



# **WORLD TITANIUM RESOURCES**

**Annual Report  
30 June 2012**

**World Titanium Resources Limited  
(formerly Bondi Mining Limited)  
ACN 120 723 426**

## Corporate Information

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### Directors

Mr Wayne Malouf	Executive Chairman
Mr Bruce Griffin	Chief Executive Officer
Mr Gooroodeo Sookun	Chief Financial Officer
Mr Roderic Baker	Non-Executive Director
Mr Tristan Davenport	Non-Executive Director
Mr Darren Morcombe	Non-Executive Director
Dr Ian Ransome	Non-Executive Director
Dr Rick Valenta	Non-Executive Director
Mr Jeffrey Williams	Non-Executive Director

### Company Secretary

Mr Graeme Boden

### Registered Office

Address:	15 Lovegrove Close Mount Claremont WA 6010	Telephone:	+61 (0) 8 9286 1219
		Facsimile:	+61 (0) 8 9284 3801
		Email:	gboden@bigpond.net.au

### Auditors

HLB Mann Judd (WA Partnership)

Address:	Level 4, 130 Stirling Street Perth WA 6000	Telephone:	+61 (0) 8 9227 7500
		Facsimile:	+61 (0) 8 9227 7533

### Share Registry

Boardroom Pty Limited

Address:	Level 7, 207 Kent Street Sydney NSW 2000	Telephone:	+61 (0) 2 9290 9600
		Facsimile:	+61 (0) 2 9279 0664
	GPO Box 3993 Sydney NSW 2001	Email:	enquiries@boardroomlimited.com.au
		Website:	www.boardroomlimited.com.au

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## Chairman's Letter

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Dear Shareholder,

2011/12 has been a year of transformation for World Titanium Resources shareholders. For the original World Titanium resources shareholders we started off the year an unlisted public company with a mineral sands project in Madagascar and have ended it as a listed company on the Australian Stock Exchange. For former Bondi Mining shareholders you started as an exploration focussed company and ended it as a developer of one of the best mineral sands projects in the world. We have two excellent cornerstone investors and a strong following of Australian and London based institutional shareholders. The principal asset of the Company – the Toliara Sands Project - has advanced noticeably over the last twelve months.

During this period, we successfully completed the merger of Bondi Mining Limited and World Titanium Resources via a Scheme of Arrangement. The merger was completed in the last half of calendar 2011 and the Company relisted in early January 2012.

During the year, we have assembled a strong and effective development team. In November, Mr Bruce Griffin was appointed as CEO to take-over the stewardship of the Company. Bruce was previously BHP Billiton's vice-president, titanium, responsible for that company's world-wide titanium business. This included the Richards Bay minerals joint venture with Rio Tinto in South Africa and the Corridor Sands and Tigen projects in Mozambique. Since he joined us he has started to build a talented and experienced management team. Through his leadership, World Titanium Resources Limited "WTR" should establish itself as a global provider of ilmenite and zircon rich concentrate and accomplish this with a strong focus on safety, the environment and on community relations.

WTR is in the fortunate position of wholly owning the Toliara Sands Project. The aim of the Company is to capitalise on the ownership of these truly world-class deposits, the granting of our first two mining licences and the completion of the Definitive Engineering Study (DES) in August 2012 by developing the first of the deposits at Ranobe into a truly world class high-grade, low-risk mine.

The Company has been very encouraged by the support and co-operation that it has received from all levels of government in Madagascar, particularly the Ministry of Mines and by the provincial government. WTR is looking forward to developing the Ranobe mine and its supporting infrastructure. The successful development of the will provide lasting benefits to the local communities, the Toliara region, and the wider population of Madagascar.

The Board and I would like to thank you for your support over the last pivotal year for the Company and look forward to keeping you abreast with our progress over the coming months. I would also like to thank all our employees, contractors and consultants for their hard work over the course of the year.

Yours Sincerely

Wayne Malouf  
Executive Chairman

## Review of Operations

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World Titanium Resources Limited (WTR) is developing the Tier 1 mineral sands deposit at the world class high-grade, low-risk Ranobe Mine – part of its 100% owned Toliara Sands Project, which is located 40km north of the port of Toliara, on the south-western coast of Madagascar.

WTR relisted successfully on the Australian Securities Exchange on 12 January 2012, having been suspended from trading as Bondi Mining Limited on 5 December 2011, following a merger – by way of a Scheme of Arrangement – which was implemented on 30 December 2011.

Over the last 12 months, the Company has been laying the groundwork for developing the Ranobe Mine.

### Ranobe Mine

The Ranobe mineral sands deposit, which is only one of 4 identified mineral sands exploration targets in the Toliara Sands Project, is one of the largest and highest-grade mineral sands deposits in the world.

#### *Resources and Reserves*

The estimated Mineral Resource of 959Mt at an average grade of 6.10% THM within the Ranobe licences has the potential to support a mine life of more than 100 years at the expected initial mining rate of 8Mt per annum.

In late April 2012, WTR received a Mining Licence for Phase 1 of the Ranobe mine and a second Mining Licence for the area immediately south of the initial mining area. In addition WTR received the renewal of the remainder of the Ranobe Exploration Licence. Each of the mining licences has a term of 40 years and may be renewed for one or more additional 20-year terms.

In mid August 2012, WTR declared an Ore Reserve of 161Mt at an average grade of 8.2% THM. This Ore Reserve supports an initial mine life of 21 years; the Ranobe 'starter pit'.

