World Titanium Resources Ltd

(Formerly **Madagascar Resources NL)**

ABN 58 061 662 011

Annual report – 30 June 2011

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Corporate directory

Directors

E Wayne Malouf
Executive Chairman

Peter J Woods
Non-Executive Director

Guy F M Leclezio
Non-Executive Director

N Tristan B Davenport
Non-Executive Director

G Sookun
Non- Executive Director

I Ransome
Non- Executive Director

Registered Office and Share Registry

World Titanium Resources Ltd
15 Lovegrove Close
Mount Claremont WA 6010
Australia

Telephone: +61 (0) 8 9286 1219
Facsimile: +61 (0) 8 9284 3801

Joint Company Secretaries

Graeme R Boden
Natasha L Forde

15 Lovegrove Close
Mount Claremont WA 6010

Telephone: +61 (0) 8 9286 1219
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Email: gboden@bigpond.net.au
natashaforde@bigpond.com

Auditors

HLB Mann Judd (WA Partnership)
Level 4, 130 Stirling Street
Perth WA 6000

Chairman's Report

This is the eighteenth Annual Report of World Titanium Resources Ltd (WTR), formerly Madagascar Resources NL. During the year ended 30 June 2011, further progress has been made to realise the potential of the Group's interests in Madagascar. The Company undertook further review of the project's scope, and applications for two Exploitation Permits on high-grade sections of the Ranobe resource were filed.

Capital raising and share trading liquidity

In May 2010, the Company agreed to merge with listed company Malagasy Minerals Ltd by way of a scheme of arrangement. Following a sharp increase in the Malagasy Minerals' share price, the non-conflicted directors of that company terminated the merger process.

The main focus for 2011 has been raising capital, updating the scoping study, and moving forward with project financing, in this case through a public listing. In May of this year, the Company engaged GMP Securities Europe and raised $7.1 million US through the issuance of 7,105,000 shares at US$1 per share, to mostly institutional clients. Earlier in the year, the Company raised A$1.5 million through a rights issue to shareholders at an issue price of A$0.25 per share. Directors also provided working capital for the Company through the exercise of their options. Discussions were held with capital markets brokers in Australia and the United Kingdom. All this was in addition to continuing discussions with potential offtake partners as investors, particularly from China and India.

The Board believes that a public listing will provide ready access to the capital markets from which the funds required for development of the Ranobe project can be raised. It will also provide liquidity for shareholders. With that goal set, on July 23, 2011 the Company signed a letter agreement with ASX-listed Bondi Mining Limited (ASX code BOM), to implement a merger by way of a scheme of arrangement. The merger is subject to conditions precedent, some of which have been satisfied, including the execution of a detailed merger implementation deed and the lodgement by the Company with ASIC of scheme documentation to be sent to shareholders. The basic steps to be completed in the transaction are:

- Bondi will consolidate its existing issued capital on the basis of 1 share for 4 existing shares;
- Bondi will divest its Australian exploration assets, retaining only tenement applications in a Namibian subsidiary;
- Bondi will raise $3 million at a price equivalent to A$0.945 cents per existing WTR share;
- Bondi will acquire all of the issued capital of WTR on the basis of 3.5 post consolidation Bondi shares for each WTR share, which will result in existing WTR shareholders owning 86.2% of the merged entity; and
- Bondi will also acquire all outstanding options and warrants in WTR on a 3.5 to 1 basis with the exercise price reduced in inverse proportion.

The transaction is subject to approval by the shareholders of each company and, if approved, will result in Bondi being suspended from trading on ASX and making an application to relist under the name World Titanium Resources.

As of the date of this Report, the anticipated timetable for the remaining major steps in the transaction are:

- 2nd November - Court hearing to authorise WTR shareholder meeting
- 7th November - Despatch of meeting notice to WTR shareholders
- 2nd December - WTR shareholder meeting to approve scheme
- 15th December - Court hearing to approve scheme
- 23rd December - WTR share register scheme implementation record date
- 31st December - Completion of implementation of the scheme
- 6th January – Relisting on ASX as World Titanium Resources

Ranobe Evaluation and Development

The total mineralisation at Ranobe is significant. It is estimated to contain 1,475 million tonnes of mineralisation at an average heavy mineral grade of 4.7%. The total drilled resource in the Upper Sand Unit is 707 million tonnes at 6.54% THM. The first stage of this project focuses on 15km2 area with Measured and Indicated Resources of 158 million tonnes at an average heavy mineral content of 8.31% THM.

During the last 12 months, the scoping study prepared by TZMI has been updated and engineering investigations in relation to the proposed project sites. The project concept calls for a mining rate of 7.5 mtpa of ore, resulting in the production of approximately 400,000 tpa of ilmenite concentrate and 44,000 tpa of zircon/rutile concentrate. The potential financial returns of the project increase considerably under this scenario. Further work will include finalizing a definitive feasibility study at an estimated cost of approximately A$2.5 million. Additional drilling will be undertaken to further delineate the size and grade potential of “the big dune” at Morombe, and to increase the JORC resource at Ranobe above the current 707 million tonne mark.

The Company’s application for Exploitation Permits are pending with the Malagasy government. The initial application for the first mining area was submitted in March 2010. While normally such applications are granted within 30 days of filing (subject to certain conditions precedent), the government essentially suspended the process pending resolution of the country’s political impasse. I am happy to report that in September 2011, a resolution was agreed upon pursuant to what is now commonly referred to as the SADC “roadmap”. With this resolution, the permit process is expected to resume in short order. In the meantime, the Company maintains strong contacts with State Ministries, government agencies, the provincial and local communities and Non Government Organisations (NGOs) to keep them updated on progress on the Project, keep the lines of communication open and underscore that the Company is ready to move the Ranobe project forward as soon as the permits are granted.

New CEO

Another significant step in the Company’s development is the Board’s selection of Mr. Bruce Griffin as its new Chief Executive Officer effective November 7. Bruce brings a wealth of knowledge of the mineral sands to the job. Among other positions, Bruce is the former Vice-President Titanium for BHP Billiton, where he was responsible for BHPB’s titanium business including Richards Bay Minerals in South Africa and the Corridor Sands and Tigen projects in Mozambique. The Board welcomes Bruce and looks forward to working with him to develop WTR into a world class mineral sands company.

Acknowledgements

I would like to thank all those involved in bringing the Company to its current position, particularly two of our directors Peter Woods and Guy Le Clezio; Company Secretary Graeme Boden; and Madagascar Country Manager Jules Le Clezio and his team. The continued support of our shareholders is also greatly appreciated, particularly from the largest shareholder, Jean-Raymond Boulle through his Boulle Titanium Ltd.

Our Annual General Meeting will be held on 30th November 2011 and we would look forward to your attendance.

Sincerely,
Edward Wayne Malouf
Executive Chairman
31 October 2011

REVIEW OF ACTIVITIES

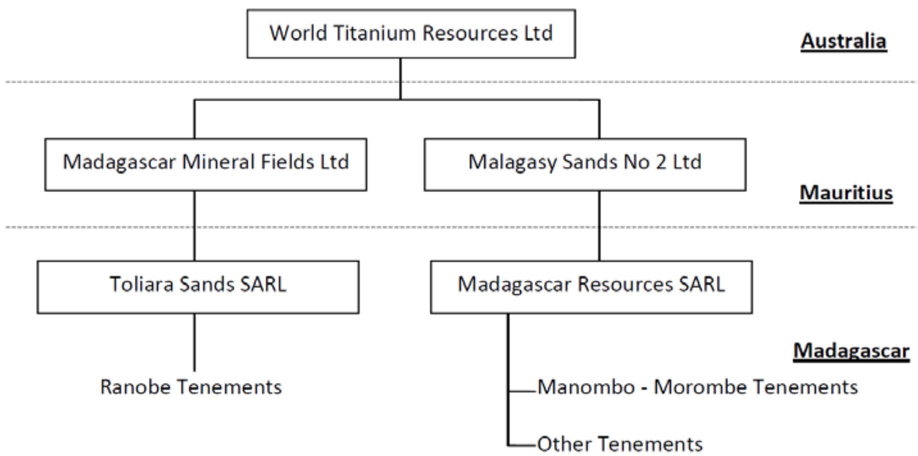
Assets of World Titanium Resources

World Titanium's assets include:

(a) 10,000,000 shares in Malagasy Minerals Ltd (MGY), representing approximately 6.39% of the MGY issued capital at the date of this document.

(b) An amount of A$795,675 (at 30 June 2011, discounted to $650,432) receivable from MGY as deferred payment of the purchase consideration for Mada-Aust SARL, previously a wholly owned subsidiary of World Titanium. This receivable is to be repaid from 70% of the quarterly cash receipts in Mada-Aust SARL from royalty agreements for the quarrying of labradorite from its tenements; and

(c) Subsidiary companies and their interests in tenements as set out below:

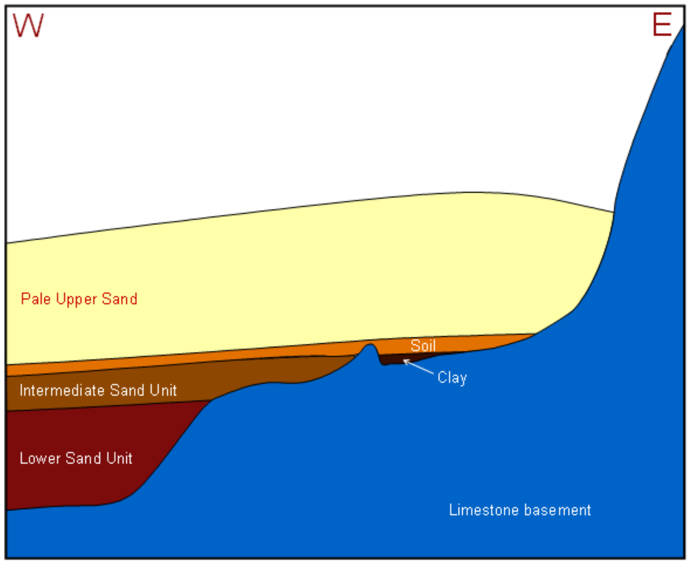


The Toliara Sands Project is the only material asset of World Titanium in the country of Madagascar, and has been taken to comprise:

- The Ranobe mineral sands project (**Ranobe**), which has been the subject of approximately US$20million of exploration and evaluation expenditure. Of this amount, approximately US$17 million was spent by Exxaro Mineral Sands BV (**Exxaro**) on a preliminary feasibility study and components of a bankable feasibility study, including the establishment of a JORC compliant resource. Exxaro had an option over all of World Titanium's subsidiary companies from January 2004 to July 2010, when it chose to terminate the agreement.
- Mineralisation defined by drilling at Ankililoaka and Basibasy.
- A large dune system in the Manombo Morombe region which has been the subject of an aeromagnetic survey and hand auger sampling.

The Ranobe Resource

The mineralised zone at Ranobe is approximately 20 km in length, 1 to 1.5 km in width and comprised of three mineralised sand units, shown diagrammatically below.



