



Titanium Resources Group

Preliminary Results

March 23, 2010: Titanium Resources Group (“TRG” or “the Company”) announces preliminary results for the year ended 31 December, 2009.

Highlights

- Sales of US\$36.8 million in the year (2008: US\$39.4 million¹).
- EBITDA pre exceptional items of US\$6.0 million (2008: loss US\$22.6 million).
- Cash costs reduced by 56% in the year to US\$28.7 million (2008: \$64.7 million).
- US\$2 million cash generated from operating activities (2008: cash consumed \$25 million).
- Construction of Dredge D3 progressing on budget and expected to be commissioned in Q1 2011.
- Versi Dredge successfully commissioned and now fully operational.
- All 2010 rutile production sold with an average 5% price increase achieved over 2009 contracted prices for standard grade rutile.
- Titanium feedstock market fundamentals suggest pricing will improve significantly in 2011.

Commenting on the results, TRG Chief Executive John Sisay said:

“Following a busy year, TRG has made significant progress on a number of fronts in 2009 and is now in a strong position to grow and deliver value to shareholders. The successful capital raise, significant reductions in operating costs, achievement of operating profitability, a positive EBITDA before exceptionals and a robust operating performance should provide the basis for a sustainable improvement in the Company’s performance. Furthermore, titanium feedstock market fundamentals suggest pricing will further improve significantly in 2011, at the same time as the Company’s sales contracts expire.

¹ Excluding US\$10 million of Bauxite sales in 2008. Total sales for 2008 were US\$49.4 million

“In November 2009 we successfully raised US\$25 million from new and existing shareholders to expand production at the Sierra Rutile mine, through the completion of the construction of Dredge D3, the upgrading of Dredge D1’s Wet Plant and upgrades at the Company’s Land Plant. These projects are expected to be fully commissioned within the next 12 months and Dredge D3 is expected to add rutile production of 30,000 tonnes in its first full year of operation.

“The positive outlook for titanium markets and TRG’s ability to significantly increase production means we are well positioned to benefit from future price increases. Our key focus for 2010, therefore, is on ensuring that Dredge D3 and our other growth projects are delivered successfully.”

For further information

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Chief Executive’s Review

Following a busy year, TRG has made significant progress on a number of fronts in 2009 and is now in a strong position to grow and deliver value to shareholders. The successful capital raise, significant reductions in operating costs, achievement of operating profitability, a positive EBITDA before exceptionals and a robust operating performance should provide the basis for a sustainable improvement in the Company’s performance. Furthermore, titanium feedstock market fundamentals suggest pricing will further improve significantly in 2011, at the same time as the Company’s sales contracts expire.

The fall in the Company’s sales in 2009 compares to the previous year during which significant contributions were recorded from the Sierra Minerals Bauxite mine (“SML”) as well as additional rutile production from Dredge D2. Stripping out SML’s contribution sales fell by just 6% in the year, a very creditable result.

Following the lifting of the Company's suspension from trading on AIM in January 2009, the Company implemented a wide reaching cost cutting and efficiency optimisation programme which resulted in a reduction in costs of sales for the year of 56%. These significant cost savings helped the Company achieve EBITDA before exceptionals for the year of US\$6.0 million compared to a loss of US\$22.7 million during the previous year.

In November 2009 we successfully raised US\$25 million from new and existing shareholders to expand production at the Sierra Rutile mine, through the completion of the construction of Dredge D3, the upgrading of Dredge D1's Wet Plant and upgrades at the Company's Land Plant. These projects are expected to be fully commissioned within the next 12 months and Dredge D3 is expected to add rutile production of 30,000 tonnes in its first full year of operation.

The Company successfully reached a Settlement Agreement for US\$3.5 million in April 2009 with the second largest of its reinsurers, in relation to the Company's Dredge D2 insurance claims. The Company expects to have concluded court appointed mediation with the rest of its reinsurers by the end of March 2010. Should a settlement not be reached at mediation, a four week trial has been set down to commence on 28 June 2010. Whilst there can be no certainty about the conclusion of our legal action, we believe we are in a strong position based upon the legal and technical merits of our claim.

