TiZir Limited

Registered N°: 07727671

Consolidated Annual Financial Statements for the year ended 31 December 2016

TABLE OF CONTENTS

		Page No.
CORPORATE DATA		**1**
STRATEGIC REPORT		**2**
DIRECTORS' REPORT		**8**
INDEPENDENT AUDITOR'S REPORT		**10**
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		**12**
CONSOLIDATED STATEMENT OF FINANCIAL POSITION		**13**
COMPANY STATEMENT OF FINANCIAL POSITION		**14**
CONSOLIDATED STATEMENT OF CASH FLOWS		**15**
COMPANY STATEMENT OF CASH FLOWS		**16**
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY		**17**
NOTES TO THE FINANCIAL STATEMENTS		**18**
1.	GENERAL INFORMATION	18
2.	APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS	18
3.	BASIS OF PREPARATION	19
4.	USE OF ESTIMATES AND JUDGEMENTS	19
5.	CHANGES IN ACCOUNTING METHODS, ERRORS AND ESTIMATES	20
6.	PRINCIPAL ACCOUNTING POLICIES	20
7.	CONSOLIDATION SCOPE	26
8.	INTANGIBLE ASSETS	27
9.	PROPERTY, PLANT AND EQUIPMENT	28
10.	LOANS TO RELATED PARTIES	28
11.	INVENTORIES	29
12.	TRADE AND OTHER RECEIVABLES	29
13.	CASH AND CASH EQUIVALENTS	30
14.	SHAREHOLDERS' EQUITY	30
15.	ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	30
16.	DEFERRED TAX	31
17.	BORROWINGS	32
18.	OTHER NON-CURRENT LIABILITIES	33
19.	TRADE AND OTHER PAYABLES	34
20.	DERIVATIVE FINANCIAL LIABILITIES	34
21.	FINANCIAL INSTRUMENTS	35
22.	SALES AND OTHER INCOME	37
23.	SEGMENT REPORTING	38
24.	SALES BY GEOGRAPHICAL LOCATION	39
25.	EMPLOYMENT COSTS	40
26.	AUDIT REMUNERATION	40
27.	DEPRECIATION, AMORTISATION OF NON-CURRENT ASSETS	40
28.	OPERATING ALLOWANCES FOR LOSSES	40
29.	OTHER OPERATING INCOME AND EXPENSE	40
30.	NET BORROWING COST AND OTHER FINANCIAL ITEMS	41
31.	INCOME TAX	41
32.	EARNINGS PER SHARE	42
33.	FINANCIAL COMMITMENTS	42
34.	RELATED PARTY TRANSACTIONS	42
35.	COMPENSATION OF KEY MANAGEMENT PERSONNEL	43
36.	COMPANY	44
37.	EVENTS AFTER THE BALANCE SHEET DATE	44
38.	ULTIMATE CONTROLLING PARTY	44

Directors

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P Vecten
M Ackland
C Nouel
R Sennitt
T Devedjian

Secretary

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Company number

07727671

Auditors

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Principal activities and objectives

The principal activities of the Group for the year ended 31 December 2016 were focused on the mineral sands sector through the operation of the Grande Côte mineral sands Operation in Senegal ('GCO') and the TiZir Titanium & Iron ilmenite upgrading facility in Norway ('TTI').

Financial overview

Financial performance for the year was as follows:

	2016	2015	Change	
	US$M	US$M	US$M	%
Sales	160.6	169.0	(8.4)	-4.97%
EBITDA	24.1	(6.7)	30.8	-459.70%
Current operating loss for the year (EBIT)	(17.0)	(38.5)	21.5	-55.84%
Impairment of assets acquired on establishment (net of minority interest)	-	(11.3)	11.3	-100.00%
Amortisation of assets recognised on acquisition	(2.7)	(2.7)	-	0.00%
Reported net loss after tax	(64.2)	(79.9)	15.7	-19.65%
Basic and diluted earnings per share	(195.10)	(243.0)	47.9	-19.71%

Operating results

TiZir Limited has announced an operating loss of $17.0 million for the year ended 31 December 2016, compared to an operating loss of $38.5 million in 2015. The result reflects a stronger profitability at GCO and TTI, with both operations recording positive EBITDA for the reporting period. Further, GCO recorded its first year of positive cash flows since commencement of production in March 2014.

Refer to the Operations review for further details.

Operations review

The key focus areas for the Group in 2016 were the continued optimisation of the mining operations at GCO and the ramp up of the furnace following the completion of the furnace reline and capacity expansion project at TTI.

GCO had a good year in 2016 both operationally and financially. It recorded numerous production records as well as positive EBITDA and cash flow. Focus has been on safety performance, optimisation of operations and cost reduction initiatives which all were instrumental to the strong results at GCO. In particular:

- GCO has now operated for over 3.2 million man hours without a lost time incident ('LTI'), with the last LTI occurring on 17 December 2015;
- mine optimisation projects delivered record utilisation across the mine in 4Q 2016 with further improvements expected as continuing initiatives centred on utilisation, throughput and recovery are realised; and
- cost saving efforts reduced the cost base at GCO by 10.6%;

Up until the operational incident in August, which resulted in a production shutdown and subsequent furnace reline, TTI had been performing strongly as the ramp up of production continued to exceed expectations. While the operational incident was disappointing, insurance funds were received before the end of 2016 and ramp up resumed ahead of schedule in January 2017. Shipments of chloride slag are expected to recommence in early April.

The synergistic benefits of GCO and TTI's integration are reflected in the fact that both operations recorded positive EBITDA for the year ended 31 December 2016 whilst TiZir recorded positive cash flow from its operations, despite low prevailing commodity prices. Despite these achievements, however, the impact of depreciation and finance costs resulted in TiZir recording a net loss for the year of $64.2 million, compared to a net loss of $79.9 million in 2015.

GCO sales volumes were consistent with production volumes in 2016 across all product groups. Ilmenite sales volumes were slightly lower due to reduced ilmenite production; however, ilmenite that had been set aside for TTI was sold to external customers in 4Q 2016 following the shutdown at TTI in August. Ilmenite pricing was slightly stronger in 2016 as pressure on availability of titanium dioxide feedstock and pigment continued to increase. In particular, pricing in the second half of the year was stronger as pigment producers continued to secure price increases.

Zircon sales volumes rose by 26.7% in 2016, primarily due to increased production and further recognition of the quality of GCO zircon by the market. Sales in the second half of the year were particularly strong, accounting for 57.7% of annual zircon sales volumes. Despite the strong sales volume growth, pricing came under significant pressure during the first half of the year following price decreases announced by major producers. Pricing and demand stabilised during the second half of the year, with some producers securing small price increases towards year-end.

Despite low commodity pricing, GCO produced positive EBITDA and cash flow in 2016. This result reflected GCO's improving operating performance and successful cost reduction initiatives, particularly in respect of energy and contract service costs. Further cost efficiencies are planned for 2017.

TTI's EBITDA for 2016 was $22.0 million. The ramp up of operations in the first half of the year exceeded expectations post completion of the furnace reline and capacity expansion project. Titanium slag production reached levels close to those achieved in 1H 2015. There were periods during 3Q 2016 when the furnace was operating close to its expanded nameplate capacity. Following the incident in August, TTI agreed with its insurer on a full and final settlement of NOK305 million (US$35 million based on a USD/NOK exchange rate of 8.65) pertaining to the incident with funds received during December 2016.

TTI sales volumes were significantly impacted by ramp up during the first half of the year and the operational incident in August outlined above. Prior to the operational incident, sales volumes of TTI's new chloride titanium slag product had been robust with TTI securing contracts for the sale of a significant majority of its 2016 chloride titanium slag production.

Sales of high purity pig iron ('HPPI') were consistent with production in 2016, reflecting market acceptance of TTI's high quality pig iron, following changed specifications resulting from the switch to chloride slag production and the associated consumption of GCO ilmenite.

Pricing for titanium slag was relatively stable throughout the year, largely due to the offtake contracts entered into by TTI. However, pricing for HPPI was volatile, partly as a result of finding customers and niche markets for the new products. Further, movements in coal and iron ore prices throughout 2016, along with ongoing geopolitical issues in Eastern Europe, significantly impacted pricing stability.

TiZir's cash flow from operations in 2016 was positive $18.5 million compared to negative $38.5 million in 2015, driven by the profitability of TiZir along with a decrease in working capital following the operational incident at TTI. While cash flow from operations was positive during the reporting period, it is expected that cash flows will remain under pressure during 1Q 2017 as TTI builds working capital following the successful restart of the furnace in January 2017.

TiZir's capital expenditure moderated further in 2016 as a result of the completion of the furnace reline and capacity expansion project in December 2015. Capital expenditure in 2016 related to residual payables associated with the furnace reline and capacity expansion project, payment for repairs to the furnace surrounds following the operational incident at TTI and sustaining capital expenditure at GCO in relation to optimisation projects. Going forward, capital expenditure is anticipated to be limited to that required for the maintenance of each operation.

Summary of key performance indicators

The directors have monitored progress of the Company's overall strategy and individual strategic elements by reference to certain financial and non-financial key performance indicators.