A JORC compliant Resource of heavy minerals (**HM**) has been calculated for the Upper Sand unit, as follows:

Category	Million Tonnes	Average % Total Heavy Minerals (THM)	% Slimes
Measured	222	7.66	4.42
Indicated	393	6.07	4.66
Inferred	92	5.91	5.36
	707	*6.54*	*4.70*

The average composition of the HM assemblage in the Ranobe resource is ilmenite (64.7%), rutile (1.9%), zircon (5.5%) and leucoxene (5.1%).

Global potential of the resource in the Ranobe area may be significantly more than this, as wide spaced drilling indicates that mineralisation in the Upper Sand Unit extends to the north (possibly by 1km), west (beyond intersections in the most westerly holes) and south (by possibly 5km), as well as within the Intermediate Clay Sand Unit and the Lower Sand Unit.

A mining lease application has been submitted over an area which contains the following higher grade Resource within the Upper Sand Unit:

Category	Million Tonnes	% THM	% Slimes
Measured	134.80	8.25	4.11
Indicated	22.90	8.67	4.83
	157.70	8.31	4.22

A preliminary scoping study for a mining rate of 7.5 million tonnes per annum focussed on this mining lease.

A second mining lease application is in progress, to the south of the first. The Resource within the Upper Sand Unit in this area is:

Category	Million Tonnes	Average % THM	% Slimes
Measured	22.30	8.24	4.11
Indicated	94.80	7.00	4.83
Inferred	22.60	6.51	4.22
	139.70	7.12	4.67

Ankililoaka

At Ankililoaka, 25km north of Ranobe, drilling encountered intersections over a distance of 5 km, in young quartz sands and clay sands, to both the north and south of a northwest trending ridge of limestone. The estimated size and grade of the mineralisation based on this drilling is around 360mt at 5.8% HM and 8.9% slime. World Titanium has not yet identified Mineral Resources at Ankililoaka and any discussion in relation to targets and Mineral Resources is conceptual in nature. There has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

The HM suite is dominated by ilmenite (52%), leucoxene (5%), rutile (1%) and zircon (4%). The TiO2 content of the ilmenite ranges from 47.6 to 56.8% TiO2. The HM suite therefore appears to be similar to that at Ranobe.

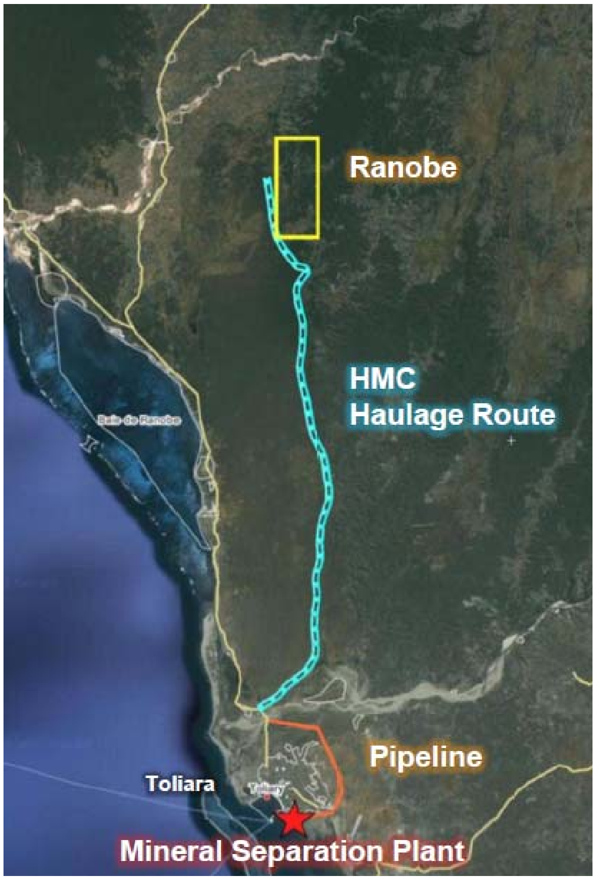
Basibasy

At Basibasy, 60km north of Ranobe, there appears to be a shoreline running roughly through north- south, with clay-rich sediments to the east. West of this “shoreline” the sediments are more sandy and drilling encountered significant mineralisation (ie 39m at 7.0% HM) in quartz sands in an area around 2km by 3km. The estimated size and grade of the mineralisation based on this drilling is around 440mt at 4.9% HM and 8.3% Slime. World Titanium has not yet identified Mineral Resources at Basibasy and any discussion in relation to targets and Mineral Resources is conceptual in nature. There has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

The HM suite is dominated by ilmenite (50%), leucoxene (16%), rutile (1%) and zircon (7%). The TiO2 content of the ilmenite ranges from 50.2 to 59.6% TiO2. This HM suite therefore appears to be different to that at Ranobe.

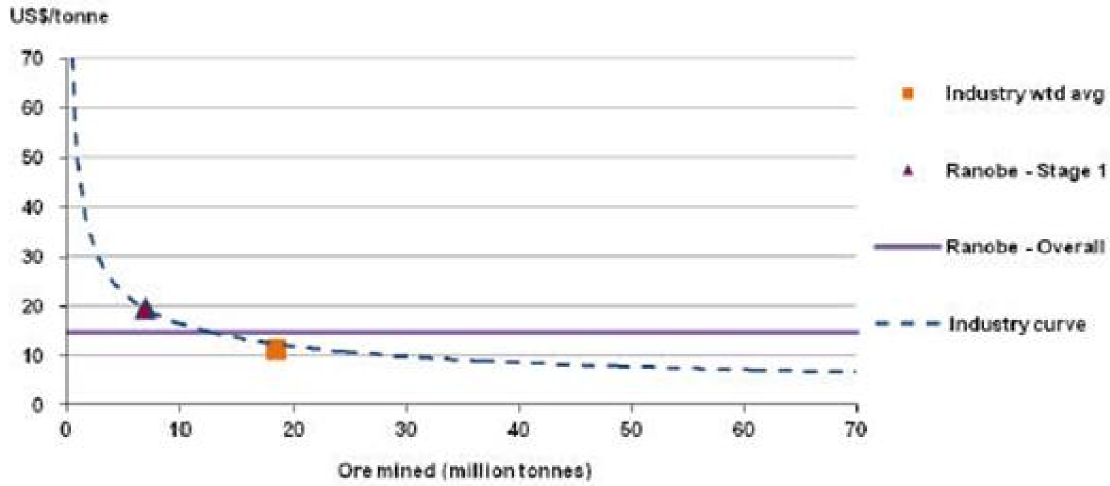
Ranobe Development Concept

A scoping study has been prepared by TZ Minerals International (TZMI) for the development of the Ranobe resource outlined above, using a mining rate of 900 tph, or 7.5 million tonnes per year.



The heavy mineral consists predominantly of ilmenite making up about 65% of the concentrate. The project also benefits significantly from the presence of much higher value zircon and rutile which together contribute about 8% of the heavy mineral, but almost 50% of the value.

Important features of the deposit that deliver significant advantages compared to many existing operations are the low slimes content in the ore (less than 5%) and the absence of barren overburden.



Ore contained value Ranobe compared with mineral sands industry average

The global mineral sands industry mines an average ore grade of 5.1% heavy mineral with an overburden strip ratio of 0.4 and a contained value estimated for 2015 of US$11.10 per tonne of ore. By contrast, contained value of the first phase of the Ranobe deposit has the potential to exceed this value due to its grade, and there is no overburden to remove. This is the key to unlocking the project value.

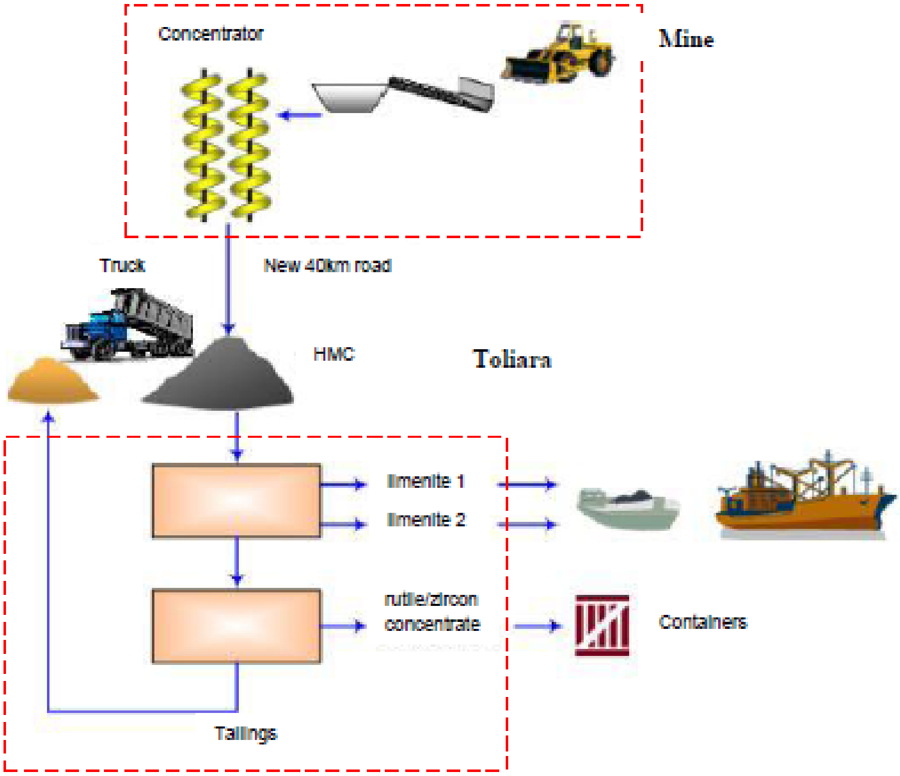
The ore volume requirements for the project mean that the deposit can be economically mined using a simple front end loader direct feeding a slurry transport unit. This mining methodology is employed in many operations world-wide, and represents a very low risk option.

The primary concentrator plant will be based on easily relocatable plants widely employed in many Australian ilmenite mines.

Testwork conducted to date shows that the ilmenite consists predominantly of a product suitable for use in the TiO_2 sulfate pigment process or in ilmenite smelters for the production of chloride grade slag. A smaller volume of higher value ilmenite suitable for direct chlorination or as a blend feed to synthetic rutile processors is also recovered. These products can be separated with conventional mineral sands processing technology at a low unit cost.

A simplified flowsheet will be employed to recover a mixed rutile/zircon concentrate suitable for shipment to Chinese processors, which have shown an increasing appetite for semi-finished concentrates.

Capital and operating cost estimates have been prepared by TZMI and are considered to be in line with similar minerals sands processing operations.


Concentrator
Mine
Truck
New 40km road
HMC
Toliara
Ilmenite 1
Ilmenite 2
rutile/zircon
concentrate
Containers
Tailings

Directors' report
For the year ended 30 June 2011

The Directors present their report together with the financial report of the consolidated entity consisting of World Titanium Resources Ltd and the entities it controlled ("the Group") at the end of or during the year ended 30 June 2011 and the auditor's report thereon.

Directors
The Directors of the Company at any time during or since the end of the financial year:

Mr E Wayne Malouf – Executive Chairman
Appointed non-executive director and Chief Executive Officer 24th January 2011, subsequently appointed Executive Chairman 20th October 2011.

