



ASX Release

26 April 2013

## **Quarterly Report – Period to 31 March 2013**

### **HIGHLIGHTS**

- Memorandum of Understanding (MoU) signed with Sichuan Lomon Titanium Co Ltd. (Lomon) to form a Joint Venture to develop the Ranobe Mine;
- Jetty, haul road and causeway geotechnical drilling and marine studies continued;
- Trial mining at Ranobe completed and additional samples, for customer testing, obtained from the pilot plant.

### **CORPORATE**

- Debt finance and off-take discussions continued;
- Announced 1:16 fully underwritten rights issue to raise A\$3.2m;
- Cash balance at 31 March 2013: A\$2.5 million.

### **OUTLOOK FOR JUNE QUARTER 2013**

- Complete due diligence and execute formal joint venture documentation with Sichuan Lomon during the 90-day Due Diligence period that ends mid-June;
- Complete rights issue to raise A\$3.2m;
- Complete geotechnical and marine studies for the jetty;
- Finalise Environmental and Social Impact Assessment (ESIA) and Social and Environmental Management Plan (SEMP) and submit for approval;
- Finalise Large Investment in Mining (LGIM) application and submit for approval;
- Commence private port approval process; and
- Continue surface rights acquisition activities.

## **CORPORATE**

### **Pending JV agreement with Sichuan Lomon Titanium Co Ltd**

On 19 March 2013, The Company announced 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 tonnes per annum (tpa) of ilmenite from the Ranobe deposit. The MOU is subject to a 90 day due diligence period covering the negotiation, agreement and execution of formal agreements. The key terms are summarised on Page 5 of the ASX Release dated 19 March 2013 which is available on the Company's website [http://www.worldtitaniumresources.com/files/wtr\\_news\\_130319.pdf](http://www.worldtitaniumresources.com/files/wtr_news_130319.pdf). However, a summary of key elements of the impending JV are set out as follows:

- 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; and
- 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.

The JV with Lomon will 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 will also secure an off-take 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 off-take risk for the project. Although already low, the technical risk will be further reduced as Lomon has extensive experience in developing mining, mineral processing and chemical plants.

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.

The first of the Lomon Due Diligence teams arrived on site in early April and have commenced work. During the current quarter further teams from Lomon will travel in Madagascar and Perth and a team from WTR will visit Lomon's operations in China.

### **Non-Renounceable Entitlement Issue**

On 3 April 2013, the Company announced a pro-rata non-renounceable entitlement issue of one fully paid ordinary share for sixteen shares, issuing 18,647,429 shares at an issue price of 17 cents per share to raise \$3,170,063.

Proceeds of the issue are intended principally be used for completing the engineering studies and for general working capital purposes.

Closing date for acceptances is 2 May 2013 and the offer has been fully underwritten by the two largest existing shareholders of the Company and another investor.

### **Strategic Partner**

The Company has suspended its search for a strategic partner, at both the asset and the corporate levels, pending the 90-day Due Diligence period for the Lomon JV. A number of parties continued to show interest in continuing discussions regarding potential involvement in the Ranobe project.

The level of interest from potential strategic partners has been considerable – reflecting the size, grade and simplicity of the proposed development. The WTR Board ultimately has chosen the most attractive proposal from a number of good potential counterparties.

### **Debt Funding**

The Company continued discussions regarding debt syndication, with commercial banks and direct finance instructions from Europe and Africa, for a project finance facility for the Ranobe Project.

### **Product Off-take**

The Company completed the despatch of samples to potential off-take customers for the three planned products from Ranobe – sulphate ilmenite, chloride ilmenite and a zircon rich non-magnetic concentrate. These samples enable WTR to continue discussions with potential customers.

### **Cash**

WTR had A\$2.5 million in cash as at 31 March 2013.

## **RANOBE MINE PROJECT**

### **Cyclone**

In late February a cyclone came ashore approximately 250km north of Toliara. Very strong winds were recorded in Toliara and the Ranobe Mine project area and there was heavy rainfall in the catchment of the rivers. Water in the Fiheranana River broke the flood levies and flooded the main north-south arterial highway and the approaches to the bridge just North of Toliara.



Fiheranana River in Flood



Fiheranana Bridge Access Washed Away

Flooding at the proposed port and jetty site was extensive and mobilisation of the equipment for geotechnical drilling at the jetty was disrupted.

Encouragingly, the cyclone confirmed that the proposed design of the haul road, causeway and jetty facilities would have been adequate for similar major cyclone in future years.

### **Pre-Development Engineering**

Work continued on pre-development engineering, following the completion of the Definitive Engineering Study (DES) in August 2012. 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. The proposed designs for this infrastructure will have a capacity well in excess of the 800,000tpa of ilmenite targeted in the impending JV with Lomon.