#### *Definitive Engineering Study*

During the period a Definitive Engineering Study (DES), managed by TZMI with Engineering & Project Management Services as the lead engineering contractor, was undertaken. Specialist sub-contractors were engaged for various aspects of the study, including the mine and mining method, port, haul road and port.

The objective of the study was to;

- Undertake sufficient engineering for the mine, processing equipment and infrastructure to ensure the capital and operating cost estimates were robust;
- Determine the preferred mining method;
- Optimise the number and location of processing plants;
- Investigate opportunities to improve export logistics;
- Identify any long lead items;
- Review the Mineral Resource, develop an optimised mine plan and determine an Ore Reserve; and
- Prepare for the tender for project engineering design, procurement and construction management.

The experience of local and international engineering firms, operating in Madagascar, was incorporated to make sure that the costs used in the project economic model reflect the reality of actual in-country costs.

The DES was completed in August 2012 and confirmed that a low capex, low technical risk and simple mineral sands operation using well proven technology, mining and processing at an initial mining rate of 8Mt per annum.



## Review of Operations (Cont.)

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A very basic mining and processing route is envisaged. The ore zone will be mined by two Front end loaders (FELs). Ore mined by the FELs will be fed to mining units and pumped to the primary wet concentrator. The concentrator will have four stages of spirals and a hydrosizer to produce a heavy mineral concentrate (HMC). The final HMC, which will have a grade of 92% heavy mineral, will be stockpiled before being fed into the mineral separation plant. The mineral separation plant will use conventional mineral sands separation equipment to produce final products consisting of primary ilmenite, secondary ilmenite and a valuable non-magnetic concentrate containing rutile and zircon.

The ilmenite circuit is a combination of magnetic separators and high tension rolls to produce the 326ktpa of sulphate Ilmenite and 81ktpa of chloride Ilmenite.

The non-magnetic circuit will utilise gravity separation (spirals) and magnetic separation to produce 44ktpa of zircon and rutile rich concentrate.

All products will be transported, via a planned dedicated 55-kilometre long haul road, to a bulk loading facility, located north of the existing town and port of Toliara.

The Ilmenite products will be bulk loaded via a dedicated bulk-export jetty, which will be established as part of this development. The zircon rich concentrate will be bagged and placed in containers for export from the existing port of Toliara.

First production is expected in 2nd half 2014.

### *Funding*

The Company held preliminary discussions with a number of potential off-take customers for all of three the planned products from Ranobe – sulphate ilmenite, chloride ilmenite and a zircon rich non-magnetic concentrate. These discussions include straightforward supply agreements, as well as the potential for customers to provide prepayment as a source of development capital for the Project. Discussions were ongoing as at the end of the period.

In addition to the potential for customer pre-payment to partially fund the development capital, the Company is also exploring strategic partner options, at both the asset and the corporate levels.

### *Other Activities*

During the period the identification of traditional owners and users of the land that will be required for the proposed mine site and associated infrastructure commenced. Once all owners and users are identified, the Company will formalise access agreements with them.

Coastal and Environmental Services, a South African environmental consultancy with extensive experience in mineral sands and other mining projects in Africa, completed the Environmental and Social Impact Assessment scoping study. Public consultations were held with group and one-on-one meetings held in Antananarivo, Toliara and the villages near the mine site and associated Project infrastructure.

The Company continued to support 'Australian Doctors For Africa' in their efforts to provide medical equipment and twice-yearly visits by Australian doctors to run clinics at the main hospital in Toliara. The Company continued to support local villagers through the implementation of various programs including the refurbishment of water wells in three villages close to the proposed mine site.

### **Key management appointments**

During the period the company filled three key management positions required to advance the Ranobe Mine development, in Madagascar.

Bruce Griffin was appointed Chief Executive Officer of WTR Holdings on 7 November 2011 and became the Chief Executive Officer of the company effective from 30 December 2011.

## **Review of Operations (Cont.)**

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Bruce is an experienced executive and brings relevant international mineral sands experience to. His seven years at BHP Billiton included four years as Vice President Titanium where he had responsibility for BHP Billiton's titanium business, including the Richards Bay Minerals joint venture with Rio Tinto and the Corridor Sands and Tigen projects in Mozambique.

Les Michalik commenced as the Project Director for the Ranobe Mine Project on 16 July 2012 and will be based onsite at Toliara during the execution phase. Les has over 30 years of project execution and management experience predominantly in the mining and mineral processing industry in Africa, Australia and Europe. He was the Turnover Manager for the Ambatovy Nickel Project in Madagascar and has previously worked on titanium dioxide smelter and synthetic rutile projects.

Gooroodeo (Mahen) Sookun was appointed Chief Financial Officer of the Company on 24 May 2012 and joined WTR fulltime on 1 September 2012. Mahen was previously a non-executive director of WTR and became an executive director with his appointment as CFO. He was the Group Finance and Administrative Manager of Titanium Resources Limited, the AIM-listed company that refurbished the Sierra Rutile mineral sands and bauxite operations. Mahen has been a Corporate Finance Executive for more than 20 years for private and public companies in Mauritius and Africa.

### **Sales of Malagasy shares**

Following a review of the Company assets, the Board elected to dispose of its non-core holding in Malagasy Minerals (ASX: MGY). In early April 2012, the Company sold 10,000,000 MGY shares, realising net cash proceeds of A\$500,000.