	2016	2015
Production – TTI		
Titanium Slag (kt)	**103.6**	106.8
High purity pig iron (kt)	**42.5**	59.2
Production – GCO		
Ilmenite (t)	**416,349**	427,690
Zircon (t)	**52,627**	45,248
Rutile & leucoxene	**9,664**	5,311
Safety		
TTI – frequency rate of injuries with absence (No. per million man hours)	**8.3**	8.3
GCO – frequency rate of lost time injuries (No. per million man hours)	**-**	1.9

Unfortunately, TTI sustained four (2015: six) LTIs during the reporting period. Following a rigorous safety audit undertaken by ERAMET and MDL at the beginning of 2016, GCO recorded zero (2015: four) LTIs during the reporting period.

Financial position

The Statement of Financial Position at 31 December 2016 comprises net assets of $340.2 million (31 December 2015 – $400.4 million) comprising:

	2016	**2015**	**Change**	
	US$M	**US$M**	**US$M**	**%**
Cash balances	10.4	2.7	7.7	285.2
Working capital (net trade receivable, inventories and trade & other payables	20.3	43.5	(23.2)	(53.3)
Property, plant & equipment (including capitalised construction costs)	797.0	813.8	(16.8)	(2.1)
Intangible assets (incl. mining rights & other identifiable intangible assets recognised on acquisition)	51.7	55.4	(3.7)	(6.7)
Corporate bonds	(276.8)	(271.2)	(5.6)	2.1
Working capital facility	(45.6)	(63.6)	18.0	(28.3)
Subordinate loans form the joint venture owners	(209.9)	(169.2)	(40.7)	24.1
Current and deferred tax liabilities	(5.6)	(3.9)	(1.7)	43.6
Other net assets and liabilities	(1.3)	(7.1)	5.8	(81.7)

Cash flow

Cash balances increased by $7.7 million during the year ended 31 December 2016 as a result of:

	2016 US$M	2015 US$M	Change US$M	%
Cash generated by operations (net of interest paid to bondholders)	43.2	(13.7)	56.9	(415.3)
Interest payment to bondholders	(24.7)	(24.7)	-	-
Capital expenditure	(20.2)	(51.8)	31.6	(61.0)
Subordinated loan contributions from the joint owners	29.4	30.0	(0.6)	(2.0)
Working capital facility movement (net of other borrowings repayment)	20.5	58.8	(38.3)	(65.1)
Payment of borrowing costs	(39.7)	(8.2)	(31.5)	384.1
Net other movements	(8.5)	9.6	(18.1)	(188.5)

Business review

Funding

At 31 December 2016, external borrowings (excluding shareholder loans) by TiZir amounted to $322.4 million, comprising $281.4 million of senior secured bonds (including accrued interest and borrowing costs) due September 2017, $1.4 million outstanding of a $50 million working capital facility tied to TTI and $44.1 million outstanding of a $50 million working capital facility tied to GCO, offset by $4.6 million of capitalised borrowing costs.

In relation to the abovementioned senior secured bonds, TiZir is looking at possibilities to establish a loan facility to refinance fully the existing senior secured bonds with maturity in September 2017 and is in discussions to establish a loan syndicate. The Directors have reason to be confident about successfully being able to refinance.

TiZir Titanium & Iron ilmenite upgrading facility, Norway

Production

Up until the operational incident in August, which resulted in a production shutdown and subsequent furnace reline, TTI had been performing strongly as the ramp up of production continued to exceed expectations. While the operational incident was disappointing, insurance funds were received before the end of 2016 and ramp up resumed ahead of schedule in January 2017. Shipments of chloride slag recommenced in March 2017.

Sales

TTI sales volumes were significantly impacted by ramp up during the first half of the year and the operational incident in August outlined above. Prior to the operational incident, sales volumes of TTI's new chloride titanium slag product had been robust with TTI securing contracts for the sale of a significant majority of its 2016 chloride titanium slag production.

Sales of high purity pig iron ('HPPI') were consistent with production in 2016, reflecting market acceptance of TTI's high quality pig iron, following changed specifications resulting from the switch to chloride slag production and the associated consumption of GCO ilmenite.

Pricing for titanium slag was relatively stable throughout the year, largely due to the offtake contracts entered into by TTI. However, pricing for HPPI was volatile, partly as a result of finding customers and niche markets for the new products. Further, movements in coal and iron ore prices throughout 2016, along with ongoing geopolitical issues in Eastern Europe, significantly impacted pricing stability.

The following table summarises TTI's quarterly sales and production volumes for the year ended 31 December 2016:

100% basis		1Q 2016	2Q 2016	3Q 2016	4Q 2016	CY 2016	PY 2015
Titanium slag							
Produced	(kt)	34.8	44.2	24.6	-	103.6	106.8
Sold	(kt)	31.2	50.2	36.5	3.9	121.8	131.7
High-purity pig iron							
Produced	(kt)	14.1	17.8	10.6	-	42.5	59.2
Sold	(kt)	9.9	20.5	13.2	3.7	47.3	64.6

Grande Côte Mineral Sands Operation, Senegal

Production

Throughput at the WCP increased by 12.8% compared to 2015 results. Improved WCP performance was especially evident in 4Q 2016. Further, operational runtime for the year was 8.2% higher compared to prior year results. Again, 4Q 2016 performance was a highlight, reaching an operational runtime that was 15.2% above the average for the year.

On an overall basis, HMC production for the year was 613.7kt, a slight decrease of 3% compared to 2015 despite the stronger performance of the WCP as outlined above. The dredge feed grade was negatively impacted by a mine path crossover through tailings during the year. However, GCO delivered record HMC production in 4Q 2016 of 194.1kt in conjunction with increased throughput and operational runtime performance.

Optimisation of the dredge and WCP continues to be a key focus with a number of initiatives to improve utilisation, throughput and recovery now realised or at advanced stages of implementation. With the completion of capital projects in the MSP, the on-site engineering team was transformed into a mine optimisation team. The team is well established and advancing key mining improvement initiatives focusing on utilisation, throughput and recovery.

A mine optimisation study which focused on delivering a mine path that maximises recovery of resources and enhances future profitability was completed in 4Q 2016. The study incorporates improvement initiatives identified during the first mine turnaround, which was successfully completed at the beginning of the year, and also aims to reduce the frequency of future turnarounds and planned mine path crossovers through tailings.

The MSP continues to perform strongly with a number of key optimisation projects now completed, including the installation of an up-current classifier and a belt filter during 2Q and 3Q 2016. Both projects have delivered to expectations and, as a direct result of the successful commissioning of these projects, GCO achieved successive record quarterly zircon production in 3Q and 4Q 2016, along with record annual zircon production of 52.6kt.

For the 2016 year, total finished goods production at GCO was 478.6kt, which was consistent with 2015 production.

Sales

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The following table summarises GCO's quarterly sales and production volumes for the year ended 31 December 2016:

100% basis		**1Q 2016**	**2Q 2016**	**3Q 2016**	**4Q 2016**	**CY 2016**	**PY 2015**
Mining							
Ore mined	(kt)	9,583	10,291	8,071	11,258	39,203	34,759
HMC produced	(kt)	140.7	138.9	140.0	194.1	613.7	632.9
MSP production							
Ilmenite	(t)	107,181	92,783	96,503	119,882	416,349	427,690
Zircon	(t)	10,713	13,608	11,844	16,462	52,627	45,248
Rutile and Leucoxene	(t)	1,906	2,524	2,192	3,042	9,664	5,311
Sales volume							
Ilmenite	(t)	65,001	118,649	84,857	142,408	410,915	420,417
Zircon	(t)	9,661	12,758	14,721	15,961	53,101	41,855
Rutile and Leucoxene	(t)	1,740	2,300	2,620	2,159	8,819	4,611

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 companies, 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 31 December 2016, 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.

Outlook

GCO

Mine operating levels, particularly with regard to utilisation, throughput and recovery are expected to continue to improve as mine optimisation initiative are delivered. Production at GCO for Q1 2017 is expected to be lower due to a crossover through low grade tailings which coincides with 180-degree turnaround of the mine path. Following this period, production is anticipated to increase to levels consistent with those achieved in Q4 2016.

The cost reduction program operating at GCO will continue, with numerous projects identified for completion during 2017.

TTI ilmenite upgrading facility

With the furnace repair and reline complete, TTI's primary focus is a successful ramp up to expanded capacity targets. As previously disclosed, it is anticipated that the upgraded furnace and water-cooled copper-ceramic roof will increase smelting capacity by approximately 15% to 230ktpa and improve maintenance performance by lengthening periods between scheduled shutdowns.

TTI will also continue to focus on cost efficiencies to ensure that its production remains costs competitive.

Market outlook

The market for titanium dioxide pigment strengthened throughout the year. A tight inventory situation, together with ongoing strength in pigment demand, led to increasing sales volumes by global pigment producers which were accompanied by a series of price increases during 2016. Further price increases have been announced effective 1 January 2017.

In China, ongoing environmental scrutiny has restricted mining and pigment operations, leading to lower inventories and numerous pigment price increases during 2016.

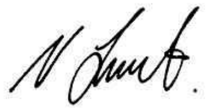
This positive sentiment has also flowed through to feedstock producers. High-grade titanium feedstock producers have kept capacity idled, curb development expenditure and reduce inventories, leading to a decrease in overall feedstock supply. As a result, the outlook for chloride slag pricing continues to improve, although potential excess capacity in the sector may limit the pace of any increase in the short-term.

The zircon market remained relatively unchanged throughout 4Q 2016, with demand and pricing remaining stable. Some major producers have already announced slight price increases for 1Q 2017 due primarily to the reduction of inventories in the sector. As with titanium dioxide, new environmental regulations have resulted in the need for a number of Chinese ceramic and chemical companies to upgrade their production processes to reduce emissions which may have an impact on levels of demand in the short-term.