A detailed design for the causeway and road were developed based upon geotechnical and survey data acquired during the December quarter. The designs are currently being reviewed and cost estimates should be finalised during the current quarter.

A bathymetric and topographical survey was completed in the December quarter for the proposed jetty location and offshore wave modelling was recently completed. Geotechnical drilling at the proposed storage facility and onshore sections of the jetty was completed in late March.

A drilling barge and rig required for the jetty geotechnical survey have been mobilised to Toliara and should complete planned drilling program completed during the current quarter. Wave monitoring equipment was deployed during April.

Detailed design work for the jetty will be completed and the cost estimate updated once all survey data has been acquired and incorporated.

The appointment of an Engineering, Procurement, Construction and Management (EPCM) contractor has been delayed pending the signing of the JV agreement with Lomon.

### **Drilling and Trial Mining**

The samples from the 362 hole, 8000m program at Ranobe were dispatched to a laboratory in South Africa. Assay results are expected during the current quarter.

A 20m deep trial mining pit was completed in the December 2012 quarter. During the March quarter the second pit was completed to expose the limestone basement at a depth of approximately 16m. The front loader and excavator used for the trial continued to experience no difficulties extracting the sand and the pit walls were stable indicating that a simple and safe front end loader dry mine using benches can be designed.



Trial Mining

### **Environmental and Social Impact Assessment**

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 quarter work continued on the required specialist studies including Fish, Marine and River, Social and Economic, Flora, Fauna, Waste, Noise, Air Quality, and Offset and Rehabilitation. These studies have been finalised and the draft ESIR and ESMP reports were completed.

The draft Environmental & Social Impact Assessment (ESIA) and Social & Environmental Management Plan (SEMP) were submitted to the Office National pour L'Environnement (ONE) early in the current quarter.

Following-on from these submissions, the public consultation process for the ESIA started at the beginning of April. Once the consultations are complete in May the final ESIA and ESMP will be submitted to ONE and the final approval process will commence and is expected to take up to 6 months to complete.

### **Port Approval**

During the period options for the required private port were identified. The preferred option was selected and an experienced consultancy has been retained to assist the company secure the required approvals.

### **Surface Rights**

During the period the identification of traditional owners and users of the land that will be required for the proposed mine site and port has been completed. Surveying work is continuing on the road. Once all owners and users are identified, the Company will formalise access agreements with them.

## **Community**

### *Cyclone Response*

Cyclone Haruna came ashore north of Toliara in late February and resulted in more than 20 deaths and caused extensive wind and flood damage to homes, infrastructure and farmland.

In cooperation with the communities and MGO's WTR provided immediate aid to the villages in the project area impacted by the cyclone. This immediate aid included the distribution of kitchen kits, food, school kits, fabric and food to sustain local people working on the repair of an irrigation dam damaged by flood waters.



Flooding in Toliara after Cyclone Haruna

Following this immediate aid WTR and its largest shareholder, Boule Titanium, jointly established a US\$32,000 cyclone fund. WTR has requested proposals for relief projects from the 15 villages affected by the cyclone and is working with the communities to select and undertake the projects.

### **Project timeline**

The impending finalisation of the JV with Lomon is likely to delay the previously estimated schedule for the delivery of the Ranobe mine. Once the JV agreement is signed, Lomon will be responsible for all engineering and design work associated with increasing the capacity of the Ranobe mine from the currently planned 407,000tpa to 800,000tpa of ilmenite, which is the basis of the JV agreement. This redesign work is likely to result in a slippage of the previously released development timetable.

The development execution plan, which will be Lomon's responsibility following ratification of the JV, will require reconfiguration to the existing plans to cater for a doubling in the production of the mine and some of its associated infrastructure. Consequently, assuming a 6 month engineering and procurement phase followed by a 12-month construction period, the commissioning of operations at Ranobe is likely to be delayed into 2015, albeit targeting double the previously envisaged rate of production and revenue.



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 current Mineral Resource of 959Mt grading 6.10% total heavy mineral (THM) at Ranobe.

Phase 1 will focus on mining a 161Mt Mineral Reserve at an average grade of 8.20% THM. Phase I is estimated to produce 407,000 tonnes of ilmenite and 44,000 tonnes of zircon/rutile concentrate per annum over an initial 21 year mine life.

The Mineral Resource at Ranobe could potentially sustain a ~100 year mine life at the initial planned production rates. The Toliara Sands Exploration permits at Ranobe, Ankililoaka, Basibasy and Morombe contain a total exploration target in excess of 4,700Mt of mineralisation<sup>1</sup>.

[www.worldtitaniumresources.com](http://www.worldtitaniumresources.com)

### **Competent Person**

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.

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<sup>1</sup>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.

