

Titanium Resources Group

Update and outlook

19 January 2009: Titanium Resources Group (“the Company” or “TRG”) today issues an update on trading and progress during the period since the publication of its Interim Results on 10 September and Trading Update on 24 October (“the Period”) whilst trading in the Company’s shares in AIM has been suspended. The Period has been characterised by significant progress in relation to rutile mining with Dredge D1 (“D1”), remedial action following the capsizing of Dredge D2 (“D2”) and associated efforts to secure a meaningful injection of capital to support expansion of the Company’s share of world rutile markets.

Continued mining and production

Dredge D1 has performed well during the Period and continues to mine during its transit from the Lanti North to the Lanti South deposits. As a result of revisiting the mine plan following the D2 incident, the Company has met approximately 50% of its original production targets for 2008 and has continued to process and ship rutile to customers around the world. The rutile grade is significantly improved at Lanti South and, based on clear drilling results, head grades are expected to continue increasing month on month from 1.5% to 2.64% recoverable rutile during 2009.

Marketing

Following the cessation of D2’s mining operations, the Company declared force majeure on all its rutile and ilmenite contracts, with all customers being placed on an equitable allocation during the second half of 2008. The Company has shipped the first 10,500 tonnes of rutile to a major customer in 2009, and is currently preparing the next shipment of 10,000 tonnes for its second largest customer. Further encouraging signs for rutile demand have arisen as a result of decreasing supply of synthetic rutile from India and increasing demand from new and existing producers of titanium metal. Current spot prices are currently higher than a year ago and TRG’s products remain in high demand despite the global economic environment.

Cost reductions

The new low cost power plant has now been completed and commissioning has improved efficiency by around 25%. The units, as is normal, are commissioned on

diesel and then switched over to heavy fuel oil (“HFO”). This changeover will take place in the next 4 weeks. The cost of HFO in Sierra Leone is currently 60% of the cost of diesel and so further savings will be achieved when this changeover is completed.

In addition to a reduction in workforce headcount by some 25%, each of the major capital programmes has been substantially reduced or halted temporarily in order to minimise working capital demands. Civil enabling works associated with building the dams required for floating the dredges has been halted and will not require further activation to accommodate the D1 mine path.

The contractors who were at the mine site working on new plant have been stood down as the dry plant upgrade is substantially finished and completion has been postponed pending increased mining tonnage from D2 in the future.

Construction of a pontoon for the new Dredge D3 (“D3”) has been completed and the dredge superstructure and primary mining components are now on site. No further capital expenditure is required until the planned assembly of D3 following the re-commissioning of D2.

The Company has suspended all exploration activities, notably at the Sierra Rutile mine and Turners’ Peninsular. Sufficient drilling work has already been completed for the Company to be confident of a forthcoming reserve upgrade relating to the Gangama deposit, which will enable the D2 mining area to be significantly extended and improve the cost: return profile of the D2 mine plan.

The Government of Sierra Leone (“the Government”) continue to be strong supporters of the Company and have worked closely with the management to mitigate the impact of mining suspension relating to D2. In particular, the Government have agreed a two year deferral of interest payments by TRG, until June 2010, relating to the EU loan which the Government manages. This significant development improves TRG’s cashflow.

D2 progress

The Company previously confirmed that D2 can be salvaged and once again mine the Gangama deposit, which remains the Company's expectation. Significant remedial work will be required in order to restore D2 into service. This work has been scoped with international contractors who are experienced in this field and approximately US\$25 million is required before work can commence. Resolution of insurance claims in relation to D2 remains of paramount importance to the Company. Whilst there is a prospect of settlement, this claim is being investigated under a reservation of rights. The Company has taken appropriate legal measures to pursue recovery for Property

Damage and Business Interruption in the event settlement is not forthcoming in the near future.

Financial update

Given the continued cost reductions expected to be achieved at the power plant, and in the absence of any new financing, the Board believes that the Company has sufficient funding to meet its working capital requirements over the next six months. In addition, the Company anticipates that the intended transfer of D1 to the higher grade deposit at Lanti South should further enhance cashflows.

Currently, the Company has approximately US\$7.9 million of cash on deposit together with an EU backed Government loan of US\$45 million.

The Company currently expects to announce Preliminary Results for the year ended 31 December 2008 on or before 27 February 2009.

Strategic Options

The Company is exploring a number of strategic options to raise further finance, together with discussions about the purchase of a significant stake in the Company. These discussions may or may not lead to a final and unconditional offer being made for the issued share capital of the Company. The Board is currently considering its options following receipt of expressions of interest in the Company from prospective acquirers. There can be no certainty that any of the discussions will lead to a transaction being finalized. The Board will keep shareholders fully informed of material progress in relation to the various options that it is reviewing for the future of the Company.

Re-listing/De-listing

In view of these developments, the Company has requested the lifting of the temporary suspension of the trading of its shares on AIM. Accordingly, the precautionary suspension will be lifted at 7am on 20 January 2009 in order for the shares to be immediately restored to trading on AIM.

Outlook

Despite the production shortfall from D2 and the associated change in circumstances, there is much to be positive about in 2009: the new powerhouse provides material savings to future generation costs, higher grades are being mined in the deposit, labour costs are substantially reduced and we expect increased digging efficiency from a reconfiguration of D1 in the first quarter. The project to recover and rehabilitate D2 is

ready to proceed, together with the land plant and D3 project developments, once adequate funds are secured.

The Board believes that these improved operating conditions, as well as the continued support of the Government, will enable the Company to emerge from the difficulties encountered in 2008 and return to previously anticipated trading patterns.

Our markets and commercial relationships are strong and natural rutile will retain its attractiveness as pigment producers continue to improve their cost efficiencies given the current economic environment. TRG's Sierra Rutile asset remains the largest rutile deposit in the world and has a promising future once current difficulties are overcome.

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Titanium Resources Group

Titanium Resources Group is a mining company with operations in the Republic of Sierra Leone. The Group is the country's largest private sector employer and produces rutile and ilmenite for use in industrial applications. The Group's operations historically accounted for over 65 per cent of the exports of Sierra Leone.