Wayne Malouf has a BA and JD from St Mary's University of San Antonio, Texas and an MA in social sciences (economics and international relations) from the University of Chicago. In addition to his legal experience, Mr. Malouf served as CEO of Sierra Rutile Limited ("SRL")(formerly Titanium Resources Group) from 2002 to 2005, and SRLs Executive Vice-Chairman from 2005 to early 2008. He oversaw the company's IPO listing on the AIM Exchange and the successful restart of the Sierra Rutile titanium mine and Sierra Minerals bauxite mine. From 2008 to 2010 Mr. Malouf served as CEO of Diamond Fields Resources ("DFI") and continues to serve as DFI's non-executive Chairman. He negotiated DFI's joint venture for the Atlantis II Red Sea deposit, the largest known SEDEX deposit in the world. He returned briefly to TRG as Executive Chairman in August 2010 and assisted that company in addressing a number of organizational and operational matters before stepping down in February 2011.

Dr Peter J Woods BSc(Hons), PHD, MAIG
Peter Woods has been a non-executive director for 17 years. He holds a Bachelor of Science (Honours) and a Doctorate of Philosophy (Geology) from the University of Western Australia. He has had over 30 years' experience in the mining and exploration industry specialising in base metals, gold, diamonds and industrial minerals. He is currently a consulting geologist and a Member of the Australian Institute of Geoscientists. Dr Woods is also a non-executive director of ASX listed Malagasy Minerals Ltd.

Mr Guy F M Leclezio BA
Guy Leclezio has been a non-executive director for 17 years. He holds a Bachelor of Arts from the University of Western Australia. He has had 20 years experience in the Securities industry with a special interest in the mining and exploration industry. He is also a director of Running Water Limited, a share trading and investment company. Mr Leclezio is also a director of Malagasy Minerals Ltd.

Mr N Tristan B Davenport
Tristan Davenport was appointed by the Directors in 2007. He has been an employee of J R Boulle Corporation since 1995 and has been involved in the mining industry for over 20 years, principally in the Congo, but also in other African countries, including Madagascar.

Mr Gooroodeo (Mahen) Sookun – Non-Executive Director
Appointed a director 30th June 2011.
Mahen Sookun is a fellow of the Association of Chartered Certified Accountants (UK) and holds an MBA(Finance) from the University of Leceister (UK). He has served in private and public companies during the last twenty years as Corporate Finance Executive in Mauritius and Africa in diverse sectors such public utilities, agriculture and textiles, real estate development and mining. Before joining World Titanium, he was the Group Finance and Administrative Manager of Titanium Resources Limited, a company involved in mineral resources and mining and listed on the AIM market of the London Stock Exchange. He is also currently the Director, CFO and Secretary of Diamond Fields International, a public company listed in Toronto. In Mauritius, Mr Sookun is the Head of Finance of the largest Real Estate Development in the Anahita Integrated Resort Scheme Development promoted by the CIEL Group.

Dr Ian G R Ransome – Non-Executive Director
Appointed 10th August 2011

Dr Ian Ransome is a geologist, whose academic qualifications include an MSc in geochemistry and a PhD in geology. He has more than 20 years' experience as an exploration geologist, using a multidisciplinary approach to generating and evaluating exploration targets in diamonds, gold, nickel, base and rare metals. Most of his experience has been in a broad range of African countries, including a nickel laterite project in Madagascar. Dr Ransome is presently a director and chief executive officer of Diamond Fields International Ltd.

Mr Earl V Young, BA, BEc
Resigned 24th January 2011

Earl Young was a non-executive director for 6 years. With a career background in the Securities Industry, Mr Young has served as a consultant, Corporate Officer and Director to companies in the United States and abroad.

Mr Graeme R Boden BEc(Hons), FAICD
Resigned as a director 30th September 2010

Company Secretaries

Mr Graeme R Boden BEc(Hons), FAICD
Graeme Boden has been company secretary for 8 years. Mr Boden has worked as a senior corporate and financial manager with more than 25 years' experience in the resources industry in both planning and evaluation roles, and finance and administration management. He is the principal of Boden Corporate Services Pty Ltd, which provides accounting, company secretarial and other administrative and commercial services to start-up companies and he has more than 20 years' experience as a director or secretary of ASX listed companies.

Ms Natasha L Forde
Appointed a Joint Company Secretary on 21st September 2011.

Ms Forde has 4 years' experience, as an employee of Boden Corporate Services Pty Ltd, providing company secretarial and accounting services to a range of ASX listed and unlisted companies.

Directors' meetings

The number of meetings of the Company's board of directors held during the year ended 30 June 2011, and the number of meetings attended by each director were:

	Number of meetings held while director	Number of meetings attended while director
E W Malouf	8	8
P J Woods	8	8
G F M Leclezio	8	8
N T B Davenport	8	8
G Sookun	-	-
I G R Ransome	-	-
E V Young	-	-
G R Boden	-	-

Directors' and Executives' emoluments

Remuneration of non-executive directors is determined by the Board within the maximum amount approved by the shareholders from time to time.

Until the appointment of W Malouf as Executive Chairman on 20th October 2011, there were no paid Directors or executives of World Titanium Resources Ltd. Mr Bruce Griffin will take up the appointment as the Chief Executive Officer of the company on 7th November 2011.

Share based compensation - options
There were no options issued to directors or executives as compensation during the year ended 30 June 2011.

Subsequent to the end of the 2011 financial year, shareholders approved the grant of 2,850,000 options to the six Directors and the board approved the grant of 1,800,000 options to the designated Chief Executive Officer and three consultants. The terms and conditions of the options include:

Exercise Price $A1.00 per share

Expiry Date 31st March 2015

Vesting Conditions
- 62.5% of the number of options vested on the date of grant , 12th October 2011
- 18.75% of the number of options will vest upon the earlier of completion of the Bondi merger and 28th February 2012
- 18.75% of the number of options will vest on the earlier of the raising of a minimum $50 million in equity and 30th June 2012

If the scheme of arrangement with Bondi Mining Limited is effected, the WTR options shall be cancelled and replaced with an equivalent reconstructed number of options to acquire unissued shares in Bondi exercisable at 28.5 cents on or before 31 March 2015.

The fair value of the options will be charged to the Statement of Comprehensive Income during the 2012 financial year.

Options granted carry no dividend or voting rights.

Shares issued on exercise of remuneration options

There were 8,750,000 shares provided on exercise of remuneration options during the financial year ended 30 June 2011 (30 June 2010: nil). Five million of the shares were issued for an exercise price of $0.05 per share and 3,750,000 shares were issued for an option exercise price of $0.10 per share.

Subsequent to the end of the financial year, 250,000 shares have been issued to employees and contractors of the Malagasy subsidiaries, upon the conversion of options with an exercise price of $0.10 per share.

Share based compensation – warrants

In June 2011, 426,300 warrants were issued to GMP Securities Europe, as part of its fee for organising a placement. The warrants are convertible to ordinary shares at an exercise price of $US1.00 per share on or before 21st July 2013. A share based payment expense of $123,201 was charged to the income statement in June 2011 in relation to the issue of these warrants.

Principal activities

During the year the principal continuing activities of the group consisted of exploration and evaluation of mineral sands tenements in Madagascar and capital raising activities to fund these activities.

There were no significant changes in the nature of the activities of the Company during the year.

Dividends

There were no dividends paid or declared during the financial period and up to the date of this report.

Significant changes in state of affairs

On 1 October 2010, the Company and Malagasy Minerals Ltd signed a deed of termination and release to end the merger process, which had begun in May 2010, to merge by way of scheme of arrangement.

During the year the Company issued 8,750,000 shares upon the exercise of options, to raise $675,000.

In May 2011 the Company concluded a partially underwritten rights issue which raised $1,500,000 (before costs of the issue), including $205,944 for the underwriter's obligation to subscribe for shortfall.

In June 2011, the Company made a placement, largely to institutional clients of GMP Securities Europe, to raise $US7,105,000 (before costs of the issue) by the allotment of 7,105,000 shares at $us1.00 per share.

The consolidated net loss after tax for the year was $1,767,460 (2010: $1,029,780 loss). Net assets of the consolidated entity increased by $6,251,1119, from $1,670,778 to $7,921,889, of which $6,950,729 was represented by the Australian dollar equivalent of cash and cash equivalents.

Shareholders approved the change in name and status of the Company to World Titanium Resources Ltd, effective on 10th June 2011.

Events subsequent to reporting date

Proposed Merger

On 23rd July the Company signed a letter agreement with ASX listed Bondi Mining Limited (ASX code BOM), to implement a merger by way of a scheme of arrangement. The merger was subject to conditions precedent, some of which have been satisfied, including the execution of a detailed merger implementation deed and the lodgement by the Company with ASIC of scheme documentation to be sent to shareholders.

The steps to be completed in the transaction are:

- Bondi will consolidate its existing issued capital on the basis of 1 share for 4 existing shares;
- Bondi will divest its Australian exploration assets, retaining only tenement applications in a Namibian subsidiary;
- Bondi will raise $3 million at a price equivalent to 94.5 cents per existing WTR share;
- Bondi will acquire all of the issued capital of WTR on the basis of 3.5 post consolidation Bondi shares for each WTR share, which will result in existing WTR shareholders owning 86.2% of the merged entity; and
- Bondi will also acquire all outstanding options and warrants in WTR on a 3.5 to 1 basis with the exercise price reduced in inverse proportion.

The transaction is subject to approval of shareholders of both companies and will result in Bondi being suspended from trading on ASX and making an application to relist, as for an IPO, under the name World Titanium Resources.

At the date of this report, the anticipated timetable for the remaining major steps in the transaction are:

- 2nd November - Court hearing to authorise WTR shareholder meeting
- 7th November - Despatch of meeting notice to WTR shareholders
- 2nd December - WTR shareholder meeting to approve scheme
- 15th December - Court hearing to approve scheme
- 23rd December - WTR share register scheme implementation record date
- 31st December - Completion of implementation of the scheme
- 6th January 2012 – Relisting on ASX as World Titanium Resources

Other events

Dr Ian Ransome was appointed as a non-executive director on 10th August 2011

Mr Bruce Griffin has accepted appointment as Chief Executive Officer and will take up that appointment on 7th November 2011, when he will also become a director.

On 12th October, 250,000 options were exercised at 10 cents per share, raising $25,000.

On 12th October shareholders approved the granting of 2,850,000 options to directors and an additional 1,800,000 had been approved by directors for issue on the same terms and conditions, including an exercise price of $1.00 per share and an expiry date of 31st March 2015.

Other than these matters, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Group, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Likely developments

Comments on future operational plans of the Group are included in this report under the review of exploration.

Environmental regulation

The Board is committed to environmental best practice in its operations and ensures full compliance with all statutory environmental regulations and guidelines.

Share options

Options and warrants to take up ordinary fully paid shares in the Company at the date of this report are as follows:

	Date options granted	Number	Issue price of shares	Expiry date
Options	12 October 2011	4,650,000	$A 1.00	31 March 2015
Warrants	21 June 2011	426,300	$US1.00	21 June 2013

No option holder has any right under the options to participate in any other share issue of the Company or of any other entity.