Bruce Griffin  
Chief Executive Officer

## Tenement Schedule

Project Title	Permit Number	REGISTERED Holder/Applicant	PERMIT TYPE	GRANT DATE (Application Date)	EXPIRY DATE	TERM (Years)	TOTAL AREA km**2	SUBSTANCES UNDER TITLE	NOTES
Ranobe	3315	TSSARL	R	21/03/2012	20/03/2015	3	106.25	Ilmenite, Zircon, Leucoxene, Rutile, Basalte, Calcate, Guano	(1) (3) (4)
	12026	TSSARL	R	15/09/2004	14/09/2014	10	6.25	Ilmenite	(2)
	17388	TSSARL	R	28/07/2005	27/07/2015	10	18.75	Ilmenite	(2) (4)
	37242	TSSARL	E	21/03/2012	30/03/2052	40	9.38	Ilmenite, Zircon, Leucoxene, Rutile, Basalte, Calcate, Guano	(8)
	39130	TSSARL	E	21/03/2012	20/03/2052	40	9.38	Ilmenite, Zircon, Leucoxene, Rutile, Basalte, Calcate, Guano	(8)
Ankililoaka	3314	MRSARL	R	12/01/2001	11/01/2011	10	75	Ilmenite, Zircon, Leucoxene, Rutile, Basalte, Calcate, Guano	(2) (3) (5)
	36876	MRSARL	R	22/11/2004	21/11/2014	10	12.5	Ilmenite	(2) (5)
Basibasy	35822	MRSARL	R	12/01/2001	11/01/2011	10	81.25	Ilmenite, Zircon, Leucoxene, Rutile, Basalte, Calcate, Guano	(2) (3) (5)
Morombe	30250	MRSARL	R	12/01/2001	11/01/2011	10	206.25	Ilmenite, Zircon, Leucoxene, Rutile, Basalte, Calcate, Guano	(2) (3) (5)
Other	36182	MRSARL	R	22/10/2009				Ilmenite, Rutile, Zircon, Magnetite	(9)
	36183	MRSARL	R	22/10/2009				Ilmenite, Rutile, Zircon, Magnetite	(9)
	36648	MRSARL	R	16/11/2009			3.13	Calcaire	(7)(9)
	39650	MRSARL	R	16/11/2009			3.13	Calcate	(7)(9)
	38091	MRSARL	R	23/09/2010			30.47	Ilmenite, Grenate, Zircon	(9)

### DEFINITIONS:

"TSSARL": Toliara Sands SARL

"R": Research (Exploration Permit)

"MRSARL": Madagascar Resources SARL

"E": Exploitation (Mining Permit)

### NOTES:

- Renewable once for a three-year period per renewal
- Renewable twice for a three-year period per renewal
- Renewable application introduced on 17th September 2010 for a three-year period
- A PE application is pending processing at the BCMM on part of Permit 3315 since 17th September 2010
- Permits presently registered in the name of Exploitation Madagascar (TSSARL) and for which a transfer to MRSARL is pending at the BCMM
- Permit presently registered in the name of Mada Aust and for which a transfer to TSSARL is pending at the BCMM
- We have been informed that Permit 36648 has been split into two Permits (36648 and 36650) but to date the Company has not received confirmation of grant.
- Renewable once for a forty year period per renewal.
- New applications pending at the BCMM.

## Director's Report

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The directors present the annual report of the consolidated entity consisting of World Titanium Resources Limited (formerly Bondi Mining Limited) and the entities it controlled at the end of, or during, the year ended 30 June 2012.

### 1. Directors

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

Mr Wayne Malouf	(Executive Chairman)	Appointed 30 December 2011
Mr Bruce Griffin	(Chief Executive Officer)	Appointed 30 December 2011
Mr Gooroodeo Sookun <sup>2</sup>	(Chief Financial Officer)	Appointed 30 December 2011
Mr Roderic Baker	(Non-Executive Director)	Appointed 30 December 2011
Mr Tristan Davenport	(Non-Executive Director)	Appointed 30 December 2011
Mr Darren Morcombe <sup>1</sup>	(Non-Executive Director)	
Dr Ian Ransome	(Non-Executive Director)	Appointed 30 December 2011
Dr Richard Valenta <sup>1</sup>	(Non-Executive Director)	
Mr Jeffrey Williams	(Non-Executive Director)	Appointed 6 January 2012
Mr Simon O'Loughlin	(Non-Executive Director)	Resigned 30 December 2011
Mr Creagh O'Connor	(Non-Executive Director)	Resigned 30 December 2011

<sup>1</sup> Existing Directors from Bondi Mining Limited.

<sup>2</sup> Mr Sookun transitioned from Non-Executive Director to Chief Financial Officer on 1 September 2012.

#### **Mr Wayne Malouf – Executive Chairman**

Current term ends November 2012.

Age: 54

Wayne Malouf served as CEO of Sierra Rutile Limited (SRL)(formerly Titanium Resources Group) from 2002 to 2005 and TRG's Executive Vice-Chairman from 2005 to early 2008 where he oversaw the company's IPO listing on the AIM Exchange and the successful restart of the Sierra Rutile titanium mine and Sierra Minerals bauxite mine. From 2008 to 2010 Mr Malouf served as CEO of Diamond Fields Resources (DFI) and continues to serve as DFI's non-executive Chairman. He returned to SRL as Executive Chairman from August 2010 to February 2011. In addition to his mineral sands experience, Mr Malouf has been a practicing attorney since 1987.

#### **Mr Bruce Griffin – Chief Executive Officer**

Current term ends November 2012.

Age: 44

Bruce Griffin is an experienced executive and brings relevant international mineral sands experience to WTR. His 7 years at BHP Billiton included 4 years as Vice President Titanium where he had responsibility for BHP Billiton's titanium business, including the Richards Bay Minerals joint venture with Rio Tinto and the Corridor Sands and Tigen projects in Mozambique.

