FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

TiZir Limited ("TiZir") owns 90% of Grande Côte mineral sands operation ("GCO") in Senegal, West Africa and 100% of TiZir Titanium & Iron ilmenite upgrading facility ("TTI") in Norway.

(Denominated in United States Dollars unless otherwise stated)

HIGHLIGHTS

- Underlying net loss of $67.0 million
- GCO recorded an EBITDA loss of $7.4 million – final five months of the year were EBITDA positive
- TTI recorded an EBITDA of $3.9 million – a strong result given a three month shutdown for the furnace reline and capacity expansion project
- As a consequence of the prevailing market environment and declining commodity prices, TiZir has recognised an impairment loss of $12.6 million during the year

FINANCIAL SUMMARY

$m	**FY 2015**	FY 2014
TiZir		
TTI EBITDA	**3.9**	24.5
GCO EBITDA	**(7.4)**	(24.2)
Underlying loss	**(67.0)**	(42.4)
Cash flow from operations	**(38.5)**	(75.3)
Capital expenditure	**51.8**	94.6

TiZir Limited has today announced an underlying net loss of $67.0 million for the year ended 31 December 2015, compared to an underlying net loss of $42.4 million in 2014. The result reflects the current commodity price environment and the status of operations – in particular, a lower contribution from TTI due to the approximate three month shutdown for the furnace reline and capacity expansion project, and operating losses from GCO as mining and production ramp-up continued. After recognition of a non-cash impairment charge of $12.6 million against TiZir's consolidated assets the Company reported a net loss after tax of $79.9 million.

OPERATIONS REVIEW

A key focus for TiZir in the year ended 31 December 2015 was the ramp-up of GCO and its integration with TTI. This strategy impacted financial performance due to the approximate three month shutdown for the furnace reline and capacity expansion project, and operating losses incurred at GCO as mining and production ramp-up continued. This, together with the prevailing commodity price environment, saw TiZir incur an underlying loss in 2015 of $67.0 million, compared to an underlying loss of $42.4 million in 2014.

TTI's EBITDA (on a 100% basis) for 2015 was $3.9 million, 84% lower than 2014, primarily as a result of lower production volumes as outlined above.

Despite a concerted effort late in 2014 and during 2015 to build-up inventory for the shutdown, titanium slag sales volumes were lower than expected, exacerbated by titanium feedstock market conditions which saw pigment producers delaying or cancelling some purchases in 4Q 2015.

In conjunction with the decrease in sales volumes, average pricing for titanium slag remained under pressure and declined during the year.

Consistent with titanium slag trends, high-purity pig iron sales volumes were lower due to restricted production capacity. Pricing for high-purity pig iron was strong during 1H 2015, reflecting tighter supply due to geopolitical tensions in Eastern Europe and a weakening of the Euro against the United States Dollar. However, reduction in demand from both local European foundries and factories in China, together with increased competition from Eastern European producers during 4Q 2015, saw prices decrease towards year-end.

GCO recorded an EBITDA loss of $7.4 million in 2015 as ramp-up of mining and processing operations continued throughout the year. After a disappointing first half of the year, which was characterised by unplanned electrical outages, tailings management and other commissioning issues, a focus on ensuring consistent throughput from the Wet Concentrator Plant ('WCP') and improved efficiencies and recoveries at both the WCP and Mineral Separation Plant ('MSP') resulted in a significant turnaround in operational results in the second half of the year. Improved production at GCO saw sales volumes increase throughout the reporting period.

Despite weakening market conditions, GCO was able to negotiate sales contracts with external customers for the majority of its ilmenite production for 2015. GCO also completed two shipments to TTI in 2015 to ensure there was adequate feedstock available for the restart of the furnace in December 2015. Ilmenite prices were under pressure throughout the year as markets remained supply driven, creating downward pressure on prices.

Zircon sales continued to rise throughout 2015 as production increased. GCO has a number of initiatives in place to further increase production in 2016. Customer feedback on product quality remained positive, illustrating the acceptance of GCO zircon in the market. Zircon pricing was relatively stable throughout the year.

TiZir's cash flow from operations in 2015 was negative $38.5 million compared to negative $75.3 million in 2014. The primary reasons for the substantial decrease in cash outflows were a decrease in working capital following sales of TTI inventory during the furnace shutdown period and a lower than expected working capital build-up at GCO. While cash flow from operations remain under pressure due to near-record low commodity prices, confidence in operational performance continues to improve. GCO broke numerous production records in the second half of 2015 and recorded five consecutive months of positive EBITDA, while the successful restart of operations at TTI in December 2015 represented the on budget culmination of the furnace reline and capacity expansion project.

TiZir's capital expenditure moderated in 2015, mainly as a result of the completion of construction activities at GCO in 2014. Capital expenditure in 2015 primarily related to the furnace reline and capacity expansion project at TTI, which was partially offset by funding received from ENOVA. Going forward, capital expenditure is anticipated to be limited to that required for the maintenance of GCO and TTI.

FUNDING

At 31 December 2015, external borrowings (excluding shareholder loans) by TiZir amounted to $334.8 million, comprising $281.3 million of senior secured bonds (including accrued interest) due September 2017, $38.6 million outstanding of a $50 million working capital facility tied to TTI and $25.0 million outstanding of a $50 million working capital facility tied to GCO, offset by $10.1 million of capitalised borrowing costs including fees paid in association with the bond covenant waiver negotiated in December 2015 (as outlined below).