Shares issued on the exercise of options

9,000,000 shares have been issued upon the exercise of options, during or since the end of the period under review, and no amounts are unpaid on any of the shares.

Directors' interests in shares and options

As at 30th June 2011 and also at the date of this report, the interest of the Directors and/or related parties in shares and options were as follows.

Shareholdings Date of This Report	**Balance 30/6/11**	**Movement**	**Balance This Report**
P J Woods	4,177,779	(250,000)	3,927,779
G F M Leclezio(+)	6,966,668	(550,000)	6,416,668
N T B Davenport	277,778	-	277,778
E W Malouf (appointed 24 January 2011)	-	-	-
G Sookun (appointed 30 June 2011)	-	-	-
I G R Ransome (appointed 10 August 2011)	-	-	-
	11,422,225	(800,000)	10,622,225

Shareholdings 30 June 2011	**Balance 1/7/10**	**Movement**	**Balance 30/6/11**
P J Woods	1,760,001	2,417,778	4,177,779
G F M Leclezio(+)	4,770,002	2,196,666	6,966,668
N T B Davenport	-	277,778	277,778
E W Malouf (appointed 24 January 2011)	-	-	-
G Sookun (appointed 30 June 2011)	-	-	-
E V Young (resigned 24 January 2011)	250,000	(250,000)	N/A
G R Boden (resigned 30 September 2010)	-	1,000,000*	N/A
	6,780,003	5,642,222	11,422,225

* holding at resignation

Shareholdings 30 June 2010	**Balance 1/7/09**	**Movement**	**Balance 30/6/10**
P J Woods	1,760,001	-	1,760,001
G F M Leclezio(+)	4,770,002	-	4,770,002
N T B Davenport	-	-	-
E V Young	250,000	-	250,000
G R Boden	-	-	-
	6,780,003	-	6,780,003

(+) Does not include 625,000 shares held by a non-controlled entity in which G Lecelzio has an interest

Option Holdings This Report	**Balance 1/7/11**	**Granted as remuneration**	**Options exercised**	**Forfeited**	**Balance at This Report**	**Exercisable**	**Non-exercisable**
P J Woods	-	250,000	-	-	250,000	156,250	93,750
G F M Leclezio	-	400,000	-	-	400,000	250,000	150,000
N T B Davenport	-	200,000	-	-	200,000	125,000	75,000
E W Malouf(1a)	-	1,600,000	-	-	1,600,000	1,000,000	600,000
G Sookun(1b)	-	250,000	-	-	250,000	156,250	93,750
I G R Ransome(1c)	-	150,000	-	-	150,000	93,750	56,250
	-	2,850,000	-	-	2,850,000	1,781,250	1,068,750

(1) Appointed a director: (a) 24 January 2011 (b) 30 June 2011 (c) 10 August 2011

Option holdings 30 June 2011	Balance 1/7/10	Granted as remuneration	Options exercised	Forfeited	Balance at 30/6/11	Exercisable	Non-exercisable
P J Woods	2,000,000	-	(2,000,000)	-	-	-	-
G F M Leclezio	1,500,000	-	(1,500,000)	-	-	-	-
T Davenport	750,000	-	(750,000)	-	-	-	-
E W Malouf(1a)	-	-	-	-	-	-	-
G Sookun (1b)	-	-	-	-	-	-	-
E V Young(2a)	750,000	-	(750,000)	-	-	-	-
G R Boden(2b)	1,750,000	-	(1,750,000)	-	-	-	-
	6,750,000	-	(6,750,000)	-	-	-	-

(2) Resigned as a director: (a) 24 January 2011 (b) 30 September 2010

Option holdings 30 June 2010	Balance 1/7/09	Granted as remuneration	Options exercised	Forfeited	Balance at 30/6/10	Exercisable	Non-exercisable
P J Woods	1,750,000	1,000,000	-	(750,000)	2,000,000	2,000,000	-
G F M Leclezio	1,250,000	500,000	-	(250,000)	1,500,000	1,500,000	-
N T B Davenport	500,000	250,000	-	-	750,000	750,000	-
E V Young	750,000	250,000	-	(250,000)	750,000	750,000	-
G R Boden	1,100,000	750,000	-	(100,000)	1,750,000	1,750,000	-
	5,350,000	2,750,000	-	(1,350,000)	6,750,000	6,750,000	-

Indemnification and insurance of officers and auditors

Indemnification

During or since the end of the financial year, the Company has not indemnified or made a relevant agreement to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such by an officer or an auditor. In addition, the Company has not paid, or agreed to pay, a premium in respect of a contract insuring against liability incurred by an officer or an auditor.

Insurance

The Group has paid insurance premiums for one year cover in respect of directors' and officers' liability insurance contracts, for Officers of the Group. The insurance cover is on standard industry terms and provides cover for loss and liability for wrongful acts in relation to the relevant person's role as an Officer, except that cover is not provided for loss in relation to Officers gaining any profit or advantage to which they were not legally entitled, or Officers committing any criminal, dishonest, fraudulent or malicious act or omission, or any knowing or wilful violation of any statute or regulation. Cover is also only provided for fines and penalties in limited circumstances and up to a small financial limit.

The insurance does not provide cover for the independent auditors of the Group or of a related body corporate of the Group.

In accordance with usual commercial practice, the insurance contract prohibits disclosure of details of the nature of the liabilities covered by the insurance, the limit of indemnity and the amount of the premium paid under the contract.

Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 42 and forms part of the Directors' report for financial year 2011.

This report is made with a resolution of Directors:

Peter J Woods Director
Dated at Perth this 31st day of October 2011.

Financial report – 30 June 2011

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The financial report was authorised for issue by the directors on 31st October 2011.

WORLD TITANIUM RESOURCES LTD ("the Company") is a company limited by shares, incorporated and domiciled in Australia.

The consolidated financial report of the Company for the financial year ended 30 June 2011 comprises the Company and its subsidiaries (together referred to as the "Group").

A description of the nature of the Group operations and principal activities is included in the chairman's letter on pages 3 and 4, the review of activities on pages 5 to 9 and in the Directors' Report on pages 10 to 15.

Statement of Comprehensive Income

For the year ended 30 June 2011

		Consolidated		Parent	
	Note	**2011 $**	2010 $	**2011 $**	2010 $
Net financial income	6	**18,318**	154,646	**17,960**	154,229
Other income		**241,172**	84,522	**229,408**	56
Accounting, taxation and secretarial services		**(184,365)**	(143,460)	**(180,342)**	(133,794)
Legal fees and commercial consulting		**(435,502)**	(46,171)	**(435,502)**	(46,171)
Technical consulting services		**(272,800)**	(253,350)	**(272,800)**	(253,350)
Depreciation and amortisation		**(10,329)**	(17,158)	**(369,318)**	(451,924)
Exploration and evaluation expenditure		**(669,696)**	(222,312)	**(557,074)**	(178,393)
Office expenses		**(488,263)**	(335,764)	**(264,453)**	(148,178)
Other expenses		**95,721**	(204,354)	**(80,918)**	-
Personnel expenses	4	**(61,438)**	(46,074)	**-**	(15,900)
Loss before income tax expense		**(1,767,182)**	(1,029,475)	**(1,913,039)**	(1,073,425)
Income tax expenses	7	**(278)**	(305)	**-**	-
Net loss for the year		**(1,767,460)**	(1,029,780)	**(1,913,039)**	(1,073,425)
Other comprehensive income					
Net change in fair value of available for sale financial assets		**(50,000)**	80,000	**(50,000)**	80,000
Exchange difference on translation of foreign operations		**(150,715)**	145,262	**-**	-
Total other comprehensive (loss)/profit for the year		**(200,715)**	225,262	**(50,000)**	80,000
Total comprehensive (loss)/profit for the year attributable to the members of World Titanium Resources NL		**(1,968,175)**	(804,518)	**(1,963,039)**	(993,425)
Basic loss per share (cents per share)	8	**(3.11)**	(2.00)	**(3.36)**	(2.09)

The statement of comprehensive income is to be read in conjunction with the accompanying notes of the financial statements.

Statement of changes in equity

For the year ended 30 June 2011

Parent	Note	Issued Capital $	Accumulated Losses $	Reserves $	Total $
Balance at 1 July 2009		3,916,580	(1,842,434)	381,550	2,455,696
Loss attributable to members of the entity		-	(1,073,425)	-	(1,073,425)
Other comprehensive income		-	-	80,000	80,000
Total comprehensive income/(loss)		-	(1,073,425)	80,000	(993,425)
Shares issued during the year	*16*	-	-	-	-
Share-based payments	*15*	-	-	15,900	15,900
Balance at 30 June 2010		3,916,580	(2,915,859)	477,450	1,478,171
Balance at 1 July 2010		**3,916,580**	**(2,915,859)**	**477,450**	**1,478,171**
Loss attributable to members of the entity		**-**	**(1,913,039)**	**-**	**(1,913,039)**
Other comprehensive income		**-**	**-**	**(50,000)**	**(50,000)**
Total comprehensive income/(loss)		**-**	**(1,913,039)**	**(50,000)**	**(1,963,039)**
Shares issued during the year	*16*	**8,717,759**	**-**	**-**	**8,717,759**
Costs of capital raising		**(615,870)**	**-**	**-**	**(615,870)**
Share-based payments	*16*	**-**	**-**	**123,201**	**123,201**
Balance at 30 June 2011		**12,018,469**	**(4,828,898)**	**550,651**	**7,740,222**

Consolidated	Note	Issued Capital $	Accumulated Losses $	Reserves $	Total $
Balance at 1 July 2009		3,916,580	(1,772,411)	309,423	2,453,592
Loss attributable to members of the consolidated entity		-	(1,029,780)	-	(1,029,780)
Other comprehensive income		-	-	225,262	225,262
Total comprehensive income/(loss)		-	(1,029,780)	225,262	(804,518)
Shares issued during the year	*16*	-	-	-	-
Share-based payments	*15*	-	-	15,900	15,900
Balance at 30 June 2010		3,916,580	(2,802,191)	550,585	1,664,974
Balance at 1 July 2010		**3,916,580**	**(2,802,191)**	**550,585**	**1,664,974**
Loss attributable to members of the consolidated entity		**-**	**(1,767,460)**	**-**	**(1,767,460)**
Other comprehensive income		**-**	**-**	**(200,715)**	**(200,715)**
Total comprehensive income/(loss)		**-**	**(1,767,460)**	**(200,715)**	**(1,968,175)**
Shares issued during the year	*16*	**8,717,759**	**-**	**-**	**8,717,759**
Cost of capital raising		**(615,870)**	**-**	**-**	**(615,870)**
Share-based payments	*16*	**-**	**-**	**123,201**	**123,201**
Balance at 30 June 2011		**12,018,469**	**(4,569,651)**	**473,071**	**7,921,889**

The statement of changes in equity is to be read in conjunction with the accompanying notes to the financial statements.