Prior to joining WTR, Bruce was Managing Director of MIL Resources an ASX listed Papua New Guinea focussed exploration company. His prior roles included Group General Manager Storage and Logistics at GrainCorp, seven years at BHP Billiton, nine years in a variety of operational and commercial positions with Shell, and as a management consultant with Bain & Company.

Bruce holds a Bachelor of Engineering Degree in Chemical and Process Engineering from Canterbury University, a Bachelor of Arts Degree in Economics from Massey University and an MBA from the Melbourne Business School.

## Director's Report (Cont.)

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### **Mr Goroodeo (Mahen) Sookun – Chief Financial Officer**

Current term ends November 2012.

Age: 46

Mahen Sookun is a fellow of the Association of Chartered Certified Accountants (UK) and holds a Masters in Business Administration (MBA Finance) from the University of Leicester (UK). He has served in private and public companies during the last twenty years as Corporate Finance Executive in Mauritius and Africa in diverse sectors such as public utilities, agriculture and textiles, real estate development and mining. Before joining WTR, he was the Group Finance and Administrative Manager of Titanium Resources Limited, a company involved in mineral resources and mining and listed on the AIM market of the London Stock Exchange. He is also currently the Director, CFO and Secretary of Diamond Fields International, a public company listed in Toronto.

### **Mr Roderic Baker – Non-Executive Director**

Current term ends November 2012.

Age: 67

Rod Baker has worked for 40 years as a mineral exploration geologist, in many countries over five continents. Educated in England, he started his professional career in North Sea Gas before joining the Anglo American Corporation to work in southern Africa. He then joined a South African consulting group, and carried out work for clients such as Rio Tinto, Selection Trust, U.S. Steel, Falconbridge and Billiton on a number of commodities. He subsequently became an independent consultant, working largely for the United Nations and other clients in Africa, India and the Americas. For the last 20 years he has been mostly engaged in pursuit of his own diamond and gold interests in South America. Until recently, he was a non-executive director of Titanium Resources Group, and was a founding director of Diamond Field Resources Inc.

### **Mr Tristan Davenport – Non-Executive Director**

Current term ends November 2012.

Age: 39

Tristan Davenport was educated at Millfield School and subsequently studied Anthropology and Archaeology at the University of London (SOAS). He later trained at De Beers' London office as a diamond sorter and studied diamond gemology at the Gemological Association of Great Britain. In 1995 he joined America Mineral Fields and worked on various mining projects in the Democratic Republic of Congo. He has established and managed heavy mineral processing laboratories in support of exploration programmes in Finland and Norway and has designed and managed exploration projects for companies in Zambia, Sierra Leone and Madagascar.

### **Mr Darren Morcombe – Non-Executive Director**

Current term ends November 2013.

Age: 43

Darren Morcombe has more than 20 years of professional experience in a variety of natural resource roles in Australia, United States and Switzerland commencing with over 10 years in senior roles with Normandy Mining Limited and Newmont Mining Corporation. in the areas of financing, treasury, mergers and acquisitions. He is the founder of Springtide Capital Pty Ltd, which is a private investment company specialising in investments in microcap listed companies, venture capital and resource orientated companies. He was Chairman and major shareholder of a refining and gold financing company European Gold Refineries SA, Europe's largest gold refinery, and Director of AGR Matthey Ltd, one of the largest gold refineries in the world. He retired from this position in 2008 and these businesses are now owned by Newmont Mining Corporation. Darren is a major shareholder of several public companies and also the Chairman of Foran Mining Corporation listed in Canada.

## Director's Report (Cont.)

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### **Dr Ian Ransome – Non-Executive Director**

Current term ends November 2012.

Age: 50

Ian Ransome is a geologist, whose academic qualifications include an MSc in geochemistry and a PhD in geology. He has more than 20 years' experience as an exploration geologist, using a multidisciplinary approach to generating and evaluating exploration targets in diamonds, gold, nickel, base and rare metals. Most of his experience has been in a broad range of African countries, including a nickel laterite project in Madagascar. Dr Ransome is presently a director and CEO of Diamond Fields International Ltd.

### **Dr Richard Valenta – Non-Executive Director**

Current term ends November 2012.

Age: 51

Richard Valenta has 30 years of exploration experience in Australia, Canada, Turkey, Mexico, Brazil, Argentina and other parts of Latin America. Prior to his current role, Dr Valenta was Managing Director of Bondi Mining Ltd, Chief Operating Officer of TSX-listed Fronteer Development Ltd, Chief Geoscientist of TSX-listed Aurora Energy Resources Ltd, and Central American Exploration Manager for Mount Isa Mines Exploration Ltd. Dr Valenta has a proven track record for discovery of high-grade gold, copper-gold and uranium resources and has been directly involved in the greenfield exploration, discovery and development of multi-million ounce gold and world-class uranium resources in the Americas and Asia. He is also the Managing Director of Chesser Resources Limited.

### **Mr Jeffrey Williams – Non-Executive Director**

Current term ends November 2012.

Age: 58

Jeffrey Williams was the former Managing Director of Mineral Deposits Limited (MDL). He established Nimbus Resources (now MDL) in 1997, and acquired mineral sands assets from BHP-Billiton near Hawks Nest on the New South Wales coast in 1998. He then secured the Sabodala gold and Grande Cote zircon projects in Senegal in West Africa. Mr Williams was Managing Director of MDL until 2011.

