



WORLD TITANIUM RESOURCES

ASX & Media Release

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World Titanium Resources Submitting Amended Sichuan Lomon MoU for Shareholder Vote

Following an extensive mutual due diligence process by World Titanium Resources (“WTR”) and Sichuan Lomon Titanium (“Lomon”) an Amended Memorandum of Understanding (“Amended MoU”) is being submitted for WTR shareholder vote.

The WTR Board unanimously agreed to submit the unsigned Amended MoU to WTR shareholders for their approval or rejection. A majority of the WTR Board voted not to sign the Amended MoU unless approved by shareholders.

The Amended MoU provides the basis for definitive documentation of a 50:50 Joint Venture for the construction and operation of an 800,000tpa sulphate ilmenite mine at Ranobe, in south-western Madagascar. Material terms of the Amended MoU are as follows:

- Lomon will contribute the first US\$200 million of the capital required to develop an 800,000 tpa ilmenite mine at Ranobe;
- If required, capital in excess of US\$200 million and up to US\$300 million will be provided by project debt which will be secured by 100% of the project’s assets. The project debt will be serviced from Lomon’s share of operating cashflows. Any capital expenditure above US\$300 million will be jointly funded by WTR and Lomon;
- For providing the above funding Lomon will acquire a 50% interest in the Ranobe mining and exploration licences and WTR’s other Toliara Sands Project exploration licences;
- A capacity test, at a rate of 800,000tpa of ilmenite, will be made at the end of 2018 and will determine Lomon’s final ownership in the JV;
- Lomon will have both the obligation and right to buy 80% of the ilmenite from Ranobe at a 5% discount;
- The date to approve construction will be the later of 31 March 2014 or 14 days after development approvals are secured from the Malagasy government;
- Lomon will appoint two directors to the WTR board;
- WTR will use reasonable endeavours to hold a General Meeting within 60 days;
- Should WTR shareholders approve the transactions proposed in the Amended MoU Lomon and WTR will agree and execute the necessary definitive agreements within 60 days; and
- Lomon will acquire a total interest of 26% of WTR post completion by:
 - Acquiring 38,888,124 WTR shares from existing shareholders (12.27% of the existing WTR shares);
 - 43,250,000 shares issued by WTR priced at the 30 day VWAP prior to the definitive documents being signed up to a maximum of A\$0.19 as per the original MoU; and
 - An additional issuance of 15,579,174, or such number for Lomon to own 26% of WTR, at A\$0.275 per share.

WTR/Lomon Joint Venture for the development of the Toliara Sands Project

The key areas that have changed from the 15 March 2013 Memorandum of Understanding (“March MoU”) with Lomon are as follows:

Joint Venture to Develop Ranobe Mine

Lomon will invest the first US\$200million required to develop a mine producing 800,000 tpa ilmenite from the Ranobe deposit, and if required;

- Funding from \$200million to US\$300 million will be via project level debt serviced from Lomon’s share of operating cashflows and secured against 100% of the projects assets; and
- Any investment over US\$300million to be funded jointly by WTR and Lomon;

The capacity test in 2017 will now be 400,000 tpa ilmenite; and

The target date for the start of construction will be the later of 31 March 2014 or 14 days after the or 14 days after development approvals are secured from the Malagasy government;

Lomon as a WTR Shareholder

Subject to shareholder approval and any applicable laws, Lomon would acquire a total interest of 26% of WTR post completion by;

- Acquiring 38,888,124 WTR shares from existing shareholders (12.27% of the existing shares);
- 43,250,000 shares issued at the lesser of the 30 day VWAP on the day formal agreements are signed or A\$0.19 as agreed in the original MoU; and
- An additional issuance of that number of shares that would result in a 26% relevant interest for Lomon’s in WTR (15,579,174 shares based on the expected capital structure) at A\$0.275.

Lomon will have the right to nominate 2 directors to the WTR Board upon completion of the transactions proposed in the Amended MoU so long as it maintains a 15% holding in WTR and a 20% holding in the JVCos. Lomon will retain the right to nominate 1 WTR director so long as it maintains a 10% holding in WTR and a 20% holding in the JVCos;

If the transaction is approved by shareholders, any further issue of the securities by WTR will require unanimous WTR Board approval, unless such issue is as a result of:

- Conversion of existing options, in which case Lomon must be offered the right to subscribe for one new share for each 2.85 options converted at a subscription price of A\$0.275; or
- A rights issue offered to all shareholders in proportion to their holding immediately prior to such issue.

WTR intends to apply for a waiver from ASX to permit Lomon to have the right to maintain its percentage interest in WTR.

If Lomon fails to contribute the 1/3 upfront capital when due it will lose its interest in the JVCos and, subsequently, if more than 50.1% of the WTR shares unconditionally accept an offer to acquire all of the shares in WTR Lomon will accept the offer for all of its shares in WTR.

Shareholder Approval and Completion

WTR will use reasonable endeavours to hold a General Meeting within 60 days of the Amended MoU to consider and approve or reject all the transactions proposed in the Amended MoU (i.e. by 20 August 2013).

