



WORLD TITANIUM RESOURCES

ASX & Media Release

19 March 2013

World Titanium Resources and Sichuan Lomon Titanium to Jointly Develop the World Class Ranobe Mine to 800,000 tpa of Ilmenite

- Lomon will contribute all of the capital required to develop an 800,000 tpa ilmenite mine at Ranobe;
- Capital required is estimated at US\$300 million, based upon WTR's Definitive Engineering Study – Lomon will reconfigure the design and fully fund all of the eventual expenditure for the 800,000 tpa ilmenite operation;
- For this contribution of capital Lomon will acquire 50% of the Toliara Sands Project;
- The target annual production from the Phase 1 development is doubled to 800,000 tonnes of Ilmenite and 88,000 tonnes of associated zircon rich concentrate;
- Lomon will have both the obligation and right to buy 80% of the ilmenite from Ranobe at the market price less 5%;
- On signing the definitive joint venture documents Lomon will subscribe for 43,250,000 WTR shares at the 30 day VWAP prior to close subject to a maximum of A\$0.19 per share to raise up to A\$8,217,500;
- A Memorandum of Understanding was signed on 15 March 2013 and is subject to a 90 day detailed due diligence period and the negotiation, agreement and execution of formal joint venture documentation by WTR and Lomon; and
- WTR to undertake a 1:16 rights issue to raise up to A\$3,170,063.

World Titanium Resources Ltd (ASX:WTR) is very pleased to announce that it has entered into a Memorandum of Understanding ("MOU"), with Sichuan Lomon Titanium Co Ltd ("Lomon") a major Chinese titanium dioxide pigment producer, to invest all the capital required to develop a mine producing 800,000 tpa ilmenite from its Ranobe deposit in south-western Madagascar. The MOU is subject to a 90 day due diligence period and the negotiation, agreement and execution of formal agreements. The key terms are summarised on Page 5 of this release.

"The joint venture with Lomon would secure all funds required for a much larger initial development at Ranobe, and eliminate the need for WTR to raise any development equity or debt capital. It would also secure an offtake commitment for 80% of the ilmenite that the mine will produce, sufficient to

cover all operating costs in almost any price environment. This dramatically reduces the financing and offtake risk for the project. Although already low, the technical risk will be further reduced as we leverage Lomon's extensive experience in developing mining, mineral processing and chemical plants." said Bruce Griffin, World Titanium Resources' Chief Executive.

"Lomon has a unique competitive advantage in sulphate pigment production. By integrating its sulphate pigment plants with its phosphate fertiliser business, it is able to eliminate many of the waste streams typically associated with the sulphate pigment process, while reducing its cost of operation. The strong strategic alignment between World Titanium Resources' long life sulphate ilmenite mine at Ranobe and Lomon's expanding and sustainable sulphate pigment business ensures the long-term sustainability of both businesses."

"The level of interest from potential strategic partners for the Ranobe Project was considerable – reflecting the size, grade and simplicity of the proposed development. The WTR Board ultimately had to choose between attractive proposals from good potential counterparties"

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 joint venture.

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

The joint venture will be formed by Lomon acquiring 50% of WTR's wholly-owned Mauritian subsidiaries which hold the Ranobe mining and exploration licences, and the other Toliara Sands Project exploration licences at Ankililoaka, Basibasy and Morombe.

The joint venture will be governed by a Board of Directors consisting of six members with WTR and Lomon nominating three each. During the project development phase funded 100% by Lomon, final decisions on technical matters will rest with Lomon with a requirement that the construction, plant and equipment meet industry standards. Final decisions on community and government matters will rest with WTR.

The initial scale of the development will double from the Definitive Engineering Study target of 407,000 tpa of ilmenite and 44,000 tpa of zircon rich concentrate to 800,000 tpa of ilmenite and 88,000 tpa of zircon rich concentrate. This aligns the production from Ranobe with the increased demand for sulphate ilmenite from Lomon as they expand their sulphate pigment facilities in China.