Prior to MDL Mr Williams acquired 16 years' of experience as a professional mining engineer in Australia and seven years in the stockbroking industry, and is a Fellow of the Australasian Institute of Mining and Metallurgy. His mining experience ranges from mine planning, underground management and feasibility studies through to mine development. From 1972 to 1984, he held various positions with CRA Limited at Broken Hill in New South Wales. Following completion of his Masters of Business Administration (MBA) programme in 1987, he played a major role as a Senior Project Engineer with North Limited. From 1989 to 1996, he specialised in gold mining research in the stock broking industry. Prior to establishing Nimbus Resources in 1997, he was the Head of Resources Research at James Capel Australia.

Mr Williams is currently a director of ASX listed companies, MacPhersons Resources Limited, A1 Consolidated Gold Limited, and Callabonna Uranium Limited. Within the last 3 years, Mr Williams was also a director of Mineral Deposits Limited and Morning Star Gold NL.

Other than as disclosed above, the Directors do not hold any other directorships in listed entities.

## **2. Company Secretary**

### **Mr Graeme Boden**

Age: 63

Graeme Boden was appointed the Company Secretary of World Titanium Resources Limited (formerly Bondi Mining Limited) on 30 December 2011 post the completion of the merger transaction, having been the Company Secretary of WTR Holdings Pty Ltd prior to the merger, and remains the Secretary of both companies at 30 June 2012.

## Director's Report (Cont.)

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Graeme Boden is an experienced business executive with more than 30 years in senior corporate or financial roles, particularly in the planning and evaluation function of the resources industry and in the finance and administration function of a range of industries, including biotechnology, medical devices and pharmaceuticals. He has more than 26 years experience as a Director or Secretary of ASX listed companies.

### 3. Directors' Meetings

The number of directors' meetings (including meeting of committees of directors) and the number of meetings attended by each of the directors of the company during the financial year are:

Director	Directors' Meetings		Audit Committee	
	A	B	A	B
Mr W Malouf	7	6	-	-
Mr B Griffin	7	7	-	-
Mr G Sookun	7	7	1	1
Mr N Baker	7	7	-	-
Mr T Davenport	7	7	-	-
Mr D Morcombe	9	7	1	1
Dr I Ransome	7	7	-	-
Dr R Valenta	9	9	1	1
Mr J Williams	7	6	-	-
Mr S O'Loughlin	2	2	-	-
Mr C O'Connor	2	2	-	-

**A = Number of Meetings held while in office**

**B = Meetings attended**

The nomination committee, remuneration committee and the technical committee did not meet during the year.

### 4. Principal Activities

The principal activities of the Company during the financial year were:

- Merger of Bondi Mining Limited and WTR Holdings Ltd by a scheme of arrangement.
- Divestment by Bondi Mining of Australian subsidiary companies.
- Continued evaluation of development of Ranobe mineral sands deposit in Madagascar.

### 5. Operating Results

The consolidated operating loss after tax for the financial year ended on 30 June 2012 was \$5,945,696 (2011 loss: \$1,968,175).

### 6. Significant Changes in the State of Affairs

#### Merger Transaction

The company was formerly named Bondi Mining Limited ("the Company") and changed its name to World Titanium Resources Limited upon completion of a merger by scheme of arrangement between the company and the unlisted company WTR Holdings Ltd (formerly World Titanium Resources Ltd and, before that, Madagascar Resources NL).

The steps involved in the transaction were:

- The Company consolidated its existing issued capital on the basis of 1 share for 4 existing shares;
- The Company divested its Australian exploration assets, retaining only tenement applications in a Namibian subsidiary;
- The Company raised \$3 million at a price of \$0.27 per share on a post consolidation basis;

## Director's Report (Cont.)

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- The Company acquired all of the issued capital of WTR Holdings Ltd by the issue of 257,144,552 shares, which resulted in existing WTR shareholders owning 86.2% of the merged entity; and
- The Company also issued 16,275,000 options, exercisable at \$0.285 on or before 31 March 2015 and 1,492,050 warrants exercisable at \$US0.285 on or before 21 June 2013.

The nature of the merger is such that it is classified as a reverse acquisition under the accounting standards (see note 2 (b)) and it is the WTR Holdings Ltd entity which continues in the consolidated financial statements. Note 15 in the financial statements sets out the equity position of the company.

### 7. Events Subsequent to the Reporting Date

On 16 August 2012 the board granted 1,500,000 options exercisable at \$0.285 with an expiry date of 31 December 2015 to a key management person appointed subsequent to year end. These options carry specific vesting conditions linked to the completion of construction and commencement of operation of the Ranobe mine.

### 8. Review of Operations

A review of operations is included at the beginning of this report on pages 2 to 4.

### 9. Likely Developments and Expected Results

The Group will continue its exploration and development activities in south west Madagascar, principally at the Ranobe deposit within the Toliara Sands Project.

### 10. Environmental regulation

The Group's operations are subject to significant environmental regulation under Malagasy law and administrative practice in relation to its exploration and future mining and development activities. Exploration and mining permits are issued subject to ongoing compliance with all relevant legislation.

During the reporting period there have been no recorded incidents of non-compliance with any applicable regulations associated with environmental matters, nor fines issued in relation thereto.

### 11. Dividends

No dividends have been paid or declared by the Company since the end of the previous financial year.