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.

By order of the board



Nic Limb
Director

Registered office: London

Date: 26 April 2017
Company registration number: 07727671

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 2016.

Directors

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

N Limb	
P Vecten	
M Ackland	
C Nouel	
R Sennitt	
T Devedjian	(appointed 21 March 2016)
L Egeland	(resigned 21 March 2016)

Strategic report

The following details are disclosed within the Strategic Report:

- the Group's principal activities;
- the Group's financial performance and financial position;
- a review of the Group's business and future developments;
- the Group's financial risk management objectives and policies; and
- the Group's exposure to exchange rate risk, credit risk, and liquidity and cash flow risk.

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, working capital facilities, 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.

Dividends

The directors have not recommended the payment of a dividend for the year ended 31 December 2016 (2015 – nil).

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, Director's 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:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements; 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 as 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 they 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.

Political contributions

The Company made no political contributions during the year or previous corresponding period.

Auditor

The Company is not obliged to reappoint its auditor annually and Constantin will therefore continue in office.

This report was approved by the Board on 26 April 2017 and signed on its behalf by

Nic Limb
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 2016 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Cash Flow Statements, the Consolidated Changes in Equity and the related Notes 1 to 38. 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 auditors

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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing our audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Basis for Opinion

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 2016 and of the group's loss 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.

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 3 to the financial statements concerning the group's ability to continue as a going concern. The group incurred a net loss of US$60.173 million during the year ended 31 December 2016 and, at that date, the group had net current liabilities of US$339 million. These conditions, along with the other matters explained in note 3 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group was unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

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.

Alex Legon FCA (Senior Statutory Auditor)
For and on behalf of Constantin, Statutory Auditor

25 Hosier Lane
London
EC1A 9LQ

Date: 26 April 2017

	Note	Year ended 31 Dec 2016 US$'000	31 Dec 2015 US$'000
Sales	22	**160,594**	**168,951**
Other income	22	25,718	(441)
Cost of products sold		(159,318)	(168,294)
Administrative and selling costs		(2,855)	(6,910)
EBITDA for the year		**24,139**	**(6,694)**
Amortisation and depreciation of non-current assets	27	(33,999)	(31,774)
Amortisation of assets recognized on acquisition	27	(2,720)	(2,720)
Operating allowances for losses and contingencies	28	(105)	-
Current operating loss for the year (EBIT)		**(12,685)**	**(41,188)**
Impairment of mineral rights and mine development expenditure	29	-	(12,600)
Other operating expenses	29	(7,019)	-
Operating loss for the year		**(19,704)**	**(53,788)**
Net borrowing costs	30	(45,905)	(34,625)
Other finance income and expenses	30	(408)	957
Income tax	31	(534)	3,021
Loss for the year		**(66,551)**	**(84,435)**
Attributable to non-controlling interests	15	2,362	4,484
Loss for the year attributable to equity holders of the parent		**(64,189)**	**(79,951)**
Other comprehensive income/(loss):			
Translation adjustments for financial statements of subsidiaries in a foreign currency		2,372	(14,690)
Change in revaluation reserve for cash flow hedging instruments		5,270	(3,686)
Income tax in relation to movements in cash flow hedging	31	(1,264)	995
Other comprehensive income/(loss) for the year		**6,378**	**(17,381)**
Attributable to non-controlling interest		(90)	177
Other comprehensive income/(loss) for the year attributable to equity holders of the parent		**6,288**	**(17,204)**
Total comprehensive loss for the year			
Attributable to the consolidated group		(60,173)	(101,815)
Attributable to non-controlling interests		(2,272)	(4,661)
Total comprehensive loss for the year attributable to equity holders of the parent		**(57,901)**	**(97,154)**
Earnings per share ($ per share)			
Basic earnings per share	32	(195,10)	(243.01)
Diluted earnings per share	32	(195,10)	(243.01)

Notes to the financial statements are included on pages 18 to 44.

	Note	31 Dec 2016 US$'000	31 Dec 2015 US$'000
Assets			
Non-current assets			
Intangible assets	8	51,726	55,388
Property, plant & equipment	9	797,000	813,843
Other non-current financial assets		443	92
Other non-current assets	12	2	200
Total non-current assets		**849,171**	**869,523**
Current assets			
Inventories	11	47,738	58,935
Trade receivables and other current assets	12	25,811	38,399
Cash and cash equivalents	13	10,411	2,653
Total current assets		**83,960**	**99,987**
Total assets		**933,131**	**969,510**
Shareholders' equity and liabilities			
Share capital	14	329	329
Share premium	14	621,412	621,412
Cash flow hedging instrument revaluation reserve		(841)	(4,847)
Foreign currency translation reserve		(39,180)	(41,462)
Accumulated losses		(225,292)	(161,103)
Attributable to equity holders of the parent		**(356,428)**	**414,329**
Attributable to non-controlling interests	15	(16,191)	(13,919)
Total shareholders' equity		**340,237**	**400,410**
Liabilities			
Non-current liabilities			
Deferred tax	16	5,637	3,809
Borrowings	17	164,109	439,882
Other non-current liabilities		107	-
Total non-current liabilities		**169,853**	**443,691**
Current liabilities			
Borrowings	17	368,215	64,104
Trade and other payables	19	53,193	53,781
Current tax payables		-	97
Derivative financial liabilities	20	1,633	7,427
Total current liabilities		**423,041**	**125,409**
Total liabilities		**592,894**	**569,100**
Total shareholders' equity and liabilities		**933,131**	**969,510**

Notes to the financial statements are included on pages 18 to 44.

The financial statements were approved by the Board on 26 April 2017 and signed on its behalf by

Nic Limb
Director

Registration number 07727671

COMPANY STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

	Note	31 Dec 2016 US$'000	31 Dec 2015 US$'000
Assets			
Non-current assets			
Property, plant & equipment		3	124
Investments in subsidiaries	7	899,486	899,486
Other financial assets		55	-
Loans to related parties	10	56,651	63,904
Total non-current assets		**956,195**	**963,514**
Current assets			
Other current assets		2,038	1,996
Cash and cash equivalents		1,927	1,489
Total current assets		**3,965**	**3,485**
Total assets		**960,160**	**966,999**
Shareholders' equity and liabilities			
Share capital	14	329	329
Share premium	14	621,412	621,412
Accumulated losses		(171,067)	(134,309)
Total shareholders' equity		**450,674**	**487,432**
Liabilities			
Non-Current Liabilities			
Borrowings	17	156,409	439,882
Other non-current liabilities	18	17,320	34,138
Total non-current liabilities		**173,729**	**474,020**
Current liabilities			
Borrowings	17	330,357	535
Trade payables and other current liabilities	19	5,400	5,012
Total current liabilities		**335,757**	**5,547**
Total liabilities		**509,486**	**479,567**
Total shareholders' equity and liabilities		**960,160**	**966,999**

Notes to the financial statements are included on pages 18 to 44.

The financial statements were approved by the Board on 26 April 2017 and signed on its behalf by

Nic Limb
Director

Registration number 07727671

	Note	31 Dec 2016 US$'000	31 Dec 2015 US$'000
Operating activities			
Loss for the year		**(66,551)**	**(84,435)**
Elimination of non-cash and non-operating income and expenses:			
- Depreciation, amortisation and provision for impairment		36,824	47,094
- Deferred tax	31	530	(3,126)
- Loss on asset disposals	29	6,076	-
- Foreign exchange gains		(147)	(4,692)
Cash used in operating activities		**(23,268)**	**(45,159)**
Decrease in inventories		11,841	251
(Decrease)/Increase in trade receivables		5,569	(1,503)
Increase in trade payables		(13,828)	12,354
Change in other assets and liabilities		32,398	(5,137)
Amortisation of borrowing costs		5,863	2,316
Interest received		(6)	(2)
Tax paid		(102)	(1,614)
Net change in current operation assets and liabilities		**39,398**	**6,665**
Net cash generated by/(used) in operating activities		**18,467**	**(38,494)**
Cash flows from investing activities			
Payments for non-current assets		(23,003)	(51,783)
Proceeds from non-current asset disposals		2,810	-
Interest received		6	2
Change in other assets and liabilities		32	-
Net cash used in investing activities		**(20,155)**	**(51,781)**
Cash flows from financing activities			
Proceeds from borrowings		49,897	88,861
Repayment of borrowings		(39,733)	(8,253)
Net cash generated by financing activities		**10,164**	**80,608**
Net effect of cash held in foreign currency		(718)	3,919
Net increase/(decrease) in cash held		**7,758**	**(5,748)**
Opening cash and cash equivalents		**2,653**	**8,401**
Closing cash and cash equivalents	**13**	**10,411**	**2,653**

Notes to the financial statements are included on pages 18 to 44.