Rutile production for the year was broadly in line with the Company's estimates with achieved rutile production of 21,514, tonnes in Q4 2009, a 96.8% increase from the levels of Q3. The increased production levels in Q4 2009 were a result of operational improvements on Dredge D1 combined with its mining of the higher grade Lanti South deposit.

In addition to my appointment as CEO and the appointment of Lindberg Charles as CFO, the Company has seen a number of changes to its Board and management team. François Colette has been appointed as a Non-Executive Director, and Raju Jaddoo has become a Non-Executive Director following his resignation as Chief Financial Officer. Further to these Board changes, the Company has also made a number of senior operational appointments.

These include the appointment of Mark Button as Chief Operating Officer, bringing with him a wealth of operational experience that will be of significant value to the Company and the promotion of Sahr Wonday to General Manager of SRL's operations following more than 30 years working across the different plants, latterly as Deputy General Manager.

After the end of the period Neil Gawthorpe was appointed Marketing Director having worked as TRGs Sales & Marketing Manager since January 2008.

TRG supports the Government of Sierra Leone's 2007 manifesto pledge to ensure that Sierra Leone's mineral wealth is developed sustainably and to the benefit of the Sierra Leonean people. The Company has a strong working relationship with the Government and continues to work with the Ministry for Mineral Resources review team to ensure that our mutually beneficial relationship continues.

Production

2009	Rutile Production (tonnes)	Ilmenite Production (tonnes)
Quarter 1	18,000	5,028
Quarter 2	13,418	3,630
Quarter 3	10,932	2,575
Quarter 4	21,514	3,928
Total	63,864	15,161

During 2009 the Company produced 63,864 tonnes of rutile, broadly in line with the Company's targeted production for the year of 65,000 tonnes. The Company saw a significant increase in production during the final quarter of 2009 as a result of improved dredge availability and increased digging rates combined with Dredge D1 mining higher grade areas of the Lanti South deposit. Production in Q1 has been in line with expectations and the Company anticipates that production levels will increase as the year progresses. As a result, TRG is targeting rutile production of 90,000 tonnes in 2010, in addition the Company expects to produce a modest amount of ilmenite and zircon concentrate in the year

A build up of slimes in the Lanti South pond where Dredge D1 is mining resulted in a number of mechanical breakdowns to pumps and reduced recoveries in the wet plant, with a knock on effect on dredge availability notably in Q3. As a result the Company purchased a new IMS Versi-Dredge ("the Versi-Dredge") for US\$1.1 million, which has been financed from the cash flows generated from operations.

The Versi-Dredge, which was delivered to site in February, has been commissioned and is now fully operational. The Company expects that it will take approximately 6 months to remove the slimes in the Lanti South pond. This should not only assist the Company in meeting its production targets for 2010, but also ensure the full mine life of the Lanti South Pond is preserved.

Once the slimes have been removed, the Company intends to use the Versi-Dredge to increase production by mining deposits such as those in the Mogbwemo tailings area, which contains a mineral resource of approximately 18 million tonnes of ore at an average rutile grade of 0.94%. In anticipation of the Versi-Dredge mining these tailings later in the year, the Company is currently evaluating plans to construct a small wet plant for the dredge.

Dredge D3

The Board approved fund raising for the construction of Dredge D3 last year and, following the placing conducted in November, development work began in December 2009 following the appointment of CEMMATS as pre-project managers. The project, which is expected to add 30,000 tonnes per annum to rutile production in its first full year of operation, is progressing on budget and is expected to be commissioned in Q1 2011.

Following a review of the dredge design, the Company has decided to construct Dredge D3 with a separate floating wet plant rather than with an integral plant as previously planned. Whilst this has caused a short delay to the project it will result in improved recoveries from the wet plant once the dredge is in operation.