Should WTR shareholders approve the transactions proposed in the Amended MoU Lomon and WTR will seek to agree and execute the necessary deal documents within 60 days of the date of shareholder approval.

Exclusivity

If the shareholders approve the Amended MoU, WTR and Lomon will deal exclusively with each other on the transactions proposed in the Amended MoU up to 60 days after shareholder approval (or the date of the shareholder meeting if shareholder approval is not obtained).

Amended MoU Not Signed

While a majority of the WTR Board did not approve the Amended MoU in its current form or its execution unless approved by shareholders the WTR Board unanimously agreed to submit the Amended MoU to shareholders for their consideration and approval or rejection.

The effect of a signing the Amended MoU before shareholder approval would have been to bind WTR to its terms, including:

- Exclusivity, preventing the WTR from considering other transactions or offers (other than a takeover offer) without Lomon's prior consent without an equal restriction on Lomon (Lomon limited to ilmenite transactions in Madagascar);
- Confidentiality, including prohibiting the WTR from providing copies of the Amended MoU to its shareholders without Lomon's prior consent;
- Limiting WTR's ability to raise funds without Lomon's prior consent (WTR prohibited from issuing more than 5 million shares before the General Meeting); and
- Binding, neither Party could walkaway. This would prevent material changes to the MoU after the dispatch of the Notice of Meeting to shareholders reducing the risk that any shareholder approval obtained would be invalidated.

The terms of the Amended MOU are summarised on Page 5 and 6 of this release.



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About World Titanium Resources

World Titanium Resources (ASX:WTR) is an Australian listed mineral sands company that owns 100% of the Tier 1 Toliara Sands Project in Madagascar, which includes a Mineral Resource of 959Mt grading 6.10% total heavy mineral (THM) at Ranobe including a 161Mt Mineral Reserve at an average grade of 8.20% THM.

The Toliara Sands Exploration permits at Ranobe, Ankililoaka, Basibasy and Morombe contain a total exploration target in excess of 4,700Mt of mineralisation¹.

Competent Person Statement

Ian Ransome, B.Sc. (Hons) Geology, Pr.Sci.Nat., a Director of the Company, who is a registered geological scientist with the South African Council for Natural Scientific Professions (SACNASP), and has sufficient experience which is relevant to the styles of mineralisation and types of deposits under consideration, and is thus a Qualified Person in terms of the JORC Code, has reviewed and consented to the inclusion of the scientific and technical information contained in this ASX Release.

About Sichuan Lomon Titanium Co Ltd

Sichuan Lomon Corporation, the parent of Sichuan Lomon Titanium Co Ltd, is a private Chinese company operating four businesses: phosphate fertiliser, titanium dioxide pigment, vanadium-titanium-iron ore mining and processing, and bio-technology.

Lomon's unique integration of phosphate fertiliser and titanium pigment production reduces the cost typically associated with waste disposal from sulphate titanium dioxide pigment production and makes them one of the lowest cost producers of titanium dioxide pigment in the world. Lomon products have a reputation for quality and are sold to customers in China and around the world.

Lomon operates two existing sulphate pigment plants with a combined capacity of 300,000 tpa of titanium dioxide pigment and has plans to expand the plants. Lomon's current ilmenite feed requirements of 750,000 tpa are met from their vanadium-titanium-iron ore mining and processing business. Additional feedstock will be required to feed its planned expanded pigment production capacity and some of this would be sourced from the Ranobe joint venture.

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¹*These Exploration Targets are at an early stage of evaluation, and the potential quantity and grade remain conceptual in nature. At his stage there has been insufficient exploration to define Mineral Resources and it is uncertain if further exploration will result in the determination of Mineral Resources greater than that already defined.*

Overview of the Amended MOU

The original MOU was executed on 15 March 2013 by WTR and Lomon (the “JV Partners”) and the Amended MOU was finalised on 21 June 2013. The Amended MOU sets out the key terms and conditions to be included in the definitive agreements for the joint venture companies (“JVCos”), Madagascar Mineral Fields Limited (MMF) and Malagasy Sands No 2 Limited (MS2) and to govern their operations. MMF and MS2 are WTR’s wholly-owned Mauritian subsidiaries that own the Malagasy subsidiaries that hold the Ranobe mining and exploration licences and other Toliara Sands Project exploration licences respectively.

The JVCos are to be owned and operated 50/50 by WTR and Lomon pursuant to Shareholders Agreements with equal board representation and voting rights. During development, when Lomon is providing all equity capital funding expected to be required to achieve 800,000 tpa of ilmenite production (the “Development Phase”), technical disputes will be resolved by a second Board vote with three Lomon and two WTR directors voting. External relations disputes will be resolved by a second Board vote with three WTR and two WTR directors voting. After the Development phase and for all other decisions, any disputes will be determined through various deadlock resolution mechanisms.