### 12. Directors' Interests

The relevant interest of each director in the shares and options over shares issued by World Titanium as notified by the directors to the Australian Securities Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

Director	Ordinary Shares	Options
Mr W Malouf	-	5,600,000
Mr B Griffin	-	4,550,000
Mr G Sookun	-	1,200,000
Mr N Baker	-	875,000
Mr T Davenport	972,223	875,000
Mr D Morcombe	6,010,996	2,075,000
Dr I Ransome	-	875,000
Dr R Valenta	339,602	1,125,000
Mr J Williams	-	875,000

## Director's Report (Cont.)

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### 13. Unissued shares under option

At the date of this report, ordinary shares of the Company under option totalled 26,592,050 exercisable at various dates on or before 31 December 2015 (2011: 5,235,000 options exercisable at various dates on or before 22 May 2015).

Options	Number Issued	Number Vested
Exercisable at \$0.285	24,250,000	12,725,000
Exercisable at \$0.80	850,000	850,000
	25,100,000	13,575,000

Warrants	Number Issued	Number Vested
Exercisable at US\$0.285	1,492,050	1,492,050
	1,492,050	1,492,050

These options or warrants do not entitle the holder to participate in any share issue of the Company or any other body corporate.

### 14. Indemnification and Insurance of Directors and Officers

#### 14.1 Directors' and officers' indemnity

At the date of this report the Group has no agreements in place in relation to the indemnification of directors and officers.

#### 14.2 Directors' and officers' insurance

At the date of this report there are no directors' and officers' liability insurance contracts in place.

### 15. Non-Audit Services

During the year, HLB Mann Judd, the Group's auditor, performed other services in addition to its statutory duties. Details of the amounts paid or payable to HLB Mann Judd and its related entities for audit and other services provided during the year are set out below.

Non-Audit Services	\$
Audit and review of financial reports	37,000
Other Services – HLB Mann Judd:	
Independent Expert's Reports	20,000
Investigating Accountant's Report	1,100
	58,100

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 25 to the financial statements. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact the impartiality and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board.

## **Director's Report (Cont.)**

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### **16. Nomination Committee**

Mr W Malouf (Chair)  
Mr T Davenport  
Mr B Griffin

The nomination committee determines the slate of director nominees for election to the Board and identifies and recommends candidates to fill casual vacancies.

The nomination committee did not meet during the period from merger completion to balance date.

### **17. Audit Committee**

Mr M Sookun (Chair)(Resigned 22 August 2012)  
Dr R Valenta  
Mr J Williams  
Mr D Morcombe (Appointed 22 August 2012)(Chair)

The audit committee assists the Board in monitoring and reviewing any matters of significance affecting financial reporting and compliance.

The audit committee met once during the period from merger completion to balance date. All members of the committee at that time were present.

The members of the audit committee possess financial expertise by virtue of their academic qualifications or career history in executive roles.

### **18. Remuneration Committee**

Dr I Ransome (Chair)  
Dr R Valenta  
Mr R Baker

The remuneration committee reviews and makes recommendations to the board on remuneration arrangements and policies applicable to the executive officers of the company and directors themselves. Its responsibility includes employee share incentives administration and entitlements and incentive performance arrangements.

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms part of the Directors' report.

The remuneration committee did not meet during the period from merger completion to balance date.

### **19. Technical committee**

Mr J Williams (Chair)  
Dr I Ransome  
Dr R Valenta

The technical committee assists the Board in monitoring and reviewing any matters of significance affecting resources and reserves, project development, asset operation, health, safety, environment and social responsibility.

The technical committee met did not meet during the period from merger completion to balance date.

## Director's Report (Cont.)

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### 20. Other

#### 20.1 Skills, experience, expertise and term of office of each director

A profile of each director containing the applicable information is set out at the beginning of this Directors Report. All directors have a term of no more than three years and retire in accordance with a rotation schedule, Dr Rick Valenta will retire by rotation in 2012. Mr Wayne Malouf, Mr Bruce Griffin, Mr Gooroodeo Sookun, Mr Roderic Baker, Mr Tristan Davenport, Dr Ian Ransome and Mr Jeffrey Williams were all appointed by the board during the year and will stand for election at the 2012 annual general meeting.

#### 20.2 Identification of independent directors

In considering independence of directors, the Board refers to the criteria for independence as recommended by ASX. The Board has not established thresholds of materiality.

Executive Directors who are not independent are Mr W Malouf (Chairman), Mr B Griffin (Chief Executive Officer) and Mr G Sookun (Chief Financial Officer). Dr R Valenta was the Managing Director of Bondi Mining and remains defined as non-independent even though he is now a non-executive.

The Board does not consider that executive roles, particularly in the Group's present stage of development, are likely to prevent independent judgments being applied to decisions as directors.

Applying the independence criteria, five of the present directors, namely Mr R Baker, Mr T Davenport, Mr D Morcombe, Dr I Ransome and Mr J Williams, are classified as independent.

#### 20.3 Statement concerning availability of independent professional advice

If a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of his office as a director, then, provided the director first obtains approval for incurring such expense from the chairperson, the Company will pay the reasonable expenses associated with obtaining such advice.

#### 20.4 Confirmation whether performance evaluation of the Board and its members has taken place and how conducted

No evaluation of the performance of the board and its members was carried out during the reporting period. The evaluation process will be determined and a review conducted during the 2013 financial year.

#### 20.5 Existence and terms of any schemes for retirement benefits for non-executive directors

There are no termination or retirement benefits for non-executive directors.

### 21. Remuneration Report – Audited

#### 21.1 Principles of remuneration

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company, including directors of the Company and other executives. Key management personnel includes all directors and specific executives of the Company.