We expect to award contracts for the mechanical and electrical contractors in the coming weeks and to have completed orders for all long lead items by April.

D1 Wet Plant and Land Plant upgrades

The upgrade of spirals on the Dredge D1 Wet Plant is progressing ahead of schedule. Proposals from three independent suppliers have been received and are currently being reviewed with the tender expected to be awarded later this month. It is currently anticipated that the new spirals will be commissioned in Q3 2010.

Work to complete the upgrade of the Land Plant is continuing and the Company is confident the work will be completed in the second half of the year as anticipated.

Exploration

The Company commissioned its new EVH 2100 aircore rig during late 2009 and has conducted reconnaissance mapping and sampling in Sierra Rutile owned concessions which have identified well mineralised zones suitable for further investigation. These represent promising extensions to the existing mineral resource and dredgeable operations, with exploration drilling planned over these targets. The drilling will be orientated towards: improving the mineral resource confidence in the Gbeni and Ndendemoia areas; confirming promising extensions to known mineral resources; and identifying potential new mineral resource areas.

Financials

Cash Position

The Company had a cash balance of US\$25.9 million as at 31 December 2009. The US\$25 million gross proceeds raised during 2009 were largely undrawn as at the Balance Sheet date as the planning phase of the projects which started before year end does not require a substantial amount of cash.

Turnover and Loss Before Tax

Rutile and ilmenite sales from Sierra Rutile in 2009 of US\$36.8 million were robust compared with US\$39.4 million in 2008 given the reduction in production capacity. The total sales of US\$36.8 million in the year, represents a decline of 25% from 2008 as a result of the disposal of the Sierra Minerals bauxite mine in the second half of 2008 and reduced production from Sierra Rutile, resulting in a loss before taxation of US\$7.5 million (2008: US\$40.4 million).

Cost Reduction

We have successfully completed significant cost cutting measures in the year and the completion of the heavy fuel oil power plant increased fuel savings by over 50%. Fuel costs have fallen in line with market prices, lower cost of fuel oil as compared to diesel and increased efficiency.

Cash costs have also been significantly reduced through improvements to procurement processes, reduced use of consumables, salary cuts, a reduction in headcount and a fall in the use of contracted services.

In the year these measures produced a combined US\$36 million reduction in cash costs, a fall of 56%. The Company anticipates that in the future, costs will rise in line with increased production levels and inflation, however they are expected to remain significantly below 2008 levels.

Exceptional items

The Company recorded a one off US\$6.4 million exceptional gain following the writing back of previous provisions relating to share options which were put in place at the IPO. The options, which are priced at 47p, expire on 15 August 2010.

Other exceptional costs relate mainly to costs associated with the private placement to raise US\$25 million (gross) completed during November 2009.

The Company recorded an overall exceptional gain of US\$3.7 million in 2009.

Finance Costs

The increase in finance costs to US\$7.5 million was as a result of a US\$3.7 million interest charge on the €35 million loan from the EU, the remaining costs of US\$3.8 million occurred following adverse currency movements.

Marketing

The Company fully sold all of its production in 2009 and has already sold all of its production for 2010 under contract, achieving an average price increase of 5% for standard grade rutile compared to 2009 contracted prices.

There has been strong demand for higher margin industrial grade rutile from Asian markets, and this has resulted in a number of positive developments. Sales of industrial grade rutile into the Japanese market for 2010 have doubled, whilst the Company successfully entered the Chinese market for the first time through a contract for bulk rutile. There is potential for further sales to this expanding company and negotiations on future supply contracts are underway.

Industrial grade typically sets a premium of US\$100 per tonne to standard grade rutile at little extra cost to the Company and therefore increased sales into this market is an important step for the Company.

Longer term demand for the Company's industrial grade rutile outside of China is likely to be supported by the increasing trend towards the use of flux cored wire technology as opposed to welding rods.