	Note	31 Dec 2016 US$'000	31 Dec 2015 US$'000
Operating activities			
Loss for the year		**(36,758)**	**(54,860)**
Elimination of non-cash and non-operating income and expenses:			
- Provision for impairment on non-current loans to related parties		(7,947)	22,757
- Depreciation and amortisation		121	121
- Foreign exchange gains		(209)	(3,346)
Cash used in operating activities		**(44,793)**	**(35,328)**
(Decrease)/increase in trade receivables		(1,044)	1,598
Increase in trade payables		1,177	929
Change in other assets and liabilities		12,332	7,449
Amortisation of borrowing costs		5,863	1,087
Interest received		-	(2)
Net change in current operation assets and liabilities		**18,328**	**11,061**
Net cash used in operating activities		**(26,465)**	**(24,267)**
Cash flows from investing activities			
Payments for non-current assets		-	2
Payments to subsidiaries		(1,300)	(3,530)
Net cash used in investing activities		**(1,300)**	**(3,528)**
Cash flows from financing activities			
Proceeds from borrowings		29,375	30,000
Payment of borrowing costs		(1,120)	(8,253)
Net cash generated by financing activities		**28,255**	**21,747**
Net effect of cash held in foreign currency		(52)	(79)
Net increase/(decrease) in cash held		**438**	**(6,127)**
Opening cash and cash equivalents		**1,489**	**7,616**
Closing cash and cash equivalents		**1,927**	**1,489**

Notes to the financial statements are included on pages 18 to 44.

	Number of shares	Share capital US$'000	Share premium US$'000	Cash flow hedging reserve US$'000	Foreign currency translation reserve US$'000	Retained earnings/ (Accumulated losses) 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 2015	**329,500**	**329**	**621,412**	**(2,156)**	**(26,949)**	**(81,152)**	**511,484**	**(9,258)**	**502,226**
Loss for the year ended 31 December 2015	-	-	-	-	-	(79,951)	(79,951)	(4,484)	(84,435)
Exchange differences on translation of foreign subsidiaries	-	-	-	629	(14,513)	-	(13,884)	(177)	(14,061)
Change in hedging instruments revaluation reserve	-	-	-	(3,320)	-	-	(3,320)	-	(3,320)
Other components of comprehensive loss	-	-	-	(2,691)	(14,513)	-	(17,204)	(177)	(17,381)
Total comprehensive loss	**-**	**-**	**-**	**(2,691)**	**(14,513)**	**(79,951)**	**(97,155)**	**(4,661)**	**(101,816)**
Shareholders' equity at 31 December 2015	**329,500**	**329**	**621,412**	**(4,847)**	**(41,462)**	**(161,103)**	**414,329**	**(13,919)**	**400,410**
Shareholders' equity at 1 January 2016	**329,500**	**329**	**621,412**	**(4,847)**	**(41,462)**	**(161,103)**	**414,329**	**(13,919)**	**400,410**
Loss for the year ended 31 December 2016	-	-	-	-	-	(64,189)	(64,189)	(2,362)	(66,551)
Exchange differences on translation of foreign subsidiaries	-	-	-	(221)	2,282	-	2,061	90	2,151
Change in hedging instruments revaluation reserve	-	-	-	4,227	-	-	4,227	-	4,227
Other components of comprehensive income	-	-	-	4,006	2,282	-	6,288	90	6,378
Total comprehensive income/(loss)	**-**	**-**	**-**	**4,006**	**2,282**	**(64,189)-**	**(57,901)**	**(2,272)**	**(60,173)**
Shareholders' equity at 31 December 2016	**329,500**	**329**	**621,412**	**(841)**	**(39,180)**	**(225,292)**	**356,428**	**(16,191)**	**340,237**

Notes to the financial statements are included on pages 18 to 44.

1. GENERAL INFORMATION

TiZir Limited (the Company) is a limited company incorporated in England & Wales. The parent entities of the Company are Eralloys Holding AS, a subsidiary of Eramet SA, and MDL (Mining) Limited, a subsidiary of Mineral Deposits Limited. 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.

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 2016.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Company adopted all the new and revised standard and interpretations issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretation Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2016. The adoption of these new and revised standards has not resulted in changes to the Company's accounting policies and has no material effect on the amounts reported for the current, prior or future years.

2.1 Standards, amendments and interpretations not yet effective and not applied

The IASB and IFRIC have issued the following standards and amendments or interpretations to existing standards that were not yet effective and not applied as at December 31, 2016. The company does not anticipate early adoption of these standards at this time.

Standard	Description	Impact	Effective Date[1]
Amendments to IAS 7, Statement of Cash Flows	Issued to improve the effectiveness of Issued to require a reconciliation of the opening and closing liabilities that form part of an entity's financing activities, including both changes arising from cash flows and non-cash changes.	The company is reviewing the standard to determine the potential impact.	January 1, 2017, applied prospectively.
Amendments to IAS 12, Income Taxes	Issued to clarify the requirements on recognition of deferred tax assets for unrealized losses on debt instruments measured at fair value.	The company is reviewing the standard to determine the potential impact, if any; however, no significant impact is anticipated.	January 1, 2017, applied retrospectively with certain practical expedients available.
IFRS 15, Revenue From Contracts With Customers	Issued to provide guidance on the recognition of revenue from contracts with customers, including multiple-element arrangements and transactions not previously addressed comprehensively, and enhance disclosures about revenue.	The company is reviewing the standard to determine the potential impact, if any.	January 1, 2018, Applied retrospectively with certain practical expedients available.
IFRS 9, Financial Instruments	Issued to replace IAS 39, providing guidance on the classification, measurement and disclosure of financial instruments and introducing a new hedge accounting model.	The company is reviewing the standard to determine the potential impact, if any.	January 1, 2018, Applied retrospectively with certain exceptions.
Amendments to IFRS 2, Share-Based Payment	Issued to provide clarification on the classification and measurement of share-based transactions. Specifically, accounting for cash-settled share-based transactions, share-based payment transactions with a net settlement feature and modifications of share-based payment transactions that change classification from cash-settled to equity-settled.	The company is reviewing the standard to determine the potential impact, if any.	January 1, 2018, with the option of retrospective or prospective application.

Standard	Description	Impact	Effective Date[1]
IFRS 16, Leases	Issued to supersede IAS 17, IFRIC 4, SIC-15 and SIC-27, providing the principles for the recognition, measurement, presentation and disclosure of leases. Lessees would be required to recognize assets and liabilities for the rights and obligations created by leases. Lessors would continue to classify leases using a similar approach to that of the superseded standards but with enhanced disclosure to improve information about a lessor's risk exposure, particularly to residual value risk.	The company is reviewing the standard to determine the potential impact.	January 1, 2019, Applied retrospectively with certain practical expedients available.

[1] Effective date for annual periods beginning on or after the stated date.

These Standards and Interpretations will be first applied in the financial report of the Group that relates to the annual reporting period beginning after the effective date of each pronouncement.

The directors anticipate that the adoption of these Standards and Interpretations will have no material financial impact on the financial statements of the Company or the Group.

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 Company is looking at possibilities to establish a loan facility to refinance fully the existing senior secured bonds with maturity in September 2017 and is in discussions to establish a loan syndicate. The Directors have reason to be confident about successfully being able to refinance and based on current information available the directors are satisfied that the necessary financing will be available at the maturity of the existing senior secured bonds and that the group will have sufficient resources to continue in operation for the foreseeable future, being a period of not less than 12 months from the date of approval of the consolidated financial statements. Accordingly, they continue to adopt the going concern basis in preparing the consolidated financial statements.

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

4. USE OF ESTIMATES AND JUDGEMENTS

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

The group assesses each cash-generating unit annually to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's-length transaction between knowledgeable and willing parties. Fair value for mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal and decommissioning, using assumptions that an independent market participant may take into account. Cash flows are discounted by an appropriate discount rate to determine the net present value. Management has assessed its cash-generating units as being an individual mine site or operating segment, which is the lowest level for which cash flows are largely independent of other assets.

4.2 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.

4.3 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 16.

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 consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company (and its subsidiaries). Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expense of subsidiaries acquired or disposed of during the year are included in the consolidated Statement of Profit and Loss and Other Comprehensive Income from the effective date the Company gains control until the date when the Company ceases to control the subsidiary.

Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

A list of subsidiaries is contained in Note 7 to the financial statements. All controlled entities have a December financial year-end. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the group's ownership interests in subsidiaries that do not result in the group losing control are accounted for as equity transactions. The carrying amounts of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 'Financial Instruments: Recognition and Measurement' or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

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.

6.2 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 30), 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".

6.3 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.

6.4 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.

6.5 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".

6.6 "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.

6.7 Intangible assets

Intangible assets are measured at acquisition cost or, in the case of contracts with suppliers acquired through a business combination, fair value on the date of acquisition. Computer software is amortised over a variable period not exceeding five years.

Amortisation is charged to the statement of profit or loss on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each statement of financial position date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Other intangible assets 2 – 20 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.

6.8 Mining convention costs and mine development expenditure

The costs for acquiring mine are capitalised on the statements of financial position as incurred. Capitalised costs representing mine development costs include costs incurred to bring the mining assets to a condition of being capable of operating as intended by management. Mining convention costs and capitalised mine development costs are depreciated from the commencement of production using generally the unit of production basis.

6.9 Property, plant, and equipment

Items of property, plant and equipment are recognised in the balance sheet at acquisition or production cost. Items of property, plant and equipment are depreciated on a straight-line basis or units of usage method 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
- Land is not depreciated.
- Other 5 – 20 years

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.

6.10 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.

6.11 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purchase of giving immediate financial support to the Group with no future costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government grant at below-market rate of interest is treated as a government grant, measure as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

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 two major business lines: mineral sands and titanium & iron.

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 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 Financial assets

Financial assets are classified, at initial recognition, as loans and receivables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Under IFRS 7, the Company's loans, trade and other receivables are categorised as "Loans and receivables" as they are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The valuation method for this category of financial asset is "amortised cost", less any impairment provision. For all current receivables "amortised cost" is effectively cost.