Compensation levels for key management personnel of the Company are set competitively to attract and retain appropriately qualified and experienced directors and senior executives. The board, prior to formation of the remuneration committee, has received from recruitment consultants during the executive search process, information concerning companies of similar size or stage of development in the resources sector to assess the level of compensation which would be competitive.

## Director's Report (Cont.)

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The compensation structures for executives are designed to attract suitably qualified candidates, reward the achievement of strategic objectives and achieve the broader outcome of the creation of value for shareholders. The compensation structures take into account the executives' capability and experience, level of responsibility and ability to contribute to the Company's performance, including, in particular, the establishment of revenue streams and growth in the Company's share price.

Compensation packages include a mix of fixed compensation and variable short-term and long-term performance based incentives.

### 21.2 Fixed remuneration

Fixed compensation consists of a base salary (calculated on a total cost basis, including any fringe benefits or similar tax related to employee benefits) as well as employer contributions to superannuation funds.

Compensation levels are reviewed annually by the remuneration committee through a process that considers individual and company achievement.

### 21.3 Performance linked remuneration

Performance linked compensation may include performance incentives (PI), in the form of cash bonuses paid upon the achievement of predetermined Key Performance Indicators (KPI), and long term incentives (LTI) provided as options over unissued shares in the Company. In the case of Executive Directors, the number and conditions of the options are approved by the shareholders in a general meeting.

### 21.4 Performance incentives (PI)

The board, prior to formation of the remuneration committee, has set KPIs in conjunction with each of the Executive Directors and senior management.

The present KPI for key management personnel relates to construction of the Ranobe mine and infrastructure on time and within budget and the achievement of operating capacity. The incentive is a fixed bonus amount.

No bonuses were paid in relation to the 2012 financial year.

### 21.5 Long term incentives (LTI)

The Company has a share option program that entitles directors and key management personnel to purchase shares in the entity.

On 12 October 2011, 4,650,000 options exercisable at \$1.00 on or before 31 March 2015 were granted in WTR Holdings Pty Ltd prior to the completion of the scheme of arrangement with Bondi Mining Limited. The completion of the scheme saw this class of options adjusted to be 16,275,000 options exercisable at \$0.285 on or before 31 March 2015.

Of the 16,275,000 options post-merger, originally granted on 12 October 2011, 7,328,125 vested on grant, 2,198,438 vested on 30 December 2011, 2,198,437 vested on 31 July 2012, 1,516,667 will vest on 31 October 2012, 1,516,667 will vest on 31 October 2013 and 1,516,666 will vest on 31 October 2014.

On 1 June 2012 a further 5,475,000 options exercisable at \$0.285 on or before 31 March 2015 were granted. These options do not vest until 12 January 2014.

## Director's Report (Cont.)

### 21.6 Short-term and long-term incentive structure

The Company has not established a causal relationship between compensation structure and shareholder returns. The remuneration committee and the directors consider that the Company's progress to date and external remuneration levels provide support for the premise that the compensation structure is appropriate, given the objectives set out earlier in this report.

### 21.7 Consequences of performance on shareholders' wealth

The Board considers broad range of factors in determining the Company's performance and how best to generate shareholder value. These include financial factors. Among other factors, the Board considers the Company's results and cash consumption during the year. It does not utilise earnings per share as a performance measure nor does it contemplate consideration of any dividends in the short to medium term, given that efforts are being expended to build the business and generate self-sustaining revenue streams.

### 21.8 Service agreements

At 30 June 2012, there were three senior executives of the Company. One full time employee, had conditions of employment as set out below. The other two senior executives have service agreements operating as contractors to the Company. The employee has a contract renewed until 31 October 2014. Either party may terminate the agreement without cause by giving written notice of five months.

<b>Name</b>	Mr Bruce Griffin	Mr Wayne Malouf	Mr Jules Leclezio
<b>Position</b>	Chief Executive Officer	Executive Chairman	Country Manager
<b>Contract Type</b>	Employee	Contractor	Contractor
<b>Term Expiring</b>	31 October 2014	No fixed term	No fixed term
<b>Package</b>	AUD \$325,000 pa	USD \$240,000 pa	AUD \$192,000 pa
<b>Bonus<sup>1</sup></b>	AUD \$500,000	-	-
<b>Options<sup>2</sup></b>	4,550,000	5,600,000	875,000

1 Bonuses are payable upon the achievement of various conditions in terms of construction and maintenance of name plate capacity of the Ranobe project.

2 Options reconstructed in the merger process by a factor of 3.5. The number of options increased and the exercised price became \$0.285 per share.

The Company Secretary is a contractor with no financial commitment by the Company other than a monthly fee, payable in arrears at hourly rates for services rendered.

Subsequent to the balance date Mr Mahen Sookun transitioned from Non-Executive Director to Executive Director, as Chief Financial Officer, and Mr Les Michalik was employed as the Project Director. The terms of their employment are set out on the following page.

<b>Name</b>	Mr Mahen Sookun	Mr Les Michalik
<b>Position</b>	Chief Financial Officer	Project Director
<b>Contract Type</b>	Employee	Employee
<b>Commencement Date</b>	1 September 2012	1 July 2012
<b>Term Expiring</b>	31 December 2015	30 June 2015
<b>Package</b>	USD \$168,000 pa	AUD \$240,000 pa
<b>Maximum Bonus<sup>1</sup></b>	USD \$150,000	AUD 250,000
<b>Options<sup>2</sup></b>	875,000	-
<b>Options<sup>3</sup></b>	325,000	-
<b>Options<sup>4</sup></b>	-	1,500,000

3 Options granted post-merger, exercisable at \$0.285 per share on or before 31 March 2015.

4 Options granted post-merger, exercisable at \$0.285 per share on or before 31 December 2015.

## Director's Report (Cont.)

### 21.9 Non-executive directors

The aggregate remuneration of all non-executive directors was set at \$200,000 per annum prior to ASX quotation as Bondi Mining Limited in 2006. The base fee for a non-executive director was fixed at \$24,000 per annum, including any statutory superannuation contributions with effect from 1 January 2012.