Although the markets for titanium feedstocks were in oversupply during 2009, much of this surplus was of sulphate grade ilmenite. In contrast, the market for high TiO₂ chloride feedstock remains tight and we expect this to continue due to long-term supply fundamentals.

A number of other producers have shut or mothballed capacity and there is a lack of new projects coming on stream to replace older mines which are approaching the end of their lives. As a result, supply side deficits in the titanium feedstock markets are unavoidable in the medium term. This tightening of supply is likely to be most acute in the high grade feedstock markets in which TRG operates.

The long term drivers for increased rutile consumption in the pigment industry remain intact as stringent environmental regulations imposed on pigment producers make higher purity feedstocks more attractive as they require less energy and produce less waste.

Additionally, the Company will shortly commence bulk shipment of zircon concentrate, providing a new revenue stream from a high value material used in the ceramics industry. Demand for the zircon concentrate is very high and contract negotiations are well advanced for further shipments during the year.

Outlook

The positive outlook for titanium markets and TRG's ability to significantly increase production means we are well positioned to benefit from future price increases. Our key

focus for 2010, therefore, is on ensuring that Dredge D3 and our other growth projects are delivered successfully.

Despite this focus on growth, I am convinced that the operational improvements achieved in 2009 can be continued in the year ahead. The improved production performance shown in the second half of last year has continued into 2010 and the steps we took to reduce expenditure and improve efficiency have resulted in sustainable cost reductions.

Sierra Leone remains a challenging place to operate, however, I am convinced that the Company is well positioned to deliver a sustained improvement in operating performance and profitability.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - DECEMBER 31, 2009

	Note	2009	2008
ASSETS		USD'000	USD'000
Non-current assets			
Property, plant and equipment	1	123,933	125,503
Intangible assets	2	13,243	13,311
Non-current receivables		753	753
		137,929	139,567
Current assets			
Inventories		16,088	14,482
Trade and other receivables		16,806	23,258
Current tax assets		-	70
Cash in hand and bank balance		25,902	7,362
		58,796	45,172
Total assets		196,725	184,739
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	4	251,963	238,026
Revenue deficit		(130,995)	(123,128)
Owners' interest		120,968	114,898
LIABILITIES			
Non-current liabilities			
Borrowings	5	51,638	45,073
Provision for liabilities and charges		3,261	3,261
		54,899	48,334
Current liabilities			
Trade and other payables		20,673	21,499
Current tax liabilities		175	-
Borrowings	5	10	8
		20,858	21,507
Total liabilities		75,757	69,841
Total equity and liabilities		196,725	184,739

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR
ENDED DECEMBER 31, 2009**

	Note	2009	2008
		USD'000	USD'000
Sales		36,849	49,417
Cost of sales	6	<u>(38,443)</u>	<u>(72,315)</u>
Gross loss		(1,594)	(22,898)
Other income		2,187	518
Administrative and marketing expenses		<u>(4,342)</u>	<u>(7,932)</u>
		(3,749)	(30,312)
Exceptional item	7	3,698	(7,707)
Finance costs	8	<u>(7,514)</u>	<u>(2,338)</u>
Loss before taxation		(7,565)	(40,357)
Taxation		<u>(302)</u>	<u>(86,925)</u>
Loss for the year		<u>(7,867)</u>	<u>(127,282)</u>
Other comprehensive income		-	-
Total comprehensive income for the year		<u>(7,867)</u>	<u>(127,282)</u>
Loss attributable to:			
Owners of the parent		(7,867)	(127,282)
Minority interest		-	-
		<u>(7,867)</u>	<u>(127,282)</u>
Total comprehensive income attributable to:			
Owners of the parent		(7,867)	(127,282)
Minority interest		-	-
		<u>(7,867)</u>	<u>(127,282)</u>
Loss per share (USD)			
- basic		<u>(0.03)</u>	<u>(0.52)</u>
- diluted		<u>(0.03)</u>	<u>(0.52)</u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED
DECEMBER 31, 2009**