Statement of Financial Position

As at 30 June 2011

	Note	Consolidated		Parent	
		2011 $	2010 $	**2011 $**	2010 $
Assets					
Cash and cash equivalents	*9*	**6,950,729**	353,938	**6,871,806**	254,874
Trade and other receivables	*10*	**303,347**	356,866	**199,032**	284,810
Total current assets		**7,254,076**	710,804	**7,070,838**	539,684
Other investments	*11*	**390,000**	440,000	**390,000**	440,000
Other receivables	*10*	**528,151**	621,881	**528,151**	621,881
Property, plant and equipment	*13*	**39,186**	28,358	**7,015**	4,900
Total non-current assets		**957,337**	1,090,239	**925,166**	1,066,781
Total assets		**8,211,413**	1,801,043	**7,996,004**	1,606,465
Liabilities					
Trade and other payables	*14*	**289,524**	136,069	**255,782**	128,294
Total current liabilities		**289,524**	136,069	**255,782**	128,294
Total liabilities		**289,524**	136,069	**255,782**	128,294
Net assets		**7,921,889**	1,664,974	**7,740,222**	1,478,171
Equity					
Issued capital	*16*	**12,018,469**	3,916,580	**12,018,469**	3,916,580
Reserves	*17(a)*	**473,071**	550,585	**550,651**	477,450
Accumulated Losses	*17(b)*	**(4,569,651)**	(2,802,191)	**(4,828,898)**	(2,915,859)
Total equity		**7,921,889**	1,664,974	**7,740,222**	1,478,171

The statement of financial position is to be read in conjunction with the accompanying notes to the financial statements.

Statement of cash flows

For the year ended 30 June 2011

	Note	Consolidated 2011 $	Consolidated 2010 $	Parent 2011 $	Parent 2010 $
Cash flows from operating activities					
Cash paid to suppliers and employees		**(1,862,376)**	(1,078,227)	**(1,491,602)**	(688,159)
Cash generated from operations		**(1,862,376)**	(1,078,227)	**(1,491,602)**	(688,159)
Income taxes paid		**(66)**	(305)	**-**	-
Net cash used in operating activities	*23*	**(1,862,442)**	(1,078,532)	**(1,491,602)**	(688,159)
Cash flows from investing activities					
Acquisition of property, plant and equipment		**(21,157)**	(27,157)	**(5,183)**	(4,946)
Subsidiary sale instalments received		**239,747**	133,307	**239,747**	133,307
Interest received		**15,553**	31,565	**15,129**	31,083
Net cash provided by investing activities		**234,143**	137,715	**249,693**	159,444
Cash flows from financing activities					
Loans to subsidiaries		**-**	-	**(366,249)**	(448,966)
Proceeds from capital raising		**8,747,759**	-	**8,717,759**	-
Costs of capital raising		**(492,669)**	-	**(492,669)**	-
Net cash provided by/(used in) financing activities		**8,225,090**	-	**7,858,841**	(448,966)
Net increase/(decrease) in cash and cash equivalents		**6,596,791**	(940,817)	**6,616,932**	(977,681)
Cash and cash equivalents at 1 July		**353,938**	1,294,755	**254,874**	1,232,555
Cash and cash equivalents at 30 June	*9*	**6,950,729**	353,938	**6,871,806**	254,874

The statement of cash flows is to be read in conjunction with the accompanying notes to the financial statements.

1. Significant accounting policies

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (“AASBs”), including Australian Interpretations adopted by the Australian Accounting Standards Board (“AASB”) and the Corporations Act 2001.

The consolidated financial report of the Group also complies with the IFRS and interpretations adopted by the International Accounting Standards Board.

(b) Basis of preparation

The financial report is presented in Australian dollars.

The financial report is prepared on the historical cost basis.

Non-current assets are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the group.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Adoption of new and revised standards:
Changes in accounting policies on initial application of Accounting Standards
In the year ended 30 June 2011, the Group has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2010.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2011. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

(c) Basis of consolidation

Subsidiaries
Subsidiaries are entities controlled by the Company. Control exits when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are carried at their cost of acquisition in the Company’s financial statements, less provision for diminution in circumstances where it is considered that the investment may not recover its book value.

Transactions eliminated on consolidation
Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Unrealised gains arising from transactions with equity accounted investee are eliminated against the investment to the extent of the Group’s interest in investee.

1. Significant accounting policies (continued)

(d) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the financial currency of the Group at foreign exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign currency differences arising on translation are recognised in the statement of comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at exchange rates ruling at the dates the fair value was determined.

(ii) Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Australian dollars at foreign exchange rates ruling at the balance date. The revenues and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to Australian dollars at rates approximating to the foreign exchange rates ruling at the dates of the transactions. The revenues and expenses of foreign operations in hyperinflationary economies are translated to Australian dollars at the foreign exchange rates ruling at the balance date. Foreign exchange differences arising on retranslation are recognised in a separate component of equity.

Prior to translating the financial statements of foreign operations in hyperinflationary economies, the financial statements, including comparatives, are restated to account for changes in the general purchasing power of the local currency. The restatement is based on relevant price indices at the balance date.

(iii) Net investment in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations are taken to translation reserve. They are released into the profit or loss upon disposal.

(e) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are measured at cost or deemed cost less accumulated depreciation (see below) and impairment losses (see accounting policy i).

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Group and its cost can be measured reliably. All other costs are recognised in the statement of comprehensive income as an expense as incurred.

(iii) Depreciation

Depreciation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives in the current and comparative periods are as follows:

Leasehold improvements	10 years
Motor vehicles	4-5 years
Office equipment	4-10 years
Office furnishings	4-5 years
Tools and equipment	4 years
Plant and installations	5 years

1. Significant accounting policies (continued)

(f) Exploration and evaluation expenditure

Expenditure incurred during exploration and the early stages of evaluation of new areas of interest is written off as incurred.

Where the Directors decide to progress to development in an area of interest all further expenditure incurred relating to the area will be capitalised.

Projects are advanced to development status when it is expected that future expenditure can be recouped through sale or successful development and exploitation of the area of interest.

(g) Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses (see accounting policy i).

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash balances.

(i) Impairment

The carrying amounts of the consolidated assets are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

(j) Calculation of recoverable amount

The recoverable amount of the Group's receivables is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Impairment testing of significant receivables that are not assessed as impaired individually is performed by placing them into portfolios of significant receivables with similar risk profiles and undertaking a collective assessment of impairment. Non-significant receivables are not individually assessed. Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each balance date.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(k) Share capital

Dividends
Dividends are recognised as a liability in the period in which they are declared.

Transaction costs
Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

(l) Wages, salaries, annual leave, sick leave and non-monetary benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date.

World Titanium Resources Ltd and its Controlled Entities
Notes to the Financial Statements (continued)

1. Significant accounting policies (continued)

(l) Wages, salaries, annual leave, sick leave and non-monetary benefits (Continued)

Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the consolidated entity as the benefits are taken by the employees.

(m) Share-based payment transactions

The share option program allows the Group's directors and key management personnel to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a binominal option-pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

(n) Trade and other payables

Trade and other payables are stated at cost.

(o) Revenue

Revenues are measured at fair value of the consideration received net of the amount of goods and services tax (GST in Australia, TVA in Madagascar) payable to the taxation authorities. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible returns of goods can be estimated reliably and there is no continuing management involvement with the goods.

Interest income
Interest income is recognised in the statement of comprehensive income as it accrues.

Logistical support services
Revenue received by a subsidiary for support services provided to the Toliara Sands Project is recognised once the service is performed and an invoice raised.

(p) Income tax

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

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

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences: The initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax recognised is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(q) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST in Australia, TVA in Madagascar), except where the amount of GST/TVA incurred is not recoverable from the Australian Tax Office (ATO) or Centre Fiscal Mandrosoa (Fisc). In these circumstances, the GST/TVA is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

World Titanium Resources Ltd and its Controlled Entities
Notes to the Financial Statements (continued)

(q) Goods and services tax (continued)

Receivables and payables are stated with the amount of GST/TVA included. The net amount of GST/TVA recoverable from, or payable to, the ATO/Fisc is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST/TVA components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO/Fisc are classified as operating cash flows.

2. Accounting estimates and judgements

Management has been involved in the development, selection and disclosure of the Company's critical accounting policies and estimates and the application of these policies and estimates. Those estimates and judgements that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

Key sources of estimation uncertainty
In Note 19, analysis is given of the foreign exchange exposure and interest bearing assets of the consolidated entity and risks in relation to foreign exchanges and interest rate movements.

Accounting policy 1(f) discusses the Group's assumptions about exploration expenditure. The consolidated entity adopts the more conservative policy of writing off all exploration and evaluation expenditure and it is only if the area of interest is developed that an asset may be realised.

3. Segment reporting

The Group has applied the exemption available to non-listed entities to not report segment information.

4. Personnel expenses

	Note	Consolidated		Parent	
		2011	2010	**2011**	2010
		$	$	**$**	$
Wages and statutory employee oncosts		**61,438**	30,174	**-**	-
Equity settled transactions	15	**-**	15,900	**-**	15,900
		61,438	46,074	**-**	15,900

250,000 options issued to Malagasy employees in March 2011 were estimated to have fair values of 0.2 cents. All options vested immediately upon grant.

5. Auditor's remuneration

	Consolidated 2011 $	Consolidated 2010 $	Parent 2011 $	Parent 2010 $
Audit services				
Auditors of the Company				
Audit and review of financial reports:				
HLB Mann Judd	**15,000**	12,000	**15,000**	12,000
Other overseas auditors	**2,285**	2,439	**-**	-
	17,285	14,439	**15,000**	12,000
Other Services – HLB Mann Judd				
Independent Expert's Reports	**17,000**	-	**17,000**	-
Investigating Accountant's Report	**12,500**	-	**12,500**	-
	29,500	-	**29,500**	-

6. Net financial income

	Consolidated 2011 $	Consolidated 2010 $	Parent 2011 $	Parent 2010 $
Interest income	**16,020**	29,751	**15,662**	29,334
Interest on consideration instalments	**2,298**	124,895	**2,298**	124,895
Net Financial income	**18,318**	154,646	**17,960**	154,229

World Titanium Resources Ltd and its Controlled Entities
Notes to the Financial Statements (continued)

7. Income tax expense

	Consolidated		Parent	
	2011	2010	**2011**	2010
The major components of income tax expense are:	**$**	$	**$**	$
Income statement				
Current income tax				
Current income tax	**278**	305	**-**	-
Adjustments for prior years	**-**	-	**-**	-
Deferred tax expense				
Relating to origination & reversal of temporary differences	**-**	-	**-**	-
Unused tax losses not recognised as Deferred Tax Asset	**-**	-	**-**	-
Total income tax expense in statement of comprehensive income	**278**	305	**-**	-
Numerical reconciliation between tax expense/(credit) and pre-tax net profit /(loss)				
Accounting loss before income tax	**(1,767,460)**	(1,029,780)	**(1,913,039)**	(1,073,425)
Income tax benefit using the domestic corporation tax rate of 30% (2010: 30%)	**(530,238)**	(308,934)	**(573,912)**	(322,028)
Increase in income tax expense due to:				
Non-deductible expenses	**330,991**	134,090	**330,991**	134,090
Tax losses not recognised	**200,652**	212,313	**243,770**	225,407
Minimum tax requirement in Madagascar	**(278)**	(305)	**-**	-
Decrease in income tax expense				
Non-assessable income	**(849)**	(37,469)	**(849)**	(37,469)
	(278)	(305)	**-**	-
Over provided in previous years	**-**	-	**-**	-
Income tax expense on pre-tax net profit/(loss)	**(278)**	(305)	**-**	-

The Directors estimate the potential future income tax benefit arising from tax losses and temporary differences available to World Titanium Resources Ltd to be $472,688 (2010: $328,533) and consolidated $651,491 (2010: $558,398) which substantially relates to expenditure incurred in relation to the exploration of heavy mineral sands and associated minerals in Madagascar.

