



WORLD TITANIUM RESOURCES

World Titanium Resources Limited

ABN 21 120 723 426

Half-Year Financial Report

31 December 2013

World Titanium Resources Limited ACN 120 723 426
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This interim financial report does not include all of the notes and other disclosure information of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report of World Titanium Resources Limited released to ASX on 28 September 2013 for the financial year ended 30 June 2013 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

World Titanium Resources Limited ACN 120 723 426

Directors' Report

The directors present their report on the consolidated entity consisting of World Titanium Resources Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2013.

Directors

The following persons were directors of World Titanium Resources Limited ("WTR") during the whole of the half-year under review and up to the date of this report, unless otherwise stated:

Mr Nicholas Limb	(Non-executive director)	Appointed as director on 25 th October 2013 and as Chairman on 8 th December 2013
Mr Jeffrey W Williams	(Non-executive director)	Transitioned from Non-Executive director to CEO as from 23 rd October 2013
Mr Ian Ransome	(Non-executive director)	
Mr Michael Cuthbert	(Non-executive director)	Appointed as director on 25 th October 2013
Mr Goorodeo Sookun	(Chief Financial Officer)	Resigned as director on 23 rd October 2013 but remained as CFO
Mr Wayne Malouf	(Executive Chairman)	Resigned as director on 8 th December 2013
Mr Bruce Griffin	(Chief Executive Officer)	Resigned as director on 19 th August 2013
Mr Roderic Baker	(Non-executive director)	Resigned as director on 29 th November 2013
Mr Tristan Davenport	(Non-executive Director)	Resigned as director on 8 th December 2013
Mr Darren Morcombe	(Non-executive Director)	Resigned as director on 29 th November 2013
Dr Richard Valenta	(Non-executive Director)	Resigned as director on 8 th December 2013

Review and Results of Operations

The consolidated entity incurred a loss after tax for the half-year of \$2,820,232 (2012 \$4,419,498).

On 9 December 2013, WTR announced that as part of a Board plan to meet the challenges of the next stage of its Ranobe mineral sands project, the Company changed the size and makeup of the Board. Effective 8 December, 2013 Wayne Malouf, Tristan Davenport and Rick Valenta resigned as Directors and Nicholas Limb was appointed to succeed Mr. Malouf as Chairman. The result of these changes was a reduced four-member Board consisting of Mr. Jeff Williams (CEO) and Messrs Ian Ransome, Mr. Michael Cuthbert and Mr. Nicholas Limb (non executive directors) whose skills and experience will be of particular benefit to the Company for the next stage of development. The company acknowledged the invaluable contributions from the departing Directors.

During the half year period, A\$5.85m was raised by the placement of 45,000,000 ordinary shares in the capital of the Company at a price of A\$0.13 per Share. The funds raised pursuant to the Placement will be used for funding the various engineering, environmental, port and jetty design and general corporate expenses. As at the end of the half year (31st December 2013), the company had a cash balance of A\$4.37m.

Work continued on pre-development engineering, following the completion of the Definitive Engineering Study (DES). The DES confirmed that a low capex, low technical risk and simple mineral sands operation could be built using proven technology. The pre-development engineering continues to be primarily focussed on finalising the design for the haul road, causeway and jetty. A detailed design for the jetty has been completed. The updated cost estimate for the road, jetty and causeway is nearly completed as of the end of the half year.

A 6 tonne sample of Heavy Mineral Concentrate (HMC) from the trial mining completed in the December 2012 underwent further trials at Allied Mineral Laboratories (AML) in Perth using the selected flow sheet design to optimize the recovery of the products during mining operations and the data incorporated into an updated lab and operations procedure.

The flow sheet design was based on the production of 400,000 tpa of ilmenite (80% primary and 20% secondary ilmenite) with an additional 43,000 tpa of non-magnetic concentrate, containing 90% combined rutile and zircon throughout the mine life. Within the non-magnetic concentrate, zircon product ranged between 75-80% of the final product. One primary concentrator at a throughput rate of 1,050 tonnes per hour (tph) will achieve the required output of 8.2 million tpa, based on 90% availability. The average grade of the slimes in the ore over the mine life is estimated to be 4.4%, therefore a de-sliming circuit has not been allowed for. A mineral separation plant, designed to meet the target product tonnages, will process HMC at a rate of 76 tph based on 92% availability.

