of the Grande Côte Mineral Sands Project in Senegal, West Africa and 100% of the ilmenite upgrading facility TiZir Titanium & Iron, in Tyssedal, Norway.*

### 4Q 2015 OPERATIONS REVIEW

#### KEY POINTS

- GCO achieved five successive months of positive EBITDA from August through December
- Record quarterly heavy mineral concentrate ('HMC') production
- Record quarterly production for zircon, ilmenite, rutile and leucoxene
- TTI furnace reline and upgrade completed on budget – furnace restarted in December with chloride slag production commencing in early January
- Titanium feedstocks market remains soft due to downstream weakness in the pigment market, but pricing was stable during the quarter
- Premium zircon prices remain relatively stable
- Successful negotiation of TiZir Bond Agreement amendments in December

#### GCO

GCO continued its recent strong performance through 4Q 2015. Completion of a number of discrete commissioning projects, aimed at ensuring consistent throughput from the Wet Concentrator Plant ('WCP') and improved efficiencies and recoveries at both the WCP and Mineral Separation Plant, has had a significant positive impact on the operations throughout the quarter, resulting in the achievement of numerous operational records.

Notable achievements were record quarterly:

- ore mined of 11.0 million tonnes (compared to 3Q 2015 of 8.2 million tonnes);
- HMC production of 188.7kt (3Q 2015: 176.0kt);
- average throughput rate of 6,687 tonnes per operating hour (3Q 2015: 5,672tph); and
- production of finished goods for ilmenite, zircon and rutile & leucoxene of 141.4kt (3Q 2015: 125.9kt).

Further indications of the strong performance of the operations in 4Q 2015 were:

- throughput and finished goods production for 4Q 2015 exceeded levels for the entire 2014 calendar year;
- monthly HMC production represented three of the top four months of production to date;
- tonnes per operating hour represented the best three months of performance so far, including a record of 6,831 tonnes per operating hour in November; and
- ilmenite production increased to an average of 42.1kt per month, whilst zircon production increased to 4.5kt per month.

On an annual basis, the dredge processed 34.8 million tonnes of ore at a rate of 5,849 tonnes per hour, whilst total finished goods production amounted to 478.2kt which included 427.7kt of ilmenite and 45.2kt of zircon.

## GCO production volumes

100% basis		4Q 2014	1Q 2015	2Q 2015	3Q 2015	4Q 2015	CY 2014	CY 2015
<b>Mining</b>								
Ore mined	(kt)	6,776	8,039	7,522	8,165	<b>11,033</b>	14,263	<b>34,759</b>
HMC produced	(kt)	89.3	131.6	136.6	176.0	<b>188.7</b>	184.1	<b>632.9</b>
<b>Finished goods production</b>								
Ilmenite	(t)	41,425	89,789	97,789	113,679	<b>126,433</b>	100,590	<b>427,690</b>
Zircon	(t)	5,278	9,118	11,357	11,159	<b>13,614</b>	9,040	<b>45,248</b>
Rutile & leucoxene	(t)	473	1,635	1,247	1,076	<b>1,353</b>	663	<b>5,311</b>

## GCO sales volumes

100% basis		4Q 2014	1Q 2015	2Q 2015	3Q 2015	4Q 2015	CY 2014	CY 2015
<b>Sales volume</b>								
Ilmenite (including sales to TTI)	(t)	46,850	71,857	64,051	145,551	<b>138,958</b>	74,924	<b>420,417</b>
Zircon	(t)	5,848	6,502	12,196	11,415	<b>11,742</b>	7,053	<b>41,855</b>
Rutile & leucoxene	(t)	162	22	1,406	1,804	<b>1,379</b>	162	<b>4,611</b>

Sales volumes were largely in line with 3Q 2015 performance. Ilmenite sales were slightly lower compared to the prior quarter due to a smaller vessel being used for one shipment in December.

GCO sent two shipments, totalling 55.1kt, to TTI during 4Q 2015 in preparation for the restart of operations following the furnace restart in December.

The strong performance from both a sales and production point of view enabled GCO to achieve a positive EBITDA result for each month of the quarter, extending its record of positive EBITDA on a monthly basis to five consecutive months from August to December. This is a significant achievement given the near record low prices being experienced in the mineral sands industry.



Grande Côte Operations, Senegal, West Africa

## TTI

The operational shutdown associated with the furnace reline and expansion project was completed on budget. The furnace was restarted in mid-December with the first production of chloride slag in early January and iron tapping occurring shortly thereafter. These events represent the final step in realising the strategy of integrating the Company's two operating assets.

Due to the operational shutdown, there was no production during 4Q 2015.

