



## **Titanium Resources Group (“TRG” or “the Group”) Trading and Operational Update**

10 July, 2006: Titanium Resources Group today issues an update on trading during the six month period ended 30 June 2006 (“the Period”) ahead of its close period before the publication of interim results on 3 September. The Directors of TRG (“the Board”) believe that TRG’s anticipated trading performance for 2006 is not in line with the market’s expectations.

### Financial Results

Trading during the Period has been adversely affected by two important factors:

#### Fuel price

Diesel fuel prices were significantly higher than the initial assumptions of US\$ 1.5 per Imperial Gallon. The Group plans to convert the mine’s power supply from diesel to heavy fuel oil which will bring fuel costs in line with management’s budget targets. The Group hopes to complete the heavy fuel oil conversion around the time of the ramp-up of Dredge D2 which is scheduled for mid-2007. Dredge D2 will double rutile production. The Group’s bauxite mine has not been affected by fuel price increases due to the structure of its operating contracts.

#### Production

Despite the successful shipment of 15,500 tonnes of rutile and 400,000 tonnes of bauxite since re-start of the two mines, the Group had expected to ship 20,000 tonnes of rutile and the financial results for the Period will be affected as a result. The production shortfall was due principally to lower equipment availability than originally assumed. The Group is confident that the commissioning production difficulties experienced at the rutile operation have now been satisfactorily resolved. The Group expects to meet its original forecast production of 50,000 tonnes in the second half of 2006.

The combined effect of the increase in fuel prices and lower production of rutile will impact negatively on the Group’s expected EBITDA by approximately USD 17m for the financial year ending 2006.

### Expansion Project

Construction work on rutile Dredge D2 is underway with first production from this unit expected in the second half of 2007. In addition, the Group expects to complete all the test work for the third dredge (Dredge D3) in the near term. In anticipation of a successful outcome of the test work for Dredge D3, the Group

has acquired an option on an existing dredge. This will expedite the implementation of the Dredge D3 project and significantly reduce capital costs.

### Exploration Programme

The Group has embarked on an aggressive exploration programme to increase the TRG's proven and probable reserves on both the rutile and the bauxite concessions. Areas to be drilled have been identified and the Group is increasing its drilling capacity to cope with the expanded exploration programme. In addition, the Group has secured additional exploration concessions in Sierra Leone, including the previously announced Rotifunk rutile deposit.

### Product Market Status

World markets for all TRG's products (rutile, ilmenite, zircon and bauxite) remain strong and the Group has had no difficulty securing long term off take agreements for its production. At present, the Group has long-term rutile sales contracts in place with a number of major pigment producers. The bauxite mine has long-term sales agreements in place with Alcoa World Alumina LLC and Glencore AG to sell the mine's total estimated annual production of 1.2 million tonnes per annum.

Ends

For further information

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## **Notes to Editors**

### **Titanium Resources Group**

Titanium Resources is the holding company of a group of companies that are engaged in the mining, marketing and exploration of mineral resources. The Group owns two mining operations in the Republic of Sierra Leone – the Sierra Rutile Project and the SML Bauxite Project.

The Sierra Rutile Project employs conventional dredging and processing methods to produce mineral sands in the southwest of Sierra Leone, where its production previously represented approximately 30 per cent of the world's annual supply of natural rutile. Natural rutile is a high titanium-bearing feedstock employed in the manufacture of titanium dioxide (TiO<sub>2</sub>) pigments that are used in paint, plastics, paper and pharmaceuticals and the production of titanium metal and welding rods. In close proximity to the Sierra Rutile mine is the SML Bauxite Project. Bauxite from the SML bauxite mine is premium grade metallurgical bauxite which is the primary feedstock used in the production of aluminium. Both projects employ proven mining and processing techniques and rutile and bauxite from this region are recognised for their high quality.

### **The bauxite operations**

The SML mining lease covers approximately 580 square kilometres in the southwest of Sierra Leone, 150 km southeast of the capital Freetown. SML is situated on a high-grade ore body and employs proven, conventional mining and processing techniques.

In January 2005, SML was granted mining lease ML1/05 for a period of ten years with the option to renew for a further ten years. Independent analysis of SML's existing bauxite reserves at Gbonge, Gondama, Jenega, Konta and Wunde are estimated at 12.4 million tonnes (as estimated by Mine Development Associates and included within the August 2005 Admission Document) which should support production for approximately ten years at normal operating levels. It is envisaged that further exploration work will be undertaken to discover additional resources in the Gbonge Hills and the Gondama sector which lie within the mining lease area.

The bauxite from Gondama/Gbonge is highly-prized gibbsitic bauxite which may be used as feed for low temperature and high temperature digestion as well as feed for sweetening digestion. This versatility creates significant marketing flexibility.