The carrying values of the Company's financial assets are reviewed throughout the year to determine whether there is any indication of impairment. If any such indication exists, an impairment loss is recognised to reduce the asset's carrying value to the estimated recoverable amount. For receivables, this review is based on the latest information available and any financial assets that are substantially past due are also considered for impairment. Any change in the value of financial assets is recognised in the statement of profit or loss line item "finance costs" or "finance income", as appropriate.

6.17 Financial liabilities

Financial liabilities are classified, at initial recognition, as loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company's financial liabilities include borrowings, trade and other payables, which are measured at "amortised cost". For all current payables "amortised cost" is effectively cost.

Financial liabilities are recognised when the Company becomes a party to the contractual terms of the instrument. All interest-related charges, and if applicable, changes in an instrument's fair value are reported in the statement of profit or loss line item "finance costs" or "finance income", as appropriate.

6.18 Derivative financial instruments and hedge accounting

The Company uses derivative financial instruments, such as forward currency contracts, to manage its exposure to its exchange rate risks. Such derivative financial instruments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and strategy for undertaking various hedge transactions. In addition, at the inception of the hedge and on an on-going basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

The effective portion of changes in the fair value of such hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is recognised in "Other operating gains and losses".

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the line "Other finance income and expenses". However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in the other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

6.19 Provisions

A provision is recognised in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation, but the timing or the amount of the outflow may still be uncertain. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money, and where appropriate, the risks specific to the liability.

6.20 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the statement of profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the statement of financial position date, plus or minus any adjustment to tax payable in respect of previous years.

6.21 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.

6.22 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 16).

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 16).

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.

6.23 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 22).
- Other income includes other revenue assigned to current operating profit/(loss) (Note 22) such as translation adjustments on sales, capitalised production, lease income, operating subsidies and insurance compensations 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.

6.24 EBITDA, current operating profit/(loss) (EBIT) 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), insurance compensation, 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 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; and
- capital gains/losses or impairment losses on assets.

6.25 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.

6.26 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).

7. CONSOLIDATION SCOPE

At 31 December 2016, 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 2016	31 Dec 2015
TiZir Limited	England & Wales	Consolidation	-	-
Subsidiaries of TiZir Limited:				
- TiZir Titanium & Iron AS	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 non-controlling interest in Grande Cote Operations SA is not considered material for the purposes of IFRS 12 and as such disclosures required under this standard have not been included. No dividends were paid to non-controlling interests during the year.

The Company has pledged its 100% interest in TiZir Titanium & Iron AS and TiZir Mauritius Limited as security over the US$275.0 million bond issued by the Company on 29 September 2011 and on 23 May 2014. See Note 17 for further details.

The Company continues to provide the necessary financial support to enable TiZir Mauritius Limited to meet its current and future obligations as they fall due for the foreseeable future (see note 10).

Shares in subsidiaries

	Cost US$'000	Impairment provisions US$'000	Net book value US$'000
Balance at 31 December 2015 / 31 December 2016	899,486	-	899,486

	Net book value 31 Dec 2016 US$'000	Net book value 31 Dec 2015 US$'000
Represented by		
Investment in TiZir Mauritius Limited	757,191	757,191
Investment in TiZir Titanium & Iron AS	142,295	142,295
At end of the period	**899,486**	**899,486**

8. INTANGIBLE ASSETS

	Gross Value US$'000	Amortisation US$'000	Impairment US$'000	Net value 31 Dec 2016 US$'000	Net value 31 Dec 2015 US$'000
By category					
Capitalised mining convention costs	111,832	(1,077)	(108,400)	2,355	2,427
Mine development expenditure	51,590	(3,222)	(14,495)	33,873	34,850
Other intangible assets	62,088	(46,590)	-	15,498	18,111
Total	**225,510**	**(50,889)**	**(122,895)**	**51,726**	**55,388**
Changes over the period					
At beginning of the period				55,388	69,904
Capital expenditure during the period				2,055	1,478
Disposals during the period				(2,925)	-
Amortisation expenses during the period				(2,860)	(3,178)
Impairment during the period				-	(12,600)
Translation adjustments				68	(216)
At end of the period				**51,726**	**55,388**

The table below outlines the impact of the impairment loss on the individual assets within the Company:

	31 Dec 2016 US$'000	31 Dec 2015 US$'000
Allocation of impairment loss		
Mine development expenditure	-	12,600
Total impairment loss	-	12,600

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

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.

9. PROPERTY, PLANT AND EQUIPMENT

	Gross Value US$'000	Depreciation US$'000	Net value 31 Dec 2016 US$'000	Net value 31 Dec 2015 US$'000
By category				
Land and buildings	49,758	(2,559)	47,199	42,013
Industrial and mining facilities	811,106	(83,947)	727,159	771,818
Other property, plant & equipment	39,359	(24,214)	15,145	4
Work in progress	7,497	-	7,497	8
Total	**907,720**	**(110,720)**	**797,000**	**813,843**
Changes over the period				
At beginning of the period			813,843	802,129
Capital expenditure during the period			20,948	51,784
Disposals during the period			(5,921)	-
Depreciation expenses during the period			(33,859)	(31,316)
Translation adjustments and other movements			1,989	(8,754)
At end of the period			**797,000**	**813,843**

There were no impairment losses recognized in relation to property, plant & equipment of the Group for the year ended 31 December 2016 (2015 - Nil).

Land and buildings include non-depreciating freehold land amounting to US$15.5 million (2015 – US$15.5 million).

10. LOANS TO RELATED PARTIES

	31 Dec 2016 US$'000	31 Dec 2015 US$'000
Non-current intercompany loans from parent entity		
Loans to Grande Cote Operations SA (i)	148,801	161,801
Loans to Tizir Mauritius Limited (ii)	56,651	58,851
Allowance for doubtful debt (iii)	(148,801)	(156,748)
Total	**56,651**	**63,904**

(i) During the year, the Company received $13,000,000 loan repayment from Grande Cote Operations SA;

(ii) During the year, the Company received $2,200,000 (2015 – advanced $7,030,000) from TiZir Mauritius Limited as repayment of monies provided as part of its continued support of the Grande Cote Mineral Sands Operation in Senegal.

(iii) An impairment review of the Company's cash-generating units was completed at 31 December 2015 which resulted in an additional impairment of the loan advanced to Grande Cote Operations SA of $22,757,607) which was recognised due to the asset values recognised within the stand-alone parent entity balance sheet being in excess of the present value of cash flows expected to be realised from its investment in TiZir Mauritius Limited (and its 90% interest in Grande Cote Operations SA). No further impairment was recognised during the current reporting period.

During the year ended 31 December 2016, the Company received $13,000,000 in loan repayments from Grande Cote Operations SA. As such, the Company has recognised an impairment reversal of $7,947,000 against the allowance for doubtful debt for the year ended 31 December 2016 to reflect the reduction in the allowance to the underlying loan balance.

The above intercompany loans are eliminated on consolidation and therefore do not appear in the consolidated statement of financial position.

11. INVENTORIES

	31 Dec 2016 US$'000	31 Dec 2015 US$'000
By category		
Raw materials	9,081	7,425
Merchandise and finished products	6,702	16,130
Work in progress and semi-finished products	3,984	7,307
Consumables and spare parts	27,971	28,073
Total	**47,738**	**58,935**
Changes over the period		
At beginning of the period	58,935	63,768
Changes in working capital requirement	(11,841)	(251)
Translation adjustments and other movements	644	(4,582)
At end of the period	**47,738**	**58,935**

There was no inventory allowance for slow-moving inventory, excess of cost over net realizable value and obsolescence for the year (2015 – Nil). As such there are no inventories held at fair value less costs to sell.

12. TRADE AND OTHER RECEIVABLES

	31 Dec 2016 US$'000	31 Dec 2015 US$'000
By category		
Trade receivables	23,334	27,696
Payroll and tax receivables	570	5,207
Prepayments	957	4,809
Other operating receivables	952	887
Total	**25,813**	**38,599**
Represented in the statement of financial position as:		
- Current assets	25,811	38,399
- Non-current assets	2	200
Changes over the period		
At beginning of the period	38,599	31,921
Changes in working capital requirement	(12,431)	9,866
Translation adjustments and other movements	(355)	(3,188)
At end of the period	**25,813**	**38,599**

Trade receivables past due as at the reporting date were not considered impaired and therefore no provision or credit issues in relation to these receivables (2015: Nil).

The age of financial assets past due but not impaired is as follows:

	31 Dec 2016 US$'000	31 Dec 2015 US$'000
Not more than 3 months	**188**	**78**

The total balance outlined as overdue above were received shortly after balance date for both the current and comparative period.

13. CASH AND CASH EQUIVALENTS

	31 Dec 2016 US$'000	31 Dec 2015 US$'000
By category		
Cash	**10,411**	**2,653**

Cash includes 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 had $66.8 million (2015: US$36.4 million) available as unutilized borrowings with financial institutions and the joint venture sponsors, subject to satisfactory fulfilment of facility conditions.

14. SHAREHOLDERS' EQUITY

The share capital is comprised of 329,500 ordinary shares broken down between Eralloys Holding AS as 50% and MDL (Mining) Limited as 50%.

During the year the company issued no ordinary shares.

	31 Dec 2016 US$'000	31 Dec 2015 US$'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
Balance at 31 December 2016	**329**	**329**	**621,412**

There were no movements in ordinary share capital of the Company in the current reporting period.

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 31 December 2016 is equal to the amount of shares allotted to date.