	<u>Share capital</u>	<u>Revenue deficit</u>	<u>Total</u>
	USD'000	USD'000	USD'000
Balance at January 1, 2009	238,026	(123,128)	114,898
Total comprehensive income for the year	-	(7,867)	(7,867)
Adjustment for employee share options	(11,282)	-	(11,282)
Issue of share capital	25,219	-	25,219
Balance at December 31, 2009	<u>251,963</u>	<u>(130,995)</u>	<u>120,968</u>
Balance at January 1, 2008	237,041	4,154	241,195
Employee share options:			
- Options vested	985	-	985
Loss for the year	-	(127,282)	(127,282)
Balance at December 31, 2008	<u>238,026</u>	<u>(123,128)</u>	<u>114,898</u>

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED
DECEMBER 31, 2009**

	<u>2009</u>	<u>2008</u>
	USD'000	USD'000
Operating activities		
Cash generated from/(absorbed in) operations	2,000	(23,986)
Interest received	16	436
Interest paid	(12)	(1,241)
Tax paid	<u>(57)</u>	<u>(351)</u>
Net cash from/(used in) operating activities	<u>1,947</u>	<u>(25,142)</u>
Investing activities		
Purchase of property, plant and equipment	(8,658)	(32,803)
Purchase of intangible assets	-	(210)
Proceeds from disposal of plants	30	99
Proceeds from disposal of subsidiaries	<u>-</u>	<u>28,676</u>
Net cash used in investing activities	<u>(8,628)</u>	<u>(4,238)</u>
Financing activities		
Proceeds from repayment of loan	-	11,147
Proceeds from issue of shares	<u>25,219</u>	<u>-</u>
Net cash from financing activities	<u>25,219</u>	<u>11,147</u>
Net increase/(decrease) in cash and cash equivalents	<u>18,538</u>	<u>(18,233)</u>
Movement in cash and cash equivalents		
At January 1,	7,354	25,587
Increase/(Decrease)	<u>18,538</u>	<u>(18,233)</u>
At December 31,	<u>25,892</u>	<u>7,354</u>

TITANIUM RESOURCES GROUP LTD AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

1. PROPERTY, PLANT AND EQUIPMENT

	Infrastructure	Plant, machinery and equipment	Mineral sand prospect and Mine development	Capital work in progress	Dredge 2	Exploration	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
(a) COST							
At January 1, 2009	17,672	146,520	51,017	51,785	10,521	2,054	279,569
Addition	-	3,011	2,781	2,461	-	404	8,657
Transfer	-	32,075	12,553	(44,628)	-	-	-
Impairment charge	-	-	(120)	-	(395)	-	(515)
Disposal	-	(38)	-	-	-	-	(38)
At December 31, 2009	17,672	181,568	66,231	9,618	10,126	2,458	287,673
DEPRECIATION							
At January 1, 2009	14,341	110,231	29,326	168	-	-	154,066
Charge for the year	518	5,241	3,915	-	-	-	9,674
Transfer	-	-	168	(168)	-	-	-
At December 31, 2009	14,859	115,472	33,409	-	-	-	163,740
NET BOOK VALUES							
At December 31, 2009	2,813	66,096	32,822	9,618	10,126	2,458	123,933
Exceptional (gain)/loss							

TITANIUM RESOURCES GROUP LTD AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

1. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Infrastructure	Plant, machinery and equipment	Mineral sand prospect and Mine development	Capital work in progress	Dredge 2	Exploration	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
(b) COST							
At January 1, 2008	20,341	144,433	48,061	52,892	25,871	1,075	292,673
Addition	740	9,670	3,059	15,368	2,475	1,491	32,803
Transfer	-	-	-	(16,475)	16,475	-	-
Impairment charge	-	-	-	-	(34,300)	-	(34,300)
Disposal of subsidiaries	(3,409)	(6,707)	(103)	-	-	(512)	(10,731)
Disposal	-	(876)	-	-	-	-	(876)
At December 31, 2008	17,672	146,520	51,017	51,785	10,521	2,054	279,569
DEPRECIATION							
At January 1, 2008	14,785	108,348	27,024	168	-	-	150,325
Charge for the year	419	4,874	2,315	-	-	-	7,608
Disposal of subsidiaries	(863)	(2,132)	(13)	-	-	-	(3,008)
Disposal adjustment	-	(859)	-	-	-	-	(859)
At December 31, 2008	14,341	110,231	29,326	168	-	-	154,066
NET BOOK VALUES							
Exceptional (gain)/loss	3,331	36,289	21,691	51,617	10,521	2,054	125,503