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Directors' Report

The AML 2012 and 2013 test work showed the quality of the ilmenite and the ratio of primary to secondary ilmenite, 79:21 was similar to that observed in earlier test work performed by Exarro in 2006 and AML in 2007 and 2009. Primary ilmenite product was produced consistently from all domains tested, with the average TiO₂ grade in primary ilmenite reported as 49.4%. The average secondary ilmenite product grade was 57.2%.

The overall recovery from ore to product reported primary ilmenite (94%), secondary ilmenite (72%), zircon (87%) and rutile (65%).

The management team is currently re-assessing the final Engineering and logistic components in order to reduce the capital costs below the current DES estimate of some US\$200m.


Coastal and Environmental Services, a South African environmental consultancy with extensive experience in mineral sands and other mining projects in Africa continued to advance the environmental approval process for Ranobe. During the last quarter a draft of the Environmental & Social Impact Assessment (ESIA) and Social & Environmental Management Plan (SEMP) were submitted to the Office National pour L'Environment (ONE) and the public consultation process for the ESIA was completed. ONE has provided comment and based upon feedback from the public consultation and from ONE the final ESIA and ESMP is nearly completed. During the forthcoming semester, it is expected to complete the ESIA and ESMP and submit same in the format approved by ONE. Once submitted the final approval process will commence and is expected to take approximately 6 months to complete.

The company is still in negotiation with different interested parties and will continue to pursue opportunities with possible Joint Venture options.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 4.

This report is made in accordance with a resolution of directors.



Jeffrey Williams

Chief Executive Officer

Perth, Western Australia
13 March 2014

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 report.

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of World Titanium Resources Limited for the half-year ended 31 December 2013, 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 review; and
- b) any applicable code of professional conduct in relation to the review.



Perth, Western Australia
13 March 2014

W M Clark
Partner

World Titanium Resources Limited ACN 120 723 426
**Condensed Consolidated Statement of Profit or Loss and other
Comprehensive Income**
For the Half-Year Ended 31 December 2013

	Half-Year Ended 31 December	
	2013	2012
	\$	\$
Revenue and other income from continuing operations	26,974	106,561
Employee benefits expense	(1,019,123)	(902,648)
Share-based payments expense	(39,415)	(127,909)
Exploration and evaluation expense	(1,025,409)	(2,326,758)
Professional services expense	(325,461)	(205,761)
Administration expense	(325,280)	(537,147)
Depreciation	(29,639)	(18,310)
Travel expense	(102,815)	(344,864)
Foreign currency gain /(loss)	19,986	(62,662)
Loss before income tax	<u>(2,820,182)</u>	<u>(4,419,498)</u>
Income tax expense	(50)	-
Loss for the half-year	<u>(2,820,232)</u>	<u>(4,419,498)</u>
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Exchange difference on translation of foreign operations	33,684	95,689
Total other comprehensive income for the half year	<u>33,684</u>	<u>95,689</u>
Total comprehensive loss for the half-year attributable to the members of World Titanium Resources Limited	<u>(2,786,548)</u>	<u>(4,323,809)</u>
Basic/diluted loss per share (cents per share)	(0.82)	(1.48)

The above condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

World Titanium Resources Limited ACN 120 723 426
Condensed Consolidated Statement of Financial Position
As at 31 December 2013

	Notes	31 December 2013 \$	30 June 2013 \$
ASSETS			
Current assets			
Cash and cash equivalents		4,377,285	2,210,474
Trade and other receivables		535,515	546,773
Inventories		18,227	17,942
Other current assets		22,510	172,508
Total current assets		<u>4,953,537</u>	<u>2,947,697</u>
Non-current assets			
Trade and other receivables		356,783	356,783
Plant and equipment		226,693	245,341
Total non-current assets		<u>583,476</u>	<u>602,124</u>
TOTAL ASSETS		<u>5,537,013</u>	<u>3,549,821</u>
LIABILITIES			
Current liabilities			
Trade and other payables		242,164	1,142,857
Total current liabilities		<u>242,164</u>	<u>1,142,857</u>
TOTAL LIABILITIES		<u>242,164</u>	<u>1,142,857</u>
NET ASSETS		<u>5,294,849</u>	<u>2,406,964</u>
EQUITY			
Contributed equity	3 (i)	26,858,376	21,292,776
Reserves	3 (ii)	2,473,091	2,330,574
Accumulated losses		(24,036,618)	(21,216,386)
TOTAL EQUITY		<u>5,294,849</u>	<u>2,406,964</u>