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 2016.

15. ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

	% of non-controlling interests	31 Dec 2016 Profit/(loss) US$'000	31 Dec 2016 Net value US$'000	31 Dec 2015 Net value US$'000
Grande Côte Operations SA	10	**(2,362)**	**(16,191)**	**(13,919)**

	31 Dec 2016	31 Dec 2015
Changes over the period		
At beginning of the period	(13,919)	(9,258)
Loss for the year	(2,362)	(4,484)
Translation adjustments	90	(177)
At end of the period	**(16,191)**	**(13,919)**

16. DEFERRED TAX

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

	31 Dec 2016 US$'000	31 Dec 2015 US$'000
Difference between tax and consolidated amounts of non-current assets	5,143	6,098
Other temporary differences	3,599	4,195
Deferred tax liabilities	**8,742**	**10,293**
Tax losses	-	(3,702)
Hedging instruments	(392)	(1,683)
Other temporary differences	(2,713)	(1,099)
Deferred tax assets	**(3,105)**	**(6,484)**
Net deferred tax liabilities	**5,637**	**3,809**

Changes over the period:

	Liabilities US'000	Assets US$'000	31 Dec 2016 US$'000	31 Dec 2015 US$'000
At beginning of period	10,293	(6,484)	3,809	7,907
Deferred tax offset in shareholders' equity	-	1,264	1,264	(1,040)
Deferred tax on profit for the year	(1,685)	2,215	530	(3,126)
Translation adjustments	134	(100)	34	68
Total	**8,742**	**(3,105)**	**5,637**	**3,809**
Net deferred tax after offsetting by tax entity:				
Deferred tax assets			**(3,105)**	(6,484)
Deferred tax liabilities			**8,742**	10,293
Net deferred tax liability			**5,637**	**3,809**

17. BORROWINGS

Consolidated	31 Dec 2016 US$'000	31 Dec 2015 US$'000
Current		
Bonds (i)	275,000	-
Bonds – borrowing costs at amortised cost (i)	(4,601)	(5,787)
Accrued interest payable	6,427	6,322
Operating lines of credit (ii)	37,858	63,569
Subordinated loans from related parties (iii)	53,531	-
	368,215	**64,104**
Non-current		
Bonds (i)	-	275,000
Bonds – borrowing costs at amortised cost (i)	-	(4,347)
Operating lines of credit (ii)	7,700	-
Subordinated loans from related parties (iii)	156,409	169,229
	164,109	**439,882**

Company	31 Dec 2016 US$'000	31 Dec 2015 US$'000
Current		
Bonds (i)	275,000	-
Bonds – borrowing costs at amortised cost (i)	(4,601)	(5,787)
Accrued interest payable	6,427	6,322
Subordinated loans from related parties (iii)	53,531	-
	330,357	**535**
Non-current		
Bonds (i)	-	275,000
Bonds – borrowing costs at amortised cost (i)	-	(4,347)
Subordinated loans from related parties (iii)	156,409	169,229
	156,409	**439,882**

(i) The total of corporate bonds issued by the Company on 29 September 2012 and 23 May 2014 with a face value of $275 million is secured by the Company's 100% interest in both TiZir Titanium & Iron and TiZir Mauritius Limited and matures on 28 September 2017. In addition, TiZir Titanium & Iron has provided an on-demand guarantee in favour of Nordic Trustee, on behalf of the bondholders, for the full loan amount including any interest costs and expenses.

Amendments to the terms of the bonds were approved at a meeting of bondholders held on 10 December 2015 as follows:

- 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 (if required) for the payment of interest up until maturity of the bond, underwritten by ERAMET.

Interest charged on the bonds for the year ended 31 December 2016 was $24.9 million (2015 - $24.7 million).

(ii) Operating lines of credit are secured by stocks and receivables held at Grande Cote Operations and TiZir Titanium & Iron.

(iii) As part of the agreement to establish the joint venture on 1 October 2011, Eramet SA agreed to provide a $45.0 million subordinated loan facility, which was contributed during the 2013 year. Interest on the subordinate loan facility is accrued at LIBOR 6 months plus five per cent. For the year ended 31 December 2016, interest of $3.0 million (2015 - $2.6 million) accrued on this facility.

During the year ended 31 December 2013, the Group entered into two $40 million sub-ordinated loan agreements with Mineral Deposits Limited and ERAMET SA. These loans are interest bearing at a rate of LIBOR plus five percent. For the year ended 31 December 2016, interest of $5.1 million (2015 – $4.5 million) accrued on these facilities. The interest was recognised as an expense in the statement of profit and loss and other comprehensive income.

During the year ended 31 December 2015, the Company entered into two new subordinate loan agreements with Mineral Deposits Limited and ERAMET SA as follows:

- $25 million ($12.5 million each) subordinate loan agreement dated 21 September 2015. These loans are interest bearing at a rate of LIBOR plus five per cent. For the year ended 31 December 2016, interest of $1.4 million (2015: $0.39 million) accrued on this facility. The interest was recognised as an expense in the statement of profit and loss and other comprehensive income; and

- $6.0 million ($3.0 million each) subordinate loan agreement dated 22 December 2015. These loans are interest bearing at rate of LIBOR plus seven per cent. For the year ended 31 December 2016, interest of $0.4 million accrued on this facility (2015: $nil);

During the current period, the Company entered into two new subordinated loan agreements with Mineral Deposits Limited and ERAMET SA as follows:

- $3.6 million ($1.8 million each) subordinated loan agreement dated 6 April 2016. This loan is interest bearing at a rate of LIBOR (three month) plus seven percent. For the year ended 31 December 2016, interest of $0.2 million accrued on this facility. The interest was recognized as an expense in the statement of profit and loss and other comprehensive income; and
- $60 million ($30 million each) subordinated loan agreement dated 6 July 2016. This loan is interest bearing at a rate of LIBOR (three month) plus seven percent. The Company received $24.6 million ($12.3 million each) under the terms of this agreement in March and September 2016 respectively. For the year ended 31 December 2016, interest of $1.0 million accrued on this facility. The interest was recognized as an expense in the statement of profit and loss and other comprehensive income.

Under the terms of the respective subordinate loan agreements, no repayment of the loans may be made unless the Corporate Bonds issued by TiZir on 29 September 2012 and 23 May 2014 are fully repaid.

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

	Consolidated		Company	
	31 Dec 2016 US$'000	31 Dec 2015 US$'000	31 Dec 2016 US$'000	31 Dec 2015 US$'000
By maturity				
Less than one year	368,215	98,683	330,357	535
One to five years	164,109	405,303	156,409	439,882
	532,324	**503,986**	**486,766**	**440,417**
By interest rate				
Fixed interest rates				
- Under 5.0%	6,417	-	-	-
- Over 5.0%	284,526	271,188	276,826	271,188
	290,943	**271,188**	**276,826**	**271,188**
Variable interest rate				
- Under 5.0%	31,441	63,569	-	-
- Over 5.0%	209,940	169,229	209,940	169,229
	241,381	**232,798**	**209,940**	**169,229**
	532,324	**503,986**	**486,766**	**440,417**

18. OTHER NON-CURRENT LIABILITIES

Company	**31 Dec 2016 US$'000**	**31 Dec 2015 US$'000**
Advance from Tizir Titanium & Iron AS	**17,320**	**34,138**

Advances from TiZir Titanium & Iron AS relate to group cash pooling for funding of Grande Côte Mineral Sands Project.

19. TRADE AND OTHER PAYABLES

	31 Dec 2016 US$'000	31 Dec 2015 US$'000
Consolidated		
By category		
Trade payables	29,840	47,570
Tax and payroll liabilities	11,499	4,077
Other operating liabilities	11,854	2,134
	53,193	**53,781**
Changes over the period		
At beginning of the period	53,781	41,322
Changes in working capital requirement	484	9,721
Translation adjustments and other movements	(1,072)	2,738
At end of the period	**53,193**	**53,781**

	31 Dec 2016 US$'000	31 Dec 2015 US$'000
Company		
By category		
Trade payables	5,251	4,854
Tax and payroll liabilities	147	158
Other operating liabilities	2	-
	5,400	**5,012**
Changes over the period		
At beginning of the period	5,012	4,854
Changes in working capital requirement	388	158
Translation adjustments and other movements	-	-
At end of the period	**5,400**	**5,012**

All trade and other payables are short term and the carrying values are considered to be a reasonable approximation of fair value.

20. DERIVATIVE FINANCIAL LIABILITIES

	31 Dec 2016 US$'000	31 Dec 2015 US$'000
By category		
Financial instrument asset/liabilities	772	(965)
Financial instruments – currency hedges	(2,405)	(6,462)
	(1,633)	**(7,427)**
Changes over the period		
At beginning of the period	(7,427)	(2,984)
Changes in hedging instruments for the period – shareholders' equity (i)	5,635	(4,354)
Changes in financial instrument assets (ii)	(171)	(1,029)
Translation adjustments	330	940
At end of the period	**(1,633)**	**(7,427)**

(i) 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.