(c) Depreciation has not been charged on Construction in Progress where the assets are presently not in the condition necessary to operate in the manner intended by management.

(d) Depreciation charge of USD 9,674,000 (2008: USD 7,608,000) has been charged in cost of sales.

(e) Dredge D2 capsized when mining in the Gangama mine during the year 2008. This resulted in the dredge being damaged. Management has assessed its cost for impairment and consequently recognised an additional impairment loss of USD 395,000 (2008: USD 34.3 million) with respect to the dredge.

TITANIUM RESOURCES GROUP LTD AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

2. INTANGIBLE ASSETS

	Goodwill	Computer software costs	Total
	USD'000	USD'000	USD'000
(a) COST			
At January 1, 2009	12,876	570	13,446
Addition during the year	-	-	-
At December 31, 2009	12,876	570	13,446
AMORTISATION			
At January 1, 2009	-	135	135
Charge for the year	-	68	68
At December 31, 2009	-	203	203
NET BOOK VALUE			
At December 31, 2009	12,876	367	13,243
(b) COST			
At January 1, 2008	12,876	360	13,236
Addition during the year	-	210	210
Exceptional (gain)/loss	12,876	570	13,446
AMORTISATION			
At January 1, 2008	-	86	86
Charge for the year	-	49	49
At December 31, 2008	-	135	135
NET BOOK VALUE			
At December 31, 2008	12,876	435	13,311

(c) Amortisation charge of USD 68,000 (2008: USD 49,000) has been charged in cost of sales.

(d) Impairment tests for goodwill: goodwill is allocated to the Group's cash-generating units identified according to country of operation and business activity.

TITANIUM RESOURCES GROUP LTD AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

3. INVESTMENTS IN SUBSIDIARY COMPANIES

(a) The list of the Company's significant subsidiaries is as follows:

<u>Name</u>	<u>Class of shares held</u>	<u>Year end</u>	<u>Proportion of ownership interest</u>		<u>Proportion of voting power held</u>		<u>Country of incorporation</u>	<u>Main business</u>
			<u>Direct</u>	<u>Indirect</u>	<u>Direct</u>	<u>Indirect</u>		
<u>2009</u>								
Titanium Fields Resources Ltd	Ordinary	December 31, 2009	100%	-	100%	-	British Virgin Islands	Intermediate holding company
SRL Acquisition No.1 Limited	1 'A' share	December 31, 2009	-	100%	-	100%	British Virgin Islands	Intermediate holding company
SRL Acquisition No.3 Limited	Ordinary	December 31, 2009	-	100%	-	100%	British Virgin Islands	Intermediate holding company
The Natural Rutile Company Limited	Ordinary	December 31, 2009	-	100%	-	100%	British Virgin Islands	Marketing of Rutile
Sierra Rutile Holdings Limited	Ordinary	December 31, 2009	-	96.12%	-	96.12%	British Virgin Islands	Intermediate holding company
Sierra Rutile Limited	Ordinary	December 31, 2009	-	96.12%	-	96.12%	Sierra Leone	Extraction, concentration and sale of Rutile and Ilmenite sands.
Agricultural Resources Group Ltd	Ordinary	December 31, 2009	100%	-	100%	-	British Virgin Islands	Agricultural projects
Biofuel Resources Group Ltd	Ordinary	December 31, 2009	100%	-	100%	-	British Virgin Islands	Biofuel projects
<u>2008</u>								
Exceptional (gain)/loss								
Titanium Fields Resources Ltd	Ordinary	December 31, 2008	100%	-	100%	-	British Virgin Islands	Intermediate holding company
SRL Acquisition No.1 Limited	1 'A' share	December 31, 2008	-	100%	-	100%	British Virgin Islands	Intermediate holding company
SRL Acquisition No.3 Limited	Ordinary	December 31, 2008	-	100%	-	100%	British Virgin Islands	Intermediate holding company
The Natural Rutile Company Limited	Ordinary	December 31, 2008	-	100%	-	100%	British Virgin Islands	Marketing of Rutile
Sierra Rutile Holdings Limited	Ordinary	December 31, 2008	-	97.54%	-	97.54%	British Virgin Islands	Intermediate holding company
Sierra Rutile Limited	Ordinary	December 31, 2008	-	97.54%	-	97.54%	Sierra Leone	Extraction, concentration and sale of Rutile and Ilmenite sands.
Agricultural Resources Group Ltd	Ordinary	December 31, 2008	100%	-	100%	-	British Virgin Islands	Agricultural projects
Biofuel Resources Group Ltd	Ordinary	December 31, 2008	100%	-	100%	-	British Virgin Islands	Biofuel projects