The potential future income tax benefit arising from tax losses and timing differences has not been brought to account in this financial report as realisation of the benefit cannot be regarded as probable.

The potential future income tax benefit will only be obtained by the Group if:

a) the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions to be realised;
b) the Company continues to comply with the conditions for deductibility as imposed by tax legislation; and
c) no changes in tax legislation adversely affect the Company in realising the benefit.

8. Earnings per share

	Consolidated		Parent	
Basic earnings per share	**2011** ***cents per share***	2010 *cents per share*	**2011** ***cents per share***	2010 *cents per share*
Continuing operations	**(3.11)**	(2.00)	**(3.36)**	(2.09)
Total basic earnings per share	**(3.11)**	(2.00)	**(3.36)**	(2.09)
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share is as follows:	**$**	$	**$**	$
Earnings from continuing operations	**(1,767,460)**	(1,029,780)	**(1,913,039)**	(1,073,425)
	Shares	Shares	**Shares**	Shares
Weighted average number of shares	**56,922,090**	51,364,870	**56,922,090**	51,364,870

9. Cash and cash equivalents

	$	$	**$**	$
Bank balances	**6,950,729**	353,938	**6,871,806**	254,874
Cash and cash equivalents in statement of cash flows	**6,950,729**	353,938	**6,871,806**	254,874

World Titanium Resources Ltd and its Controlled Entities
Notes to the Financial Statements (continued)

10. Trade and other receivables

	Note	Consolidated		Parent	
		2011	2010	**2011**	2010
Current		**$**	$	**$**	$
Deferred consideration receivable		**122,281**	266,000	**122,281**	266,000
Other debtors and prepayments		**180,533**	90,866	**76,218**	18,810
Accrued income		**533**	-	**533**	-
		303,347	356,866	**199,032**	284,810
Non-current					
Deferred consideration receivable		**528,151**	621,881	**528,151**	621,881
Loans to related parties		**-**	-	**987,151**	620,902
Less: Provision for non-recovery of loans		**-**	-	**(987,151)**	(620,902)
		528,151	621,881	**528,151**	621,881
		831,498	978,747	**727,183**	906,691

11. Other investments

	Note	Consolidated 2011	Consolidated 2010	Parent 2011	Parent 2010
Non-current investments					
Available for sale investments					
- Fair Value		**390,000**	440,000	**390,000**	440,000
Investments in controlled entities					
- Cost	22	**-**	-	**2,660**	2,660
- Provision for writedown to net recoverable value	22	**-**	-	**(2,660)**	(2,660)
Investments in controlled entities		**390,000**	440,000	**390,000**	440,000

The ultimate recoupment of investments in controlled entities will be dependent on the successful development and commercial exploitation or sale of exploration projects held by those controlled entities.

During the 2010 financial year, the wholly owned subsidiary Madagascar Resources Ltd was liquidated. It was domiciled in Mauritius and had issued capital at cost of $A100,000. Malagasy Sands No.2 Ltd was incorporated in Mauritius during the year with issued capital at cost of $A1,000.

12. Current tax assets and liabilities

The current tax liability for the consolidated entity of $nil (2010: $nil) represents the amount of income taxes payable in respect of the current period.

World Titanium Resources Ltd and its Controlled Entities
Notes to the Financial Statements (Continued)

13. Property, plant and equipment

	Consolidated							Parent	
Cost:	**Motor vehicles**	**Office equipment**	**Office furnishings**	**Leasehold improve-ments**	**Plant and technical equipment**	**Under con-struction**	**Total**	**Office equipment**	**Total**
Balance at 1 July 2009	45,967	29,516	5,423	14,736	6,713	-	102,355	6,110	6,110
Acquisitions	18,947	5,579	-	-	2,631	-	27,157	4,946	4,946
Disposals	-	(6,021)	(1,334)	-	(1,883)	-	(9,238)	-	-
Effect of movements in foreign exchange	(15,106)	(6,935)	(1,520)	(4,398)	(2,059)	-	(30,018)	-	-
Balance at 30 June 2010	49,808	22,139	2,569	10,338	5,402	-	90,256	11,056	11,056
Balance at 1 July 2010	49,808	22,139	2,569	10,338	5,402	-	90,256	11,056	11,056
Acquisitions	-	20,106	-	-	-	2,614	22,720	5,183	5,183
Disposals	-	(2,430)	-	-	-	-	(2,430)	-	-
Effect of movements in foreign exchange	2,300	169	118	478	250	(72)	3,243	-	-
Balance at 30 June 2011	**52,108**	**39,984**	**2,687**	**10,816**	**5,652**	**2,542**	**113,789**	**16,239**	**16,239**
Depreciation and impairment losses:	**Motor vehicles**	**Office equipment**	**Office furnishings**	**Leasehold improve-ments**	**Plant and technical equipment**	**Under con-struction**	**Total**	**Office equipment**	**Total**
Balance at 1 July 2009	37,485	23,744	4,087	6,600	4,501	-	76,417	3,198	3,198
Depreciation charge for the year	9,586	4,499	727	1,116	1,241	-	17,169	2,958	2,958
Disposals	-	(5,149)	(1,089)	-	(1,197)	-	(7,435)	-	-
Effect of movements in foreign exchange	(12,567)	(6,709)	(1,324)	(2,217)	(1,436)	-	(24,253)	-	-
Balance at 30 June 2010	34,504	16,385	2,401	5,499	3,109	-	61,898	6,156	6,156
Balance at 1 July 2010	34,504	16,385	2,401	5,499	3,109	-	61,898	6,156	6,156
Depreciation charge for the year	3,777	4,288	180	1,112	719	253	10,329	3,068	3,068
Disposals	-	(86)	-	-	-	-	(86)	-	-
Effect of movements in foreign exchange	1,490	523	106	225	125	(7)	2,462	-	-
Balance at 30 June 2011	**39,771**	**21,110**	**2,687**	**6,836**	**3,953**	**246**	**74,603**	**9,224**	**9,224**
Carrying amounts:									
At 1 July 2009	8,482	5,772	1,336	8,136	2,212	-	25,938	2,912	2,912
At 30 June 2010	15,304	5,754	168	4,839	2,293	-	28,358	4,900	4,900
At 1 July 2010	15,304	5,754	168	4,839	2,293	-	28,358	4,900	4,900
At 30 June 2011	**12,337**	**18,874**	**-**	**3,980**	**1,699**	**2,296**	**39,186**	**7,015**	**7,015**

World Titanium Resources Ltd and its Controlled Entities
Notes to the Financial Statements (Continued)

14. Trade and other payables

	Consolidated		Parent	
	2011	2010	**2011**	2010
	$	$	**$**	$
Trade payables	**134,347**	107,977	**115,605**	100,202
Non-trade payables and accrued expenses	**155,177**	28,092	**140,177**	28,092
	289,524	136,069	**255,782**	128,294

15. Employee benefits

Share based payments

The Company has a share option program that entitles directors and key management personnel to purchase shares in the entity. On 28 November 2008 and 25 November 2009, options were granted to directors and key management personnel. In accordance with these programs, options are exercisable at the exercise price determined at the date of grant.

The terms and conditions of the grants are as follows, whereby all options are settled by physical delivery of shares:

Grant date/employee entitled	Number of instruments	Vesting conditions	Contractual life of options
Option grant to key management at 28 November 2008	5,000,000	100% of options vested immediately	5 years
Option grant to key management at 25 November 2009	3,750,000	100% of options vested immediately	4 years
Option grant to Malagasy employees	250,000	100% of options vested immediately	2.5 years
Total share options	9,000,000		

The options outstanding at 30 June 2011 have a weighted average exercise price of 10 cents and a weighted average remaining contractual life of 2.42 years.

During the year, 8,750,000 share options were exercised raising $625,000 (2010: nil).

The estimate of the fair value of the services received is measured based on the Black & Scholes option-pricing model. The contractual life of the option (4 years) is used as an input into this model. Expectations of early exercise are incorporated into the Black & Scholes option-pricing model.

	Key Management Personnel	
Fair value of share options and assumptions	**2011**	2010
Fair value at measurement date	**-**	0.44 cents
Share price	**-**	5.5 cents
Exercise price	**-**	10 cents
Expected volatility (expressed as weighted average volatility used in the modelling under Black & Scholes option-pricing model)	**-**	25%
Option life (expressed as weighted average life used in the modelling under Black & Scholes option-pricing model)	**-**	4 years
Discount for non-negotiability	**-**	0%
Expected dividends	**-**	0%
Risk-free interest rate (based on national government bonds)	**-**	5.44%

The expected volatility is based on the historic volatility of prices paid for shares transferred and options exercised.

Share options granted to key management in November 2008 and November 2009 were estimated to have fair values of 1.44 cents and 0.441 cents respectively. All options vested immediately upon grant.

		Consolidated		Parent	
	Note	**2011**	2010	**2011**	2010
Employee expenses		**$**	$	**$**	$
Balance 01 July		**15,900**	-	**15,900**	-
Share based payments	*4*	**-**	15,900	**-**	15,900
Balance 30 June		**15,900**	15,900	**15,900**	15,900

The fair value of the share options at grant date is determined based on the Black & Scholes formula. The model inputs were the share prices, the exercise price, expected volatility, expected dividends, the term and risk-free interest rate as set out in the table above.

World Titanium Resources Ltd and its Controlled Entities
Notes to the Financial Statements (Continued)

15. Employee benefits (continued)

Fair value of share options and assumptions	Malagasy Employees 2011	2010
Fair value at measurement date	0.20 cents	-
Share price	3.1 cents	-
Exercise price	10 cents	-
Expected volatility (expressed as weighted average volatility used in the modelling under Black & Scholes option-pricing model)	50%	-
Option life (expressed as weighted average life used in the modelling under Black & Scholes option-pricing model)	2.72 years	-
Discount for non-negotiability	0%	-
Expected dividends	0%	-
Risk-free interest rate (based on national government bonds)	4.83%	-

Options issued to Malagasy employees in March 2011 were estimated to have fair values of 0.2 cents. All options vested immediately upon grant.

16. Issued capital

	Consolidated			
	2011 Shares	2010 Shares	**2011 $**	2010 $
On issue at 1 July	**51,364,870**	51,364,870	**3,916,580**	3,916,580
Issued during year	**21,855,000**	-	**8,101,889**	-
On issue at 30 June – fully paid	**73,219,870**	51,364,870	**12,018,469**	3,916,580

The Company has also issued share options (see note 15) and warrants.