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

World Titanium Resources Limited ACN 120 723 426
Condensed Consolidated Statement of Changes in Equity
For the Half-Year Ended 31 December 2013

	Contributed Equity \$	Reserves \$	Accumulated Losses \$	Total \$
2013				
Balance at 1 July 2013	21,292,776	2,330,574	(21,216,386)	2,406,964
Loss for the half-year	-	-	(2,820,232)	(2,820,232)
Other comprehensive income	-	33,684	-	33,684
Total comprehensive income/(loss) for the half-year	-	33,684	(2,820,232)	(2,786,548)
Share issue	5,565,600	-	-	5,565,600
Share-based payments	-	108,833	-	108,833
Balance at 31 December 2013	26,858,376	2,473,091	(24,036,618)	5,294,849
2012	\$	\$	\$	\$
Balance at 1 July 2012	18,290,240	2,027,064	(10,515,347)	9,801,957
Loss for the half-year	-	-	(4,419,498)	(4,419,498)
Other comprehensive income	-	95,689	-	95,689
Total comprehensive income/(loss) for the half-year	-	95,689	(4,419,498)	(4,323,809)
Share-based payments	-	127,909	-	127,909
Balance at 31 December 2012	18,290,240	2,250,662	(14,934,845)	5,606,057

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Notes to the Condensed Consolidated Financial Statements(Cont.)

For the Half-Year Ended 31 December 2013

	Notes	Half-year Ended 31 December	
		2013 \$	2012 \$
Cash flows from operating activities			
Interest received		26,974	116,788
Payments to suppliers and employees		(3,507,384)	(4,785,314)
Net cash (outflows) used in operating activities		<u>(3,480,410)</u>	<u>(4,668,526)</u>
Cash flows from investing activities			
Movement in receivable – subsidiary sale installments		27,725	53,368
Payments for property, plant and equipment		(15,522)	(74,427)
Net cash inflows/(outflows) used in investing activities		<u>12,203</u>	<u>(21,059)</u>
Cash flows from financing activities			
Share issue proceeds		5,850,000	-
Costs of share issue		(214,982)	-
Net cash inflows provided by financing activities		<u>5,635,018</u>	<u>-</u>
Net increase / (decrease) in cash and cash equivalents		2,166,811	(4,689,585)
Cash and cash equivalents at the beginning of the half-year		2,210,474	9,905,950
Cash and cash equivalents at the end of the half-year		<u>4,377,285</u>	<u>5,216,365</u>

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

World Titanium Resources Limited ACN 120 723 426
Notes to the Condensed Consolidated Financial Statements
For the Half-Year Ended 31 December 2013

1 Significant Accounting Policies

(a) Statement of compliance

These general purpose financial statements for the interim reporting period ended 31 December 2013 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS34 Interim Financial Reporting.

This interim financial report is intended to provide users with an update of the latest annual financial statements of World Titanium Resources Limited and its controlled entities (the Group). As such, it does not include all the notes of the type normally included in an annual financial report. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of World Titanium Resources Limited for the year ended 30 June 2013, together with any public announcements made during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

(b) Basis of preparation

The interim report has been prepared on a historical cost basis. Cost is based on fair value of the consideration given in exchange for assets. The Company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the interim report, the half-year has been treated as a discreet reporting period.

(c) Significant accounting judgements and key estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2013.

(d) Adoption of new and revised accounting standards

In the half-year ended 31 December 2013, the directors have reviewed 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 2013.

It has been determined by the directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Company and, therefore no change is necessary to Group accounting policies.

The directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2013. 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 the Company and, therefore, no change is necessary to Group accounting policies.

(e) Significant accounting policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements as at 30 June 2013.

World Titanium Resources Limited ACN 120 723 426
Notes to the Condensed Consolidated Financial Statements(Cont.)
For the Half-Year Ended 31 December 2013

2 Operating Segments

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision maker) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of minerals sands projects in Madagascar and other exploration activity. Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and meet the other aggregation criteria of AASB 8 Operating Segments.

Activity by segment

Mineral Sands

The mineral sands segment comprises the Group's projects in Madagascar, including the Toliara Sands Project, based upon the Ranobe resource and other projects at less advanced stages at Ankililoaka, Basibasy and Morombe.