(b) With the exception of Sierra Rutile Limited, all the subsidiaries are incorporated in the British Virgin Islands (BVI) where there is no legal requirement for the preparation and filing of accounts. Titanium Resources Group Ltd is quoted on the AIM market of the London Stock Exchange which requires the publication of annual audited financial statements.

(c) During the year ended December 31, 2009, further shares equivalent to 1.416% of the issued share capital of SRHL were transferred to the Government of Sierra Leone (GOSL) with regards to PAYE not remitted to GoSL by SRL in accordance with SRL Act and amendment to the Act.

(d) On July 25, 2008, the following subsidiaries, which were involved in the extraction and marketing of bauxite, were disposed: Global Aluminium Limited, Bauxite Marketing Ltd and Sierra Mineral Holdings 1 Limited.

TITANIUM RESOURCES GROUP LTD AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

4. SHARE CAPITAL

	Number of shares	Ordinary shares
		USD'000
(a) Issued shares and options		
At January 1, 2008	245,342,848	237,041
Employee share option scheme:		
- Options vested	733,333	985
At December 31, 2008	246,076,181	238,026
Proceeds from new issues (See note (ii) below)	151,200,000	25,219
Employee share option scheme:		
- Options vested	483,333	596
Adjustment for share options	(11,895,439)	(11,878)
At December 31, 2009	385,864,075	251,963

(i) The total authorised number of ordinary shares is 500,000,000 shares (2008: 500,000,000 shares) with no par value. All issued shares are fully paid and are admitted on the AIM market of the London Stock Exchange.

(ii) At the end of November 2009, TRG made a new placement of 151,200,000 common shares. The placing with institutional investors at a price of 10p per share raised £15,120,000 (USD 25.219 million) before expenses.

(iii) *Reconciliation of number of shares*
Exceptional (gain)/loss

	Number of shares	Ordinary shares
		USD'000
Issued shares	385,864,075	251,963
Options vested but not yet exercised	11,895,439	11,832
Adjustment for share options	(11,895,439)	(11,832)
	385,864,075	251,963

(b) Share options - Employees

Share options were granted to directors and to selected employees. The exercise price of the granted option was determined by the Board before such grant. According to section 2.3 of the "Rules of TRG Unapproved Share Option Scheme", the price should not be less than the highest of the :

- o Nominal value of the shares;
- o Average of the middle market quotations of the shares as derived from the Official list for the 30 dealing days immediately preceding the Grant date; and
- o Middle market quotation of the shares as derived from the Official list on the Grant date.

Exercise of the option was not subject to performance-related conditions. The options granted had exercise prices ranging from 47p to 78p each varying on the date of grant.