Ordinary shares
The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Options
Information relating to the options issued to directors, consultants and employees, including details of options issued, exercised and lapsed during the financial year, and options outstanding at the end of the financial year is set out in Note 15.

Warrants
The warrants outstanding at 30 June 2011 have a weighted average exercise price of $US1.00 ($A0.93) and a weighted average remaining contractual life of 1.97 years. 426,300 warrants were issued on 21 June 2011.

The fair value of services received in return for share warrants granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Black & Scholes option-pricing model. The contractual life of the option (2 years) is used as an input into this model. Expectations of early exercise are incorporated into the Black & Scholes option-pricing model.

Fair value of share options and assumptions:	2011	2010
Fair value at measurement date	**$123,201**	-
Share price	**$0.93**	-
Exercise price	**$0.93**	-
Expected volatility (expressed as weighted average volatility used in the modelling under Black & Scholes option-pricing model)	**50%**	-
Option life (expressed as weighted average life used in the modelling under Black & Scholes option-pricing model)	**1.97 years**	-
Discount for non-negotiability	**-**	-
Expected dividends	**-**	-
Risk-free interest rate (based on national government bonds)	**4.67%**	-

Warrants granted to brokers as part of placement fees in June 2011 were estimated to have fair values of 28.9 cents. All warrants vested immediately upon grant.

17. Reserves and accumulated losses

	Consolidated		Parent	
Reconciliation of movement:	**2011**	2010	**2011**	2010
a) Reserves	**$**	$	**$**	$
Foreign currency translation reserve	**(77,580)**	73,135	**-**	-
Share-based payments reserve	**260,651**	137,450	**260,651**	137,450
Asset revaluation reserve	**290,000**	340,000	**290,000**	340,000
	473,071	550,585	**550,651**	477,450
Foreign currency translation reserve:				
Balance at 1 July	**73,135**	(72,127)	**-**	-
Currency translation differences arising during the year	**(150,715)**	145,262	**-**	-
Balance at 30 June	**(77,580)**	73,135	**-**	-
Share-based payments reserve:				
Balance 1 July	**137,450**	121,550	**137,450**	121,550
Option expense	**123,201**	15,900	**123,201**	15,900
Balance 30 June	**260,651**	137,450	**260,651**	137,450
Asset revaluation reserve:				
Balance 1 July	**340,000**	260,000	**340,000**	260,000
Revaluation	**(50,000)**	80,000	**(50,000)**	80,000
Balance at 30 June	**290,000**	340,000	**290,000**	340,000
(b) Accumulated profits / (losses)				
Movements in accumulated profits / (losses) were as follows:				
Balance at 1 July	**(2,802,191)**	(1,772,411)	**(2,915,859)**	(1,842,434)
Net profit/ (loss) for the year	**(1,767,460)**	(1,029,780)	**(1,913,039)**	(1,073,425)
Balance 30 June	**(4,569,651)**	(2,802,191)	**(4,828,898)**	(2,915,859)

18. Dividends

The last dividend paid by the Company was in relation to the 2007 year.

	Parent	
	2011	2010
Dividend franking account	**$**	$
30% franking credits available to shareholders of World Titanium Resources Ltd for subsequent financial years.	**78,424**	78,424

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:
(a) franking credits that will arise from the payment of the current tax liabilities
(b) franking debits that will arise from the payment of dividends recognised as a liability at the year-end
(c) franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated group at the year-end; and
(d) franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

19. Financial instruments

Exposure to credit, interest rate and currency risks arises in the normal course of the consolidated entity's business.

Credit risk
The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. The Group does not require collateral in respect of financial assets.

Cash transactions are limited to high credit quality financial institutions.

Interest rate risk
As the Group has no interest-bearing liabilities, the Group's loss and operating cash flows are not exposed to change in market interest rates.

The Group's interest rate risk arises from the interest-bearing assets. Cash being held to fund exploration programs and operating costs are placed with financial institutions at variable rates which exposes the Group to cash flow interest rate risk. To attempt to manage this risk the Group policy is to place all but immediately required funds into a commercial bill.

19. Financial instruments (continued)

Cash and cash equivalents
Balances held in bank accounts are bearing a floating interest rate of 4.62% (2010: 4.50%).

Other financial assets and liabilities
All other financial assets and liabilities of the group are non-interest bearing

Foreign Currency Risk
Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures to Malagasy Ariary, Euro and the US Dollar.

The Group's risk management policy is to keep surplus cash in US Dollars and have major contracts written using Euro or US Dollars as the currency for calculation of the liability or revenue stream. During 2011, ongoing expenditures in foreign currencies were minimal and the cash balance held in US dollars at 30 June 2011 was approximately $US12,281.

In June 2011 a total of $US7,105,000 was raised from the issue of shares. After payment of costs of the raising and conversion of some amounts to Australian currency, the US dollar bank balance of WTR was $US5,896,817 which converted to $A5,390,752 at the 30 June 2011 exchange rate of $US 1.0939/ $A1.00. It is the present intention of the Board to retain this balance in $US as a hedge against the requirement to send future amounts to Madagascar and Mauritius in that currency.

An appreciation in the $A against the $US would result in adverse movement in the statements of comprehensive income and financial position and a depreciation of the $A against the $US would lead to a favourable movement in the income statement and balance sheet. A 100 basis points change, would result in a movement of approximately $A50,000 in the reported results.

Market risk
The Group's activities expose it primarily to the changes in foreign currency exchange rates and interest rates on cash balances.

The total advances to all subsidiaries for the year were $A366,249 (previous year $A447,967). Advances to the Mauritian and Malagasy subsidiaries are made in US dollars as funds are required to pay invoices and are held in US dollars before being converted to Ariary or Euro as required.

Hence a change in the exchange rate of 100 basis points, if applied to the total advance for the year would have an impact on earnings and equity of about $A7,246. The same change on year end balances held in US dollars would be about $A50,000.

The cash balances held at year end were $A1.482 million, on which interest was being earned at 4.62%, and $US5.897 million, on which no interest is earned. A change in the interest rate of 100 basis points, if applied to the year end balance of Australian dollars for a whole year, would have the effect of changing earnings and equity by $14,820.

Capital risk management
The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Group, to the extent that these do not conflict with the directors' fiduciary duties towards the Group or the requirements of local regulation. The results of the directors' review of the Group's capital structure are used as a basis for the determination of the level of dividends, if any, that are declared. The Group was not subject to externally imposed capital requirements in either the current or prior year.

19. Financial instruments (continued)

Fair values

The accounting standard relating to financial instruments requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The fair values together with the carrying amounts shown in the statement of financial position are as follows:

	Note	Carrying amount 2011	Fair value 2011	Carrying amount 2010	Fair value 2010
Consolidated		**$**	**$**	$	$
Trade and other receivables	*10*	**831,498**	**831,498**	978,747	978,747
Cash and cash equivalents	*9*	**6,950,729**	**6,950,729**	353,938	353,938
Trade and other payables	*14*	**(289,524)**	**(289,524)**	(136,069)	(136,069)
Available for sale assets		**390,000**	**390,000**	440,000	440,000
		7,882,703	**7,882,703**	1,636,616	1,636,616
Parent					
Trade and other receivables	*10*	**727,183**	**727,183**	906,691	906,691
Cash and cash equivalents	*9*	**6,871,806**	**6,871,806**	254,874	254,874
Trade and other payables	*14*	**(255,782)**	**(255,782)**	(128,294)	(128,294)
Available for sale assets		**390,000**	**390,000**	440,000	440,000
		7,733,207	**7,733,207**	1,473,271	1,473,271

Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

Trade and other receivables / payables

Receivables and payables which have a remaining life of less than one year are recorded at the nominal amount, which is deemed to reflect the fair value.

The amount receivable from Malagasy Minerals Limited in relation to unpaid consideration for its purchase of Mada-Aust SARL amounts to:

	Nominal Amount 2011	Fair Value 2011	Nominal Amount 2010	Fair Value 2010
	$	**$**	$	$
Current	**125,000**	**122,281**	271,205	266,000
Non-Current	**670,675**	**528,151**	764,216	621,881
Total	**795,675**	**650,432**	1,035,421	887,881

The fair value has been calculated by discounting the amounts receivable by 7% pa (2010: 7% pa), based upon the estimated timing of receipts.

20. Capital and other commitments

	Consolidated 2011 $	Consolidated 2010 $	Parent 2011 $	Parent 2010 $
(a) Lease commitments				
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year	**24,625**	17,260	**-**	1,455
More than one year and less than two years	**6,049**	**-**	**-**	**-**
More than two years and less than five years	**585**	**-**	**-**	**-**
	31,259	-	**-**	-
Representing:				
Non-cancellable operating leases	**-**	-	**-**	-
Cancellable operating leases	**31,259**	17,260	**-**	1,455
	31,259	17,260	**-**	1,455

The Group has a non-cancellable lease on the property which houses the resident manager in Madagascar. This lease is for the period 1 July 2010 – 30 June 2011 and can be renewed upon mutual agreement.

The cancellable leases relate to offices in Madagascar and Australia. The Group is required to give three months notice prior to the end of a one year term for its office in Madagascar and one office under a monthly rental agreement in Australia.

(b) Exploration expenditure commitments

The group has minimum annual expenditure commitments, as required by the Malagasy Mining Code, in order to maintain title to various mining permits which are held in Madagascar. Expected annual rental for calendar 2012 in relation to existing exploration tenements is approximately $AU 125,000.

21. Contingencies

There was no contingent amounts payable or receivable at year end.

22. Consolidated entities

Name of entity	Country of incorporation	Class of shares	Equity holding (%) 2011	Equity holding (%) 2010	Cost of the Company's investment ($) 2011	Cost of the Company's investment ($) 2010
Malagsy Sands No 2	Mauritius	Ordinary	**100**	100	**1,000**	1,000
Madagascar Mineral Fields Ltd	Mauritius	Ordinary	**100**	100	**1,660**	1,660
Toliara Sands SARL	Madagascar	Ordinary	**100**	100	**1,552,671**	1,552,671
Madagascar Resources SARL	Madagascar	Ordinary	**100**	100	**450,176**	450,176

The above Malagasy incorporated companies are owned by Madagascar Mineral Fields Ltd (100% of Toliara Sands SARL) and Malagasy Sands No.2 Ltd (100% of Madagascar Resources SARL). The Malagasy companies are therefore indirectly 100% owned by World Titanium Resources Ltd. The Malagasy incorporated companies carry on business in Madagascar. Malagasy Sands No.2 and Madagascar Mineral Fields Ltd carry on business in Mauritius.