	Mineral Sands	Unallocated	Total
	\$	\$	\$
(i) Segment performance			
Half-Year Ended 31 December 2013			
Total segment revenue	-	26,974	26,974
Segment result	<u>(1,726,490)</u>	<u>(1,093,742)</u>	<u>(2,820,232)</u>
Half-Year Ended 31 December 2012			
Total segment revenue	-	106,561	106,561
Segment result	<u>(3,096,071)</u>	<u>(1,323,427)</u>	<u>(4,419,498)</u>
(ii) Segment assets			
31 December 2013			
Segment assets	<u>862,518</u>	<u>4,674,495</u>	<u>5,537,013</u>
30 June 2013			
Segment assets	<u>1,106,592</u>	<u>2,443,229</u>	<u>3,549,821</u>

Notes to the Condensed Consolidated Financial Statements(Cont.)

For the Half-Year Ended 31 December 2013

3 Contributed Equity

(i) Issued Capital

Ordinary shares – fully paid

	31 December 2013	30 June 2013
	\$	\$
	26,858,376	21,292,776

	Half-Year Ended 31 December 2013		Half-Year Ended 31 December 2012	
	No. of Shares	\$	No. of Shares	\$
Balance at the start of the half-year	317,006,589	21,292,776	298,358,866	18,290,240
Share issue - private placement	25,000,000	3,250,000	-	-
Share issue – private placement	20,000,000	2,600,000	-	-
Cost associated with capital raising	-	(284,400)	-	-
Balance at the end of the half-year	<u>362,006,589</u>	<u>26,858,376</u>	<u>298,358,866</u>	<u>18,290,240</u>

	31 December 2013	30 June 2013
	\$	\$
(ii) Reserves		
Foreign currency translation reserve	450,076	416,392
Share-based payments reserve	2,023,015	1,914,182
	<u>2,473,091</u>	<u>2,330,574</u>

(iii) Movements in reserves

(a) Foreign currency translation reserve

	Half-Year Ended 31 December	
	2013	2012
	\$	\$
Balance at the start of the half-year	416,392	264,960
Currency translation differences arising during the half-year	33,684	95,689
Balance at the end of the half-year	<u>450,076</u>	<u>360,649</u>

(b) Share-based payments reserve

Balance at the start of the half-year	1,914,182	1,762,104
Options issued to directors and consultants	108,833	127,909
Balance at the end of the half-year	<u>2,023,015</u>	<u>1,890,013</u>

	2013 Number	2012 Number
(iv) Share Options on Issue		
Balance at the start of the half-year	24,725,000	23,600,000
Options issued to directors and consultants	1,500,000	1,500,000
Options lapsed	(3,033,333)	-
Balance at the end of the half-year	<u>23,191,667</u>	<u>25,100,000</u>

(v) Share Warrants on issue

	Half-Year Ended 31 December	
	2013	2012
	\$	\$
Balance at the start of the half-year	-	1,492,050
Scheme of arrangement (net)	-	-
Balance at the end of the half-year	<u>-</u>	<u>1,492,050</u>

Notes to the Condensed Consolidated Financial Statements(Cont.)

For the Half-Year Ended 31 December 2013

4 Financial Instruments

The Directors consider that the carrying value of the financial assets and financial liabilities as recognised in the condensed consolidated statement of financial position approximate their fair values.

5 Subsequent Events

There has not arisen in the interval between the end of the half-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, to affect significantly the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods

6 Contingent Liabilities

During the current reporting period , the Directors had noted an internal transfer of shares between group companies. The Directors are of the view that the transfers were an administrative error and are in the process of correcting the matter. Any taxation liability as a result of this matter is yet to be determined.

Other than the above matter, there has been no change in contingent liabilities since the last annual reporting date.

World Titanium Resources Limited ACN 120 723 426
Directors' Declaration

In the opinion of the directors of World Titanium Resources Limited:

- a) the attached financial statements and notes are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Group's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of directors.


Jeffrey Williams
Chief Executive Officer

Perth, Western Australia
13 March 2014

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of World Titanium Resources Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of World Titanium Resources Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2013, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year 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 half year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of World Titanium Resources Limited is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



HLB Mann Judd
Chartered Accountants



W M Clark
Partner

Perth, Western Australia
13 March 2014