One third of the option granted vested immediately, one third vested on the first anniversary of the date of grant, and the remaining third vested on the second anniversary of the date of grant.

In November 2007, certain directors and employees exercised their options. Accordingly, the company allotted 332,991 shares which were admitted on AIM market for trading.

For the year ended December 31, 2009, 483,333 options (2008: 733,333 options) vested. At year ended December 31, 2009, the provision for the remaining 11,011,963 options were written back because management did not expect them to be exercised before the expiry date as the exercise prices were by far higher than the market price.

(c) Share options - Professional services

In 2005, in consideration of services given to the company by NabarroWells & Co Ltd, (NWCF LLP), the company also granted to NWCF LLP an option to subscribe for 936,007 common shares of no par value at a subscription price of 47p each. In 2007, NWCF LLP exercised its option and subscribed for 52,531 shares at 47p per share. The company issued these shares which were admitted on AIM market for trading. The provision for the remaining 883,476 options were written back.

TITANIUM RESOURCES GROUP LTD AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

5. BORROWINGS

	2009	2008
	USD 000	USD 000
Non-current: Government of Sierra Leone (GOSL)	51,638	45,073
Current: Bank overdraft	10	8
	<u>51,648</u>	<u>45,081</u>
<i>Analysis of non-current borrowing - GOSL</i>		
Balance at January 1,	45,073	44,119
Repayment of interest	-	(549)
Interests accrued on the loan	3,664	3,647
Exchange difference on revaluation	2,901	(2,144)
Balance at December 31,	<u>51,638</u>	<u>45,073</u>
Due within 12 months	-	-
Due after one year and before five years	36,146	22,537
Due after five years	15,491	22,537
Exceptional (gain)/loss	<u>51,638</u>	<u>45,073</u>

The GOSL borrowing is subject to interest of 8% per annum and is repayable on June 15 and December 15 in each year commencing on the first payment date which is the earlier of 84 months after date of first disbursement or June 15, 2012. The interest is calculated on the basis of a 360 day year consisting of twelve months of thirty days.

The Group does not have any undertaking, nor is it contractually bound to create, any lien on or with respect to any of its rights or revenues.

The interest is classified as non current as according to section 3.03 of the Loan Agreement between Sierra Rutile Limited and the Government of Sierra Leone, the first interest payment shall not be made by the company until the earliest of the interest payment date occurring thirty – six months after the date of first disbursement, or June 15, 2008. All interest accruing on the principal balance outstanding from time to time on the loan until the first interest payment is due shall be added to the principal balance of the loan and shall accrue interest on the same terms. However, during the year ended December 31, 2008, the Government of Sierra Leone granted the company a moratorium of further two years. As a result, payments of interest have been deferred to June 2010.

TITANIUM RESOURCES GROUP LTD AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

6. COST OF SALES	2009	2008
	USD'000	USD'000
Depreciation	9,674	7,608
Amortisation	68	49
Changes in inventories of finished goods and work in progress	(2,036)	(6,814)
Mining, processing and direct services costs	24,245	60,866
Rehabilitation, leases & other operating overheads	6,492	10,606
Total cost of sales	38,443	72,315

7. EXCEPTIONAL ITEM	2009	2008
	USD'000	USD'000
Claims	-	300
Gain on disposal of subsidiaries	-	(28,204)
Professional and other costs associated with disposal of subsidiaries	760	1,311
Impairment of property, plant and equipment	515	34,300
Placement cost	1,715	-
Adjustment for employee share options	(6,397)	-
Proceeds from insurance claim	(3,500)	-
Costs associated with insurance claim	3,209	-
Exceptional (gain)/loss	(3,698)	7,707

8. FINANCE COSTS	2009	2008
	USD'000	USD'000
Interest expense:		
- Government of Sierra Leone loan	3,664	3,647
- Others	12	692
Total borrowing costs	3,676	4,339
Net foreign exchange transaction losses/(gains)	3,838	(2,001)
	7,514	2,338