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

21. FINANCIAL INSTRUMENTS

a) Capital management policies and procedures

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Company's goal in capital management is to maintain a total equity ratio (being the ratio of equity to total assets) of more than 35%. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Company monitors capital on the basis of the carrying amount of equity, compared to total assets. Capital for the reporting periods under review is summarised as follows:

	31 Dec 2016 US$'000	31 Dec 2015 US$'000
Total equity	340,237	400,410
Total assets	933,131	969,510
Total equity ratio	**36.5%**	**41.3%**

b) Categories of financial instruments

	31 Dec 2016 US$'000	31 Dec 2015 US$'000
Financial assets		
Cash and cash equivalents	10,411	2,653
Trade receivables and other current assets	24,854	33,591
Other non-current assets	2	200
Other non-current financial assets	443	91
Total	**35,710**	**36,535**
Financial liabilities		
Trade and other payables	53,193	53,781
Borrowings	532,324	503,986
Derivative financial liabilities	1,633	7,427
Total	**587,150**	**565,194**

c) Exchange rate risk

Some of the Company's sales and purchases are acquired from overseas suppliers and are denominated in Norwegian Kroner (NOK), Euro (EUR), Great British Pounds (GBP), Australian Dollar (AUD) and West African CFA Franc (XOF). Any funding of foreign currency or hedging required is dealt with by the group's treasury function, in conjunction with local management.

Foreign currency denominated financial assets and liabilities, translated into dollars at the closing rate, are as follows.

	NOK US$'000	EUR US$'000	GBP US$'000	AUD US$'000	XOF US$'000
31 Dec 2016					
Financial assets	682	307	225	14	4,815
Financial liabilities	25,268	(10,040)	(408)	-	(24,035)
	25,950	(9,733)	(183)	14	(19,220)
31 Dec 2015					
Financial assets	9,481	689	308	125	1,532
Financial liabilities	(20,612)	(2,319)	(326)	(65)	(46,888)
	(11,131)	(1,630)	(18)	60	(45,356)

The following tables illustrate the sensitivity of the net result for the year and equity with regard to the Company's financial assets and liabilities and the prevailing exchange rates at balance date for the relevant currencies outlined above.

The tables assume a 5% change of the exchange rates for the year ended at 31 December 2015 (2014 – 5%). These percentages have been determined based on the average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the Company's foreign currency financial instruments held at each statement of financial position date.

If the United States Dollar had strengthened against the abovementioned currencies by 5% (2015– 5%), this would have had the following impact:

	NOK US$'000	EUR US$'000	GBP US$'000	AUD US$'000	XOF US$'000
31 Dec 2016					
Net result for year and impact on equity	1,298	(487)	(9)	1	(961)
31 Dec 2015					
Net result for year and impact on equity	(557)	(81)	(1)	3	(2,268)

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

d) Interest rate risk

The Group is exposed to changes in market interest rates relating to its bank balances and external credit facilities with both bondholders and shareholders which are subject to variable interest rates as detailed in Note 17.

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.

The following table illustrates the sensitivity of the net result for the year to a reasonably possible change in interest rates of +/-0.5% (2015: +/-0.5%), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Company's financial instruments held at each statement of financial position date. All other variables are held constant. If interest rates had been higher/lower by 0.5%, the impact to the net result for the year would be have an equal and opposite effect:

	2016		2015	
Consolidated	+0.5% US$'000	-0.5% US$'000	+0.5% US$'000	-0.5% US$'000
Net result for the year	(1,207)	1,207	(1,163)	1,163
Company				
Net result for the year	(2,520)	2,520	(1,017)	1,017

e) Fair value of financial instruments

The Company's investments in group undertakings, which are measured at cost in the financial statements, are not included as the fair value of the equity investment cannot be reliably measured.

Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair value.

f) 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 the customers outlined in note 23, the Group does not have significant credit risk exposure to a single counterparty. Concentration of credit risk related to the customers outlined in note 24 did not exceed 20% of gross monetary assets at any time during the year. Concentration of credit risk to any other counterparty did not exceed 5% of gross monetary assets at any time during the year.

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

g) 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.

Liquidity and interest risk tables

The following tables detail the Company's and the Group's remaining contractual maturity for their non-derivative financial assets and liabilities. The tables have been drawn up based on the cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Due on demand US$'000	Due one to three months US$'000	Due three months to one year US$'000	Due one to five years US$'000	Total US$'000
Consolidated						
31 Dec 2016						
Financial Liabilities						
Fixed interest rate	9.0	-	-	290,943	-	290,943
Variable interest rate	-	-	-	77,272	164,109	241,381
Non-interest bearing	-	8,736	32,017	14,073	-	54,826
		8,736	32,017	382,288	164,109	587,150
Consolidated						
31 Dec 2015						
Financial Liabilities						
Fixed interest rate	9.0	-	24,959	-	207,839	232,798
Variable interest rate	-	-	535	-	270,652	271,187
Non-interest bearing	-	1,608	39,542	9,511	10,548	61,209
		1,608	65,036	9,511	489,039	565,194
Consolidated						
31 Dec 2016						
Financial Assets						
Variable interest rate	-	16	-	-	-	16
Non-interest bearing	-	10,842	20,413	839	-	35,694
		10,858	20,413	839	-	35,710
Consolidated						
31 Dec 2015						
Financial Assets						
Variable interest rate	-	5	-	-	200	205
Non-interest bearing	-	3,165	32,116	349	622	36,252
		3,170	32,116	349	822	36,457

22. SALES AND OTHER INCOME

	31 Dec 2016 US$'000	31 Dec 2015 US$'000
Sales		
Sale of goods	**160,594**	**168,951**
Other income		
Exchange differences on sales	(4,570)	(2,621)
Other operating income	2,465	2,180
Insurance reimbursement	27,824	-
Total	**25,719**	**(441)**

23. SEGMENT REPORTING

The Group's operating segments reflect the approach of the directors of the Company towards evaluating the financial performance and allocating resources to the Group's operations. The directors of the Company have been identified as the chief operating decision making group.

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

- Upgraded ilmenite products
- Extracted mineral sands products

Revenues and profit by segment

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

	Segment Revenue		Segment Profit/(Loss)	
	31 Dec 2016 US$'000	**31 Dec 2015 US$'000**	**31 Dec 2016 US$'000**	**31 Dec 2015 US$'000**
Upgraded ilmenite products	75,820	86,963	1,338	(6,619)
Extracted mineral sands products	84,774	81,988	(21,333)	(31,660)
Total	**160,594**	**168,951**	**(19,995)**	**(38,279)**
Administration costs			(2,796)	(1,976)
Other finance expenses			(41,789)	(29,909)
Unallocated depreciation and amortisation of non-current assets			(121)	(121)
Impairment of mineral rights and mine development expenditure			-	(12,600)
Amortisation of non-current assets recognized on acquisition			(2,720)	(2,720)
Income tax on amortisation of non-current assets recognized on acquisition			870	1,170
Total			**(66,551)**	**(84,435)**

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 inter-segment sales of $15.7 million during the year ended 31 December 2016 and have been eliminated on consolidation and therefore not included in the above segment analysis (2015 – $4.5 million).

Segment profit/(loss) represent the profit/(loss) 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 amortisation 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 profit also includes insurance compensations received.

Segment assets and liabilities

	31 Dec 2016 US$'000	**31 Dec 2015 US$'000**
Segment assets		
Upgraded ilmenite products	86,330	102,305
Extracted mineral sands products	812,512	829,263
Total segment assets	**898,842**	**931,568**
Unallocated	34,289	37,942
Total consolidated assets	**933,131**	**969,510**
Segment liabilities		
Upgraded ilmenite products	26,911	70,571
Extracted mineral sands products	69,248	47,661
Total segment liabilities	**96,159**	**118,232**
Unallocated	496,735	450,868
Total consolidated liabilities	**592,894**	**569,100**

There was no impairment loss recognised during the year ended 31 December 2016 (2015 – US$12.6 million). The impairment has been applied against assets in the unallocated segment as assets recognised on acquisition (such as mining convention costs) have not been allocated to reportable segments so as to enable chief operating decision makers of the Group to assess segment performance and resource allocation on the basis of assets that are directly attributable to individual segment operations.

Other segment information

	Depreciation & amortisation		Additions to non-current assets(i)	
	31 Dec 2016 US$'000	31 Dec 2015 US$'000	31 Dec 2016 US$'000	31 Dec 2015 US$'000
Upgraded ilmenite products	8,051	6,954	16,603	45,666
Extracted mineral sands products	25,827	24,699	6,400	6,117
Unallocated	2,841	2,841	-	-
Total	**36,719**	**34,494**	**23,003**	**51,783**

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

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(i)	
	31 Dec 2016 US$'000	31 Dec 2015 US$'000	31 Dec 2016 US$'000	31 Dec 2015 US$'000
Norway	75,820	86,963	67,331	66,100
Senegal	84,774	81,988	749,310	767,765
Mauritius	-	-	204	200
United Kingdom	-	-	32,326	35,458
Total	**160,594**	**168,951**	**849,171**	**869,523**

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

Information about major customers

Revenue for the year ended 31 December 2016 of $160.6 million includes revenue of $28.5 million (2015 – US$168.9) which arose from sales to the Group's largest customers (2015 – $27.5 groups largest customers). Each individual customer accounted for more than 10% of total sales. There were no other individual customers who contributed 10% or more to the Group's revenue for 2016 and 2015.

24. SALES BY GEOGRAPHICAL LOCATION

	31 Dec 2016 US$'000	31 Dec 2015 US$'000
Eurozone	74,369	86,271
Other European countries	1,834	17,150
South America	6,924	9,831
China	27,725	15,035
North America	33,181	24,853
Other	16,561	15,811
Total	**160,594**	**168,951**

25. EMPLOYMENT COSTS

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	31 Dec 2016 No.	31 Dec 2015 No.
Production	638	378
Administration	178	125
Development	4	11
Total	820	514

Administration employees include executive management, finance, information technology, occupational health and safety, quality assurance, human resources and social and community developments employees.