To acquire its 50% interest in the JVCos Lomon will spend the first US\$200 million of the development capital to achieve 800,000 tpa of ilmenite production from Ranobe (currently estimated by WTR as US\$300 million). If more than US\$200 million and up to US\$300 million is required the JVCos will borrow the additional funds required with the debt to be serviced from Lomon’s share of free cash flow (with 100% of the JVCos assets able to be used as security for the debt). If more than US\$300 million is required, the additional funds will be funded jointly by Lomon and WTR. Once the decision to commence Ranobe construction has been made Lomon will contribute 1/3 of the agreed development capital budget into the relevant JVCos as a development commitment fee.

To maintain its 50% interest in the JVCos Lomon must commence the construction by the later of 31 March 2014 or 14 days after project approvals are secured where this occurs after 31 March 2014. Lomon’s interest will also be subject to two completion tests as follows;

- At the end of 2017, the actual ilmenite production rate from Ranobe will be determined and Lomon’s interest adjusted pro-rata from the target rate of 400,000 tpa ilmenite; and
- At the end of 2018, the actual ilmenite production rate from Ranobe will be determined and Lomon’s interest adjusted pro-rata from the target rate of 800,000 tpa ilmenite.
- The 2017 and 2018 production test dates will be extended if the project approvals are received after 31 March 2014 by 180 days plus the number of days the approvals are received after 31 March 2014.

Prior to the decision to commence Ranobe construction Lomon will be responsible for 100% of Ranobe development expenditures and WTR will be responsible for 100% of community and government approval expenditures. However, if the reconfiguration to 800,000 tpa requires new or additional approvals, WTR and Lomon will jointly fund the cost of obtaining these approvals.

WTR will fund Political Risk Insurance prior to positive operating cashflow.

All Ranobe capital expenditures from the earlier of 31 December 2018, or once an 800,000 tpa ilmenite production rate has been achieved, will be funded in proportion to the JV Partners equity in MMF.

All expenditure on the non-Ranobe projects in the Toliara Sands Project will be funded in proportion to the JV Partners equity in MS2.

Lomon will be obliged to purchase 80% of the ilmenite production from Ranobe. Lomon will also have a first right of refusal to purchase 80% of the ilmenite from Ranobe. All Ranobe ilmenite sold to Lomon will be at the prevailing market price less 5%.

If Lomon does not commence construction before 31 March 2014 or 14 days after project approvals are secured (if after 31 March 2014) it will enter into a long-term offtake commitment with WTR for ilmenite from the Ranobe Project.

In this circumstance, the offtake commitment would be for 5-years and cover 100% of ilmenite from Ranobe subject to a maximum offtake of 400,000 tpa at market price less 5% up to US\$200/t and 7.5% above US\$200/t. Entering into the offtake commitment will be at WTR's sole option.

If Lomon fails to contribute the 1/3 upfront capital when due (thereby losing its JV interest) and WTR shareholders with more than 50.1% of the votes unconditionally accept an offer to acquire all of the shares in WTR then Lomon will accept the offer for all of its shares in WTR.

Lomon will be have the right to nominate 2 directors to the WTR Board upon completion of the transactions proposed in the Amended MoU so long as it maintains a 15% holding in WTR and a 20% holding in the JVCos. Lomon will retain the right to nominate 1 WTR director so long as it maintains a 10% holding in WTR and a 20% holding in the JVCos.

Unanimous Board approval will be required for the issue of new WTR shares subject to carve outs for pro-rata issues and exercise of existing options (with Lomon to have the right, subject to regulatory approval, to subscribe for 1 new share per 2.85 options exercised at A\$0.275 per share).

Subject to shareholder approval and any applicable laws, Lomon intends to acquire a post deal interest of 26% in World Titanium Resources by;

- Acquiring 38,888,124 WTR shares from existing shareholders (12.27% of the existing shares);
- The 43,250,000 shares placement at the lesser of the 30 day VWAP on the day formal agreements are signed or A\$0.19 as agreed in the original MoU; and
- An additional placement of that number of shares that would result in Lomon's relevant interest in WTR being 26% (15,579,174 shares based on the current capital structure) at A\$0.275.

Following these acquisitions and placements Lomon would hold 26.0% of the 375,835,763 shares then on issue.

WTR will limit issues of new shares prior to the WTR General Meeting seeking for the transactions proposed in the Amended MoU to a maximum of 5,000,000 shares.

The transactions proposed in the Amended MoU are subject to WTR Shareholder Approval. WTR will dispatch a Notice of Meeting to shareholders within 60 days of finalising the Amended MoU requesting their approval of all of the proposed transactions. Should WTR shareholders approve the transactions proposed in the Amended MoU, Lomon and WTR will seek to agree and execute the necessary deal documents within 60 days of shareholder approval.

WTR and Lomon have agreed to an additional 40 day period for confirmatory due diligence from the date of the Amended MoU.

WTR and Lomon will exclusively deal with each other on the transactions proposed in the Amended MoU up to 60 days after shareholder approval (or the date of the shareholder meeting if shareholder approval is not obtained).