During the due diligence period the target date for the commencement of construction will be set and Lomon will be required to commence construction by this date to retain its 50% interest. In addition, completion tests will be undertaken at the end of 2017 for a 600,000 tpa ilmenite production rate and at the end of 2018 for a 800,000 tpa ilmenite production rate. Lomon's 50% interest will be reduced proportionately if the production rate targets are not achieved.

Lomon has committed to purchase 80% of the ilmenite production from Ranobe and in return has been granted a first right of refusal to purchase 80% of the ilmenite. In exchange for this offtake commitment, the price for any ilmenite sold to Lomon will be at the prevailing market price less 5%.

The development of the Ranobe Mine to the 800,000 tpa ilmenite production rate will be solely funded by Lomon in order to earn its 50% in the Toliara Sands Project. Based upon the Definitive Engineering Study, WTR estimates that the capital required to build an 800,000 tpa ilmenite operation at Ranobe is US\$300 million; US\$216 million for the planned 407,000 tpa with an additional US\$84 million required to double the mining and processing operations to achieve the 800,000 tpa rate. Once the decision to commence construction has been taken, Lomon will immediately contribute 1/3 of the agreed development capital budget (currently estimated to be US\$100 million based upon the WTR estimate for 800,000 tpa ilmenite production) into the Ranobe Project as a development commitment fee.

Prior to the commencement of construction Lomon will be responsible for all development expenditure and WTR will be responsible for all community and government approval expenditure. 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.

Lomon ilmenite offtake commitment

If Lomon does not commence construction by the date agreed during due diligence it will enter into a long term offtake commitment with WTR for ilmenite from the Ranobe project.

The Lomon offtake commitment would be for 5-years and cover 100% of the 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, subject to Lomon confirming that the Ranobe ilmenite is suitable for sulphate pigment production with product testing to be undertaken during the due diligence period.

Lomon to become a WTR shareholder

On signing of the definitive deal documents following the due diligence period Lomon will subscribe for 43,250,000 WTR shares to raise up to A\$8,217,500. The issue price will be the 30 day VWAP prior to close subject to a maximum of A\$0.19.

WTR to undertake rights issue

The company will undertake a 1 for 16 rights offer ("Rights Offer") to raise up to A\$3,170,063 at A\$0.17 per share. The proceeds will be utilised for general working capital purposes.

The Rights Offer will include an oversubscription facility, with preference given to small shareholders. Subject to availability, any shortfall will be allocated first so that any shareholder with less than 20,000 shares receives all additional shares requested up to 20,000, subject to scale back pro-rata to original holding if there is insufficient shortfall.

Further details of the Rights Offer, including a timetable, will be announced in due course.



Bruce Griffin

**Chief Executive Officer
World Titanium Resources**

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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 Quarterly Report.

¹*These Exploration Targets are at an early stage of evaluation, and the potential quantity and grade remain conceptual in nature. At this 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 MOU

The MOU was executed on 15 March 2013 by WTR and Lomon (the “JV Partners”). The 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. While Lomon is funding 100% of the capital to achieve 800,000 tpa of ilmenite production (the “Development Phase”), technical disputes will be resolved by an Operations sub-committee with a majority of Lomon representatives. External relations disputes will be resolved by an External Relations sub-committee with a majority of WTR representatives. 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 100% of the development capital to achieve 800,000 tpa of ilmenite production from Ranobe (currently estimated by WTR as US\$300 million). Once the decision to commence Ranobe construction has been made Lomon will contribute 1/3 of the agreed development capital budget into the relevant JVCo as a development commitment fee.

To maintain its 50% interest in the JVCos Lomon must commence the construction before a date to be agreed during the due diligence. 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 600,000 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.

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.

All Ranobe capital expenditures from 31 December 2018, or once an 800,000 tpa ilmenite production rate has been achieved if sooner, 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%.

The MOU is subject to a 90 day detailed due diligence period and the negotiation, agreement and execution of formal joint venture documentation.

If Lomon does not commence construction by the date agreed during due diligence it will enter into a long term offtake commitment with WTR for ilmenite from the Ranobe project.

The offtake commitment would be for 5-years and cover 100% of the 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 and is subject to Lomon confirming that the Ranobe ilmenite is suitable for sulphate pigment production with product testing to be undertaken during the due diligence period.