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 1/6/2010.

Name of entity

**WORLD TITANIUM RESOURCES LTD**

ABN

**21 120 723 426**

Quarter ended ("current quarter")

**31<sup>st</sup> March, 2013**

### Consolidated statement of cash flows

#### Cash flows related to operating activities

1.1	Receipts from product sales and related debtors
1.2	Payments for: (a) exploration & evaluation (b) development (c) production (d) administration
1.3	Dividends received
1.4	Interest and other items of a similar nature received
1.5	Interest and other costs of finance paid
1.6	Income taxes paid, GST/taxes paid
1.7	Other

Current quarter \$A'000	Year to date(9mths) \$A'000
-	-
(1,735)	(4,855)
-	-
-	-
(851)	(2,411)
-	-
16	133
(4)	(12)
(125)	(263)
-	-
(2,699)	(7,408)

#### Net Operating Cash Flows

#### Cash flows related to investing activities

1.8	Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets
1.9	Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets

-	-
-	-
(7)	(104)
-	-
15	69
-	24
-	-
-	-
-	-
8	(11)

#### Net investing cash flows

1.13	Total operating and investing cash flows (carried forward)
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(2,691)	(7,419)
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+ See chapter 19 for defined terms.



**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(2,691)	(7,419)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other - Costs associated with capital raising	-	-
	<b>Net financing cash flows</b>	-	-
	<b>Net increase (decrease) in cash held</b>	(2,691)	(7,419)
1.20	Cash at beginning of quarter/year to date	5,216	9,906
1.21	Exchange rate adjustments to item 1.20	18	56
1.22	<b>Cash at end of quarter</b>	2,543	2,543

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	274
1.24	Aggregate amount of loans to the parties included in item 1.10	
1.25	Explanation necessary for an understanding of the transactions All payments to Directors and Associates are on normal commercial terms.	

**Non-cash financing and investing activities**

2.1	Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows	N/A
2.2	Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest	N/A

**Financing facilities available**

Add notes as necessary for an understanding of the position.

	N/A	Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

**Estimated cash outflows for next quarter**

		\$A'000
4.1	Exploration and evaluation	3,500
4.2	Development	-
4.3	Production	-
4.4	Administration	900
	<b>Total</b>	<b>4,400</b>

On 3 April 2013, World Titanium Resources Limited announced a pro-rata fully underwritten non-renounceable entitlement issue of fully paid ordinary shares on a one (1) for sixteen (16) basis issuing

approximately 18,647,429 shares for Shareholders registered at 5.00pm (WST) on Thursday 11 April 2013 at an issue price of 17 cents per New Share to raise approximately \$3,170,063. The cash inflows from the entitlement issue will be used to fund exploration and evaluation expenses for the next quarter.

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
5.1	Cash on hand and at bank	1,096	1,545
5.2	Deposits at call	1,447	3,671
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
<b>Total: cash at end of quarter</b> (item 1.22)		2,543	5,216

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	-	-	-
6.2	Interests in mining tenements acquired or increased	-	-	-

### Issued and quoted securities at end of current quarter

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference</b> <b>*securities</b> (description)	-	-	-	-
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3 <b>*Ordinary securities</b> <b>Total Issued and Quoted</b>  Issued, but not quoted (subject to ASX escrow)	<b>298,358,866</b>	<b>232,153,656</b>	Fully Paid	Fully Paid

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

7.4	Changes during quarter (a) Increases through issues/exercised options - Cash Issue - Merger Consideration (b) Decreases through returns of capital, buy-backs - Consolidation	-	-	-	-
7.5	<b>+Convertible debt securities</b> (description)	-	-	-	-
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	-	-	-	-
7.7	<b>Options</b>	<i>Options</i>	<i>Listed Options</i>	<i>Exercise Price</i>	<i>Expiry Date</i>
		375,000	-	\$0.80	08/05/2013
		475,000	-	\$0.80	08/05/2015
		16,275,000	-	\$0.285	31/03/2015
		1,492,050	-	\$0.285	21/06/2013
		6,475,000	-	\$0.285	31/03/2015
		1,500,000	-	\$0.285	31/12/2015
7.8	Issued during quarter	-	-	-	-
7.9	Exercised during quarter	-	-	-	-
7.10	Expired during quarter	-	-	-	-
7.11	<b>Debentures</b> (totals only)	-	-	-	-
7.12	<b>Unsecured notes</b> (totals only)	-	-	-	-

**Compliance statement**

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: .....  ..... Date: 26 April, 2013  
CFO

Print name: Goroodeo Sookun

**Notes**

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position.

+ See chapter 19 for defined terms.

An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

- 2      The “Nature of interest” (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3      **Issued and quoted securities.** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4      The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5      **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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