Titanium slag sales volumes of 26.0kt for the quarter were a function of lower production volumes, softer demand in the market and TiZir's strategy to maintain supply to key customers during the shutdown. In line with lower demand, pricing for slag was slightly softer in 4Q 2015 compared with 3Q 2015.

High purity pig iron sales volumes for 4Q 2015 were significantly less than 3Q 2015. The primary reasons for the decrease in volumes were a lowering of demand for pig iron from both local European foundries and factories in China as well as increased competition from Eastern European producers.

### TTI physical volumes

100% basis		4Q 2014	1Q 2015	2Q 2015	3Q 2015	4Q 2015	CY 2014	CY 2015
<b>Titanium Slag</b>								
Produced	(kt)	47.5	43.8	37.1	25.9	-	183.7	106.8
Sold	(kt)	47.8	30.2	38.8	36.7	26.0	178.2	131.7
<b>High Purity Pig Iron</b>								
Produced	(kt)	26.4	24.0	20.2	15.0	-	103.0	59.2
Sold	(kt)	20.5	19.8	23.5	17.0	4.3	105.7	64.6



TiZir Titanium & Iron ilmenite upgrading facility, Tyssedal, Norway

## MARKETS

Compared to the previous quarter, there was largely no change in market conditions for titanium feedstock during 4Q 2015, which remain supply driven with increased pressure on prices. Overcapacity remains an issue in both the mineral sands and pigment production industries, due mainly to weak demand and Chinese oversupply. However, investment in new capacity has largely been delayed or abandoned, while some US and Australian mining operations are closing this year due to orebody depletion. Further, some pigment production capacity has been temporarily or permanently shut down, all of which bodes well for the future recovery of the sector.

Zircon prices have remained relatively stable for premium quality product; however, prices for standard and lower quality product have decreased slightly.

## TIZIR

As previously announced, TiZir entered into discussions with its bondholders in respect of potential amendments to the terms of senior secured bonds maturing in September 2017. These amendments were approved at a meeting of bondholders held on 10 December 2015.

The primary amendments to the bond agreement were:

- amendment to the interest coverage ratio covenant including measurement for the first time at 31 December 2016;
- introduction of an equity cure enabling MDL and ERAMET to 'cure' any future breach of the interest coverage ratio covenant by providing equity funding to the joint venture;
- reduction of the maximum bond issue amount to \$275 million; and
- introduction of a \$60 million committed facility made available to TiZir primarily for the payment of interest up until maturity of the bond.

In addition, TiZir agreed to pay an 'early bird' fee of 2.75% of the face value of the bond to those bondholders who provided their approval prior to the date of the meeting. However, this fee was subsequently extended to all bondholders on acceptance of the amendments. In order to assist TiZir in meeting this payment and other costs associated with securing the approval, ERAMET and MDL contributed US\$6 million (US\$3 million from each party) to TiZir in the form of an additional subordinated loan.

As previously announced, TTI received the first tranche of ENOVA funding in December 2015. The remaining funding will be received in January 2016.

At 31 December 2015, external borrowings (excluding shareholder loans) by TiZir amounted to US\$334.8 million, comprising the senior secured bonds (including accrued interest) due September 2017 and amounts drawn under TTI and GCO's working capital facilities.

TiZir's cash and cash equivalents at 31 December 2015 were US\$2.7 million, giving net external debt of US\$332.1 million.

## OUTLOOK

GCO will continue to build on the commissioning successes of 2015 by focusing on operational utilisation and sustainable throughput rates, whilst also increasing efficiencies with respect to mining recoveries and processing yields to bolster its capacity to operate as a Tier 1 asset. Furthermore, cost reduction initiatives to ensure product competitiveness and sustainable operations are underway and will continue to ramp up during 2016.

As a result of the completion of the furnace reline and capacity project works and the consequent restart of the furnace, TTI will be focusing primarily on a short ramp up for production of chloride titanium slag. It is expected that the upgraded furnace and water-cooled copper-ceramic roof will increase smelting capacity by approximately 15% and lengthen periods between scheduled shutdowns.

The refurbishment and capacity expansion of the TTI furnace was a key part in the strategic vision for TiZir and represents the completion of a major step in the integration of the Company. The project has created the flexibility to produce both chloride and sulphate titanium slag within the same furnace, providing the ability to alternate between products as dictated by supply and demand dynamics within the market. Also, the production of chloride titanium slag will utilise ilmenite produced by GCO, ensuring security of ilmenite supply from within the group and reducing reliance on third party ilmenite sales.

The Company now has the ability to supply a range of titanium feedstock to customers and the flexibility to produce different feedstocks depending on market demand.