TIZIR BOND AMENDMENTS

TiZir is funded by shareholder loans, senior secured corporate bonds issued on 29 September 2012 and 23 May 2014 with a face value of $275 million maturing in September 2017 and working capital facilities at each of its operations at GCO and TTI. As announced in November and December, TiZir entered into discussions with its bondholders in respect of potential amendments to the terms of the abovementioned bonds. 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 US$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. 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 $6 million ($3 million from each party) to TiZir in the form of an additional subordinated loan.

IMPAIRMENT REVIEW

An impairment review was undertaken as at 31 December 2015 in relation to TiZir's two cash-generating units ('CGU'), TTI and GCO. The basis on which the recoverable amount of each CGU is assessed is its fair value less costs of disposal using a discounted cash flow financial model. Due to the impact of softening market conditions, an impairment loss of $12.6 million (100% basis) was attributed to GCO at 31 December 2015. No impairment was recognised for TTI. GCO's impairment loss has been recognised against mine development expenditure capitalised in accordance with the Company's accounting policies between 2005 and 2010.

OUTLOOK

Completion of the reline and capacity expansion of the TTI furnace was a key part in the strategic vision of TiZir and represents the final step in the integration of the joint venture. Shareholders will now realise the benefits of synergies generated by the integration of GCO and TTI.

Based on expectations that 2016 will be another challenging year for mineral sands feedstock markets, the strategy for the joint venture will be to focus on production efficiencies and cost reduction initiatives to ensure the competitiveness of the operations at all stages of the commodity price cycle.

GCO production optimisation

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 enhance GCO's competitiveness are underway and will continue during 2016.

TTI ilmenite upgrading facility

Following the successful completion of the furnace reline and capacity expansion project in December 2015 and the consequent restart of operations, TTI's primary focus is the ramp-up of operations. It is anticipated that the upgraded furnace and water-cooled copper-ceramic roof will increase smelting capacity by approximately 15% and improve maintenance performance by lengthening periods between scheduled shutdowns.

Strategic flexibility

The integration of GCO and TTI and completion of the refurbishment and capacity expansion project have created the flexibility for TiZir to produce chloride and sulphate titanium slag, providing the ability to alternate between products as dictated by market supply and demand dynamics. Also, chloride titanium slag production will use ilmenite produced by GCO, which will both secure supply of ilmenite from within the group and reduce exposure to the lower value, more volatile ilmenite market, thereby mitigating the risk profile of the business.

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

Market outlook

As previously mentioned, titanium feedstock markets remain supply driven with increased pressure on prices. Overcapacity persists in both the mineral sands and pigment production industries, mainly due to weak demand and Chinese oversupply. Continued overproduction of pigment in China has seen price deflation exported to TiZir's key markets in Europe and North America, resulting in customers cutting production and thereby putting pressure on feedstock prices and volumes. On the positive side, this situation has resulted in investment in new feedstock capacity being largely delayed or abandoned, while some US and Australian mining operations are closing due to orebody depletion. Furthermore, some pigment production capacity has also been temporarily or permanently shut down, all of which bodes well for the future recovery of the sector.

Whilst the zircon market has remained relatively stable, towards the end of 2015 there were some indications of slight weakening in the lower grade markets.

At this stage, it is anticipated that product pricing will remain under pressure until such time as the supply/demand relationship regains some level of equilibrium which is likely to have a positive impact on prices.

FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2015 will be released before the end of April 2015.

TIZIR FINANCIAL SUMMARY

$m	Revenue FY 2015	Revenue FY 2014	EBITDA FY 2015	EBITDA FY 2014	EBIT FY 2015	EBIT FY 2014
TTI	87.0	147.7	3.9	24.4	(3.0)	16.2
GCO	82.0	14.2	(7.4)	(24.2)	(31.4)	(37.9)
Corporate	-	-	(3.2)	(2.2)	(4.1)	(2.6)
Total	**169.0**	**161.9**	**(6.7)**	**(2.0)**	**(38.5)**	**(24.3)**
Foreign exchange gains					1.0	6.3
Net finance costs(i)					(34.6)	(27.3)
Loss before tax					**(72.1)**	**(45.3)**
Income tax					1.9	(1.4)
Minority interest					3.2	4.3
TiZir underlying NPAT					**(67.0)**	**(42.4)**
Impairment of assets(ii)					(12.6)	(110.8)
Minority interest share of impairment(ii)					1.3	11.0
Amortisation of acquisition assets(iii)					(1.6)	(3.1)
TiZir reported NPAT					**(79.9)**	**(145.3)**

Notes to the financial information

(1) Net finance costs comprise:

$m	FY 2015	FY 2014
Realised loss on cash flow hedges terminated by TTI	-	(10.6)
Interest charged on TiZir bond	**(24.6)**	(12.5)
Interest charged on subordinate loans from joint venture partners	**(7.5)**	(2.9)
Interest on working capital facility	**(1.4)**	(0.6)
Other net interest, borrowing and other finance costs	**(1.1)**	(0.7)
Total net finance costs	**(34.6)**	(27.3)

Interest and borrowing costs charged on the TiZir bond and subordinated loans were previously capitalised as part of the construction costs of GCO up to 30 June 2014. From 1 July 2014, these costs have been recognised within the income statement. See description of impairment review outlined above. Minority interest reflects 10% ownership of GCO by the Government of the Republic of Senegal.

(2) See description of impairment review outlined above. Minority interest reflects 10% ownership of GCO by the Government of the Republic of Senegal.

(3) As part of the establishment of TiZir in October 2011, specifically identified intangible assets, property, plant & equipment and related deferred tax liabilities are recognised on consolidation and amortised over the useful lives of these assets. The amortisation of such assets during the year amounted to $2.7 million pre-tax and $1.6 million on an after-tax basis and has been excluded from underlying NPAT.