23. Reconciliation of cash flows from operating activities

	Note	Consolidated 2011 $	Consolidated 2010 $	Parent 2011 $	Parent 2010 $
Profit/(loss) after income tax		**(1,767,460)**	(1,029,780)	**(1,913,039)**	(1,073,425)
Non-cash items					
Depreciation and amortisation	*13*	**10,329**	17,158	**3,068**	2,958
Impairment losses		**-**	-	**366,249**	448,966
Foreign exchange (gains)/losses		**(150,559)**	70,987	**-**	-
Equity-settled share-based payment expenses	*15*	**-**	15,900	**-**	15,900
Interest on consideration instalments receivable		**(2,298)**	(124,895)	**(2,298)**	(124,895)
Items classified as investing activities					
Interest received		**(16,086)**	(29,816)	**(15,662)**	(29,334)
Changes in operating assets and liabilities					
(Increase)/Decrease in trade and other receivables		**(74,940)**	(75,560)	**(57,408)**	(11,950)
Increase/(Decrease) in trade and other payables		**138,572**	77,474	**127,488**	83,621
Net cash used in operating activities		**(1,862,442)**	(1,078,532)	**(1,491,602)**	(688,159)

24. Key management personnel disclosures for non-disclosing entities

Transactions with key management personnel

The Group provides non-cash benefits to directors and key management personnel. The key management personnel compensation included in "personnel expenses" (see Note 6) is as follows:

	Consolidated 2011 $	Consolidated 2010 $	Parent 2011 $	Parent 2010 $
Share based payments	**-**	15,900	**-**	15,900

Other key management personnel transactions with the Company

A number of key management persons of the Company, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities. A number of these entities transacted with the Company in the reporting period. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

The aggregate amounts recognised during the year relating to key management personnel and their related parties were as follows:

Director	**Transaction**	***Note***	Consolidated 2011 $	Consolidated 2010 $	Parent 2011 $	Parent 2010 $
Mr Wayne Malouf	Strategic Consultancy Services		**57,960**	-	**57,960**	-
Dr Peter Woods	Geological and Corporate Consultancy Services	(i)	**136,800**	120,750	**136,800**	120,750
Guy Leclezio	Strategic Consultancy Services	(ii)	**152,675**	35,000	**152,675**	35,000
Graeme Boden	Secretarial and Financial Consultancy Services	(iii)	**162,342**	117,959	**162,342**	117,959
Non-director Jules Leclezio	Logistical and Administrative Consultancy Services	(iv)	**136,000**	88,000	**136,000**	88,000

24. Key management personnel disclosures for non-disclosing entities (continued)

I. Dr Peter Woods is a director and shareholder of Quantum Holdings Pty Ltd ("Quantum"). During the year Quantum provided geological and administrative consultancy services to World Titanium Resources Ltd and certain of its controlled entities. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms.

II. Guy Leclezio provided strategic consultancy services to World Titanium Resources Ltd during the year. Amounts were billed based upon normal market rates for such services and were due and payable under normal payment terms. Guy Leclezio is a director and shareholder of Canon Point Pty Ltd and Running Water Ltd.

III. Graeme Boden is a director and shareholder of Boden Corporate Services Pty Ltd ("Boden"). During the year Boden staff provided company secretarial, financial consultancy, accounting and administrative services to World Titanium Resources Ltd. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms.

IV. Jules Leclezio, through his consultancy company, Midas Consultancy Pty Ltd, provided logistical consultancy services as well as acting as the nominated manager for Toliara Sands SARL and Madagascar Ressources SARL in Madagascar. He also provided administrative consultancy services to World Titanium Resources Ltd during the year.

Amounts payable to key management personnel and their related parties at reporting date arising from these transactions were as follows:

	Consolidated		Parent	
	2011	2010	**2011**	2010
	$	$	**$**	$
Current payables				
Trade creditors	**54,868**	2,496	**54,868**	2,496
	54,868	2,496	**54,868**	2,496

Service Contracts and Company expenses

There were no formal service contracts in existence during or since the end of the financial period. Any payments made to key management personnel were on the basis of hourly rate approved in advance by directors.

During the year, certain Company expenses were incurred by the Directors of the Company and other key management personnel of the Group. These amounts were reimbursed to Directors by the Company on the production of the appropriate receipts.

At balance date, the interest of the Directors and/or related parties in shares and options were:

Shareholdings	**Balance**	**Net**	**Balance**
At 30 June 2011	**1/7/2010**	**Movements**	**30/6/2011**
P J Woods	1,760,001	2,417,778	4,177,779
G F M Leclezio(2)	4,770,002	2,196,666	6,966,668
N T B Davenport	-	277,778	277,778
E W Malouf	-	-	-
G Sookun	-	-	-
E V Young (1)	250,000	(250,000)	-
G R Boden	-	1,944,000	1,944,000
J Leclezio	200,000	2,200,000	2,400,000
	6,980,003	8.786,222	15,766,225

Shareholdings	**Balance**	**Net**	**Balance**
At 30 June 2010	**1/7/2009**	**Movements**	**30/6/2010**
P J Woods	1,760,001	-	1,760,001
G F M Leclezio(2)	4,770,002	-	4,770,002
N T B Davenport	-	-	-
E V Young(1)	250,000	-	250,000
G R Boden	-	-	-
J Leclezio	200,000	-	200,000
	6,980,003	-	6,980,003

(1) Resigned 24 January 2011

(2) Does not include 625,000 shares held by non-controlled entity in which G Lecelzio has an interest

World Titanium Resources Ltd and its Controlled Entities
Notes to the Financial Statements (Continued)

24. Key management personnel disclosures for non-disclosing entities (continued)

Option holdings 30 June 2011	Balance 1/7/10	Granted as remuneration	Options exercised	Forfeited	Balance at 30/6/11	Exercisable	Non-exercisable
P J Woods	2,000,000	-	(2,000,000)	-	-	-	-
G F M Leclezio	1,500,000	-	(1,500,000)	-	-	-	-
N T B Davenport	750,000	-	(750,000)	-	-	-	-
E W Malouf	-	-	-	-	-	-	-
G Sookun	-	-	-	-	-	-	-
E V Young(1)	750,000	-	(750,000)	-	-	-	-
G R Boden	1,750,000	-	(1,750,000)	-	-	-	-
J Leclezio	2,000,000	-	(2,000,000)	-	-	-	-
	8,750,000	-	(8,750,000)	-	-	-	-

Option holdings 30 June 2010	Balance 1/7/09	Granted as remuneration	Options exercised	Forfeited	Balance at 30/6/10	Exercisable	Non-exercisable
P J Woods	1,750,000	1,000,000	-	(750,000)	2,000,000	2,000,000	-
G F M Leclezio	1,250,000	500,000	-	(250,000)	1,500,000	1,500,000	-
T Davenport	500,000	250,000	-	-	750,000	750,000	-
E V Young	750,000	250,000	-	(250,000)	750,000	750,000	-
G R Boden	1,100,000	750,000	-	(100,000)	1,750,000	1,750,000	-
J Leclezio	1,750,000	1,000,000	-	(750,000)	2,000,000	2,000,000	-
	7,100,000	3,750,000	-	(2,100,000)	8,750,000	8,750,000	-

Share based compensation – options

No options were granted to Key Management Personnel as remuneration during the 2011 financial year.

25. Related parties - non key management personnel disclosures

Identity of related parties

The Company has a related party relationship with its subsidiaries (see Note 22) and key management personnel (see Note 24).

Other related party transactions

Subsidiaries

Further loan funds of $369,317 (2010:$447,967) were advanced to the Malagasy and Mauritian subsidiaries during the year to cover operating costs. Loans to controlled entities are interest free and unsecured. It is the Company's intention not to seek payments of the above amounts for at least 12 months.

World Titanium Resources Ltd and its Controlled Entities
Notes to the Financial Statements (Continued)

26. Subsequent events

Proposed Merger
On 23rd July the Company signed a letter agreement with ASX listed Bondi Mining Limited (ASX code BOM), to implement a merger by way of a scheme of arrangement. The merger was subject to conditions precedent, some of which have been satisfied, including the execution of a detailed merger implementation deed and the lodgement by the Company with ASIC of scheme documentation to be sent to shareholders.

The steps to be completed in the transaction are:
- Bondi will consolidate its existing issued capital on the basis of 1 share for 4 existing shares;
- Bondi will divest its Australian exploration assets, retaining only tenement applications in a Namibian subsidiary;
- Bondi will raise $3 million at a price equivalent to 94.5 cents per existing WTR share;
- Bondi will acquire all of the issued capital of WTR on the basis of 3.5 post consolidation Bondi shares for each WTR share, which will result in existing WTR shareholders owning 86.2% of the merged entity; and
- Bondi will also acquire all outstanding options and warrants in WTR on a 3.5 to 1 basis with the exercise price reduced in inverse proportion.

The transaction is subject to approval of shareholders of both companies and will result in Bondi being suspended from trading on ASX and making an application to relist, as for an IPO, under the name World Titanium Resources.

At the date of this report, the anticipated timetable for the remaining major steps in the transaction are:
- 2nd November - Court hearing to authorise WTR shareholder meeting
- 7th November - Despatch of meeting notice to WTR shareholders
- 2nd December - WTR shareholder meeting to approve scheme
- 15th December - Court hearing to approve scheme
- 23rd December - WTR share register scheme implementation record date
- 31st December - Completion of implementation of the scheme
- 6th January 2012 – Relisting on ASX as World Titanium Resources

Other events
Dr Ian Ransome was appointed as a non-executive director on 10th August 2011

Mr Bruce Griffin has accepted appointment as Chief Executive Officer and will take up that appointment on 7th November 2011, when he will also become a director.

On 12th August, 250,000 options were exercised at 10 cents per share, raising $25,000.

On 12th August shareholders approved the granting of 2,850,000 options to directors and an additional 1,800,000 had been approved by directors for issue on the same terms and conditions, including an exercise price of $1.00 per share and an expiry date of 31st March 2015.

Other than these matters, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Group, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Directors' declaration

The Directors of Word Titanium Resources Ltd , the "Company" declare that:

1. The financial statements and notes as set out on pages 17 to 38 are in accordance with the Corporations Act 2001 and:

   (a) comply with Australian accounting standards, the Corporations Regulations 2001; and

   (b) give a true and fair view of the financial position as at 30 June 2011 and of their performance for the year ended on that date, of the company and the economic entity.

2. The Chief Executive Officer and the Chief Finance Officer have each declared that:

   a) The financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;

   b) The financial statements and notes for the financial year comply with Accounting Standards; and

   c) The financial statements and notes for the financial year give a true and fair view

3. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

4. The financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the Board of Directors.

On behalf of the Board

Peter J Woods

Director
Perth 31st October 2011

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of

World Titanium Resources Limited (formerly Madagascar Resources NL)

We have audited the accompanying financial report of World Titanium Resources Limited ("the company"), which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for both World Titanium Resources Limited and the World Titanium Resources Limited Group ("the consolidated entity"). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the consolidated financial statements of the World Titanium Resources Limited group and the separate financial statements of World Titanium Resources Limited comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

HLB Mann Judd

Accountants | Business and Financial Advisers

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

(a) the financial report of World Titanium Resources Limited (formerly Madagascar Resources NL) is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2011 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

HLB Mann Judd

HLB MANN JUDD
Chartered Accountants

Norman Glue

Perth, Western Australia
31 October 2011

N G NEILL
Partner

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of World Titanium Resources Limited (formerly Madagascar Resources NL) for the year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia
31 October 2011

N G NEILL
Partner, HLB Mann Judd

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