	31 Dec 2016 US$'000	31 Dec 2015 US$'000
Wages and salaries	37,136	31,074
Social security costs	1,890	1,789
Pension Costs	1,329	1,018
Other costs	748	-
Total	41,103	34,675

The average number of employees during the year was 820 (2015 – 514).

All employment costs of the TiZir Group were recognised in the Statement of Profit or Loss and Other Comprehensive Income.

26. AUDIT REMUNERATION

The company's audit remuneration for the year was US$78,957 (2015 – US$93,605).

The consolidated audit remuneration for the year was US$195,630 (2015 – US$204,968).

27. DEPRECIATION, AMORTISATION OF NON-CURRENT ASSETS

	31 Dec 2016 US$'000	31 Dec 2015 US$'000
Intangible assets (Note 8)	(2,860)	(3,178)
Property, plant & equipment (Note 9)	(33,859)	(31,316)
Total	**(36,719)**	**(34,494)**
Represented in the statement of profit or loss and other comprehensive income as:		
Amortisation and depreciation of non-current assets	(33,999)	(31,774)
Amortisation of assets recognized on acquisition	(2,720)	(2,720)
Total	**(36,719)**	**(34,494)**

28. OPERATING ALLOWANCES FOR LOSSES

	31 Dec 2016 US$'000	31 Dec 2015 US$'000
Provisions & other obligations	**(105)**	**-**

29. OTHER OPERATING EXPENSES

	31 Dec 2016 US$'000	31 Dec 2015 US$'000
Impairment of assets	-	(12,600))
Loss on asset disposals	(6,076)	-
Other items	(943)	-
Total	**(7,019)**	**(12,600)**

30. NET BORROWING COST AND OTHER FINANCIAL ITEMS

	31 Dec 2016 US$'000	31 Dec 2015 US$'000
Net borrowing costs		
Interest income	-	13
Interest expense – operating line of credit	(3,850)	(1,368)
Interest expense – subordinated loans from related parties	(11,336)	(7,537)
Interest expense – secured bond	(24,856)	(24,645)
Amortisation of borrowing costs	(5,863)	(1,088)
Total	**(45,905)**	**(34,625)**

	31 Dec 2016 US$'000	31 Dec 2015 US$'000
Other financial income and expenses		
Losses on hedging terminated		-
Net translation adjustments	(156)	967
Other	(252)	(10)
Total	**(408)**	**957**

31. INCOME TAX

	31 Dec 2016 US$'000	31 Dec 2015 US$'000
Current tax expense	(4)	(105)
Deferred tax credit	(530)	3,126
Total	**(534)**	**3,021**

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

	31 Dec 2016 US$'000	31 Dec 2015 US$'000
Operating loss	(19,704)	(53,788)
Net borrowing costs	(45,905)	(34,625)
Other financial income and expenses	(408)	957
Pre-tax loss for the period of the consolidated entity	**(66,017)**	**(87,456)**
Standard tax rate in United Kingdom	20.25%	20.25%
Theoretical tax credit	**13,368**	**17,710**
Impact on theoretical tax of:		
- permanent differences between accounting and taxable profit	(14,000)	(15,787)
- standard tax differences in foreign countries	(113)	673
- miscellaneous items	211	425
Annual tax credit/(charge)	**(534)**	**3,021**
Effective tax rate	**(0.81%)**	**3.45%**
Income tax on the other components of comprehensive income		
Change in financial revaluation reserve for hedging financial instruments	**(1,264)**	**995**

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

32. EARNINGS PER SHARE

	31 Dec 2016 US$'000	31 Dec 2015 US$'000
Basic and Diluted earnings per share	**(195,10)**	**(243.01)**

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

	31 Dec 2016 US$'000	31 Dec 2015 US$'000
Loss for the year attributable to owners of the company	(64,189)	(79,951)
Earnings used in the calculation of basic and diluted earnings per share	**(64,189)**	**(79,951)**
Weighted average number of ordinary share for the purpose of basic and diluted EPS ('000)	**329**	**329**

There were no outstanding share options as at 31 December 2016 (2015: Nil).

33. FINANCIAL COMMITMENTS

In 2015, the Company entered into discussion with its bondholders in respect of potential amendments to the terms of the senior secured bonds maturing in September 2017. These amendments were approved at a meeting of bondholders on 10 December 2015. A key part of these amendments was the introduction of a $60 million committed facility available to TiZir by its shareholders for the payment of interest (if required) up until maturity of the bond.

In accordance with the above, $24.75 million was advanced to TiZir Limited by its shareholders under the terms of the committed facility in order to fund interest payments of the joint venture. As such, the remaining commitment of the shareholders to the $60 million committed facility at 31 December 2016 is $35.25 million. The shareholders are committed to meeting their obligations in relation to this facility.

Tizir Titanium & Iron has provided a guarantee which is described in Note 17.

The Group faces future liabilities in respect of the Grande Côte Mineral Sands Project and has agreed that the following amounts will become 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.

Other than the above, there are no other further outstanding commitments as at 31 December 2016.

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.

Loans between the Company and its related parties

	31 Dec 2016 US$'000	31 Dec 2015 US$'000
Subordinated loans – joint venture sponsors		
ERAMET SA	131,714	109,848
Mineral Deposits Limited	78,226	59,381
	209,940	**169,229**
Changes over period:		
At beginning of the period	169,229	131,692
Contributions received during period	29,375	30,000
Accrued interest payable	11,336	7,537
At end of period	**209,940**	**169,229**

Loan transactions with related parties

(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 year ended 31 December 2013. Interest on subordinate loan facility is accrued at LIBOR 6 months plus five percent. For the year ended 31 December 2016, interest of US$3,021,790 (2015 – US$2,629,520) accrued on this facility. The interest was recognised as an expense in the statement of profit and loss and other comprehensive income as outline in Note 30.

(ii) During the year ended 31 December 2013, the Group entered into two $40 million sub-ordinated loan agreements with Mineral Deposits Limited and ERAMET SA. These loans are interest bearing at a rate of LIBOR plus five percent. For the year ended 31 December 2016, interest of US$5,131,656 (2015 – US$4,516,849) accrued on this facility. The interest was recognised as an expense in the statement of profit and loss and other comprehensive income as outline in Note 30.

(iii) During the year ended 31 December 2015, the Company entered into two new subordinate loan agreements with Mineral Deposits Limited and ERAMET SA as follows:

- US$25.0 million (US$12.5 million each) subordinate loan agreement dated 21 September 2015. These loans are interest bearing at a rate of LIBOR plus five percent. For the year ended 31 December 2016, interest of US$1,475,110 accrued on this facility (2015: $390,437). The interest was recognised as an expense in the statement of profit and loss and other comprehensive income; and

- US$6.0 million (US$3.0 million each) subordinate loan agreement dated 22 December 2015. These loans are interest bearing at rate of LIBOR plus seven percent. For the year ended 31 December 2016, interest of US$484,048 accrued on this facility (2015: $Nil).

  The interest was recognised as an expense in the statement of profit and loss and other comprehensive income; and

(iv) During the year ended 31 December 2016, the Company entered into two new subordinate loan agreements with Mineral Deposits Limited and ERAMET SA as follows:

- US$3.6 million (US$1.8 million each) subordinate loan agreement dated 6 April 2016. These loans are interest bearing at a rate of LIBOR plus seven. For the year ended 31 December 2016, interest of US$215,364 accrued on this facility. The interest was recognised as an expense in the statement of profit and loss and other comprehensive income; and

- US$60.0 million (US$30.0 million each) subordinate loan agreement dated 6 July 2016. These loans are interest bearing at rate of LIBOR plus seven percent. For the year ended 31 December 2016, interest of US$1,008,590 accrued on this facility (2015: $Nil).

  The interest was recognised as an expense in the statement of profit and loss and other comprehensive income; and

Under the terms of the respective subordinate loan agreements, no repayment of the loans may be made unless the Corporate Bonds issued by TiZir on 29 September 2012 and 23 May 2014 are fully repaid.

Transactions with related parties

The Company continues to be party to management fee agreements with each of ERAMET SA and Mineral Deposits Limited entered during the year ended 31 December 2013. The management fee continues to be $500,000 per annum per joint venture sponsor and is related to group financial reporting, administration and corporate overheads incurred by each sponsor.

	Transactions		Balances	
	31 Dec 2016 US$'000	31 Dec 2015 US$'000	31 Dec 2016 US$'000	31 Dec 2015 US$'000
Management fees payable – joint venture sponsors	1,000	1,000	5,000	4,000

35. COMPENSATION OF KEY MANAGEMENT PERSONNEL

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

	31 Dec 2016 US$'000	31 Dec 2015 US$'000
Wages and salaries	781	954
Social security costs	55	68
Other costs	130	118
	966	**1,140**

The Directors did not receive any remuneration in the year (2015: $Nil).

36. 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$36,758,087 (2015 - a loss of US$54,860,412).

37. EVENTS AFTER THE BALANCE SHEET DATE

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

38. ULTIMATE CONTROLLING PARTY

The company does not have an ultimate controlling party. The company is jointly owned 50/50 by ERAMET SA, whose registered address is Tour Maine Montparnasse, 33 avenue du Maine 75755, Paris, France and Mineral Deposits Limited, whose registered office is Level 17, 530 Collins Street, Melbourne Australia.