Non-executive directors have also been granted options, after receiving shareholder. A total of 1,400,000 options (post-merger) were granted to non-executive directors in October 2011 and a further 5,150,000 options were granted to non-executive directors in June 2012. The earlier options have all vested at the date of this report and the later options all vest on 12 January 2014. The exercise price of all options is \$0.285 per share.

The Board considers that the use of options as LTI compensation is appropriate as a means of conserving cash and with regard to the quantum of cash payments to the non-executive directors.

Directors' fees cover all main board activities and committee memberships.

There are no termination or retirement benefits for non-executive directors.

### 21.10 Equity Instruments

All options refer to options over ordinary shares of World Titanium Resources Limited which are exercisable on a one for one basis.

#### (a) Options and rights over equity instruments granted as compensation

During the reporting period 20,875,000 options over ordinary shares in the Company were granted as compensation to key management personnel (2011: 2,050,000).

Details of options that vested during the reporting period are as follows:

Key Management Personnel	Options Outstanding 30 June 2012	Grant Date	Fair Value per Option at Grant Date	Exercise Price per Option	Expiry Date	Options Vested During 2012
<b>Non-Executive Directors</b>						
Mr G Sookun	875,000 <sup>1</sup>	12 Oct 2011	\$0.349	\$0.285	31 March 2015	710,937
Mr G Sookun	325,000 <sup>3</sup>	1 June 2012	\$0.069	\$0.285	31 March 2015	-
Mr T Davenport	700,000 <sup>1</sup>	12 Oct 2011	\$0.349	\$0.285	31 March 2015	568,750
Mr T Davenport	175,000 <sup>3</sup>	1 June 2012	\$0.069	\$0.285	31 March 2015	-
Dr I Ransome	525,000 <sup>1</sup>	12 Oct 2011	\$0.349	\$0.285	31 March 2015	426,562
Dr I Ransome	350,000 <sup>3</sup>	1 June 2012	\$0.069	\$0.285	31 March 2015	-
Mr R Baker	875,000 <sup>3</sup>	1 June 2012	\$0.069	\$0.285	31 March 2015	-
Dr R Valenta	250,000 <sup>4</sup>	9 May 2011	\$0.041	\$0.80	8 May 2015	-
Dr R Valenta	875,000 <sup>3</sup>	1 June 2012	\$0.069	\$0.285	31 March 2015	-
Mr D Morcombe	75,000 <sup>4</sup>	9 May 2011	\$0.041	\$0.80	8 May 2015	-
Mr D Morcombe	2,000,000 <sup>3</sup>	1 June 2012	\$0.069	\$0.285	31 March 2015	-
Mr J Williams	875,000 <sup>3</sup>	1 June 2012	\$0.069	\$0.285	31 March 2015	-
<b>Executive Directors</b>						
Mr W Malouf	5,600,000 <sup>1</sup>	12 Oct 2011	\$0.349	\$0.285	31 March 2015	4,550,000
Mr B Griffin	4,550,000 <sup>2</sup>	12 Oct 2011	\$0.349	\$0.285	31 March 2015	-
<b>Executives</b>						
Mr G Boden	-	-	-	-	-	-
Mr Jules Leclizio	875,000 <sup>1</sup>	12 Oct 2011	\$0.349	\$0.285	31 March 2015	710,937

- 62.5% vested on the date of grant, 18.75% vested on 30 December 2011 and the remaining 18.75% will vest on 31 July 2012.
- 1,516,667 options will vest on 31 October 2012, 1,516,667 options will vest on 31 October 2013 and the remaining 1,516,666 options will vest on 31 October 2014.

## Director's Report (Cont.)

3. The options all vest on 12 January 2014.
4. These options were on issue prior to the completion of the scheme of arrangement, see table below:

Key Management Personnel	Options Outstanding 30 June 2011	Grant Date	Fair Value per Option at Grant Date	Exercise Price per Option	Expiry Date	Options Vested During 2011
<b>Non-Executive Directors</b>						
Mr S O'Loughlin	300,000	9 May 2011	\$0.041	\$0.20	8 May 2015	300,000
Mr C O'Connor	300,000	9 May 2011	\$0.041	\$0.20	8 May 2015	300,000
Mr D Morcombe	300,000	9 May 2011	\$0.041	\$0.20	8 May 2015	300,000
<b>Executive Directors</b>						
Mr R Valenta	500,000	12 Nov 2007	\$0.212	\$0.30	11 Nov 2011	-
Mr R Valenta	500,000	12 Nov 2007	\$0.204	\$0.35	11 Nov 2011	-
Mr R Valenta	500,000	12 Nov 2007	\$0.204	\$0.40	11 Nov 2011	-
Mr R Valenta	1,000,000	9 May 2011	\$0.041	\$0.20	8 May 2015	1,000,000
<b>Senior Management</b>						
Mr D Esser	105,000	22 Sept 2008	\$0.052	\$0.30	26 Nov 2012	-
Mr D Esser	40,000	1 March 2010	\$0.006	\$0.12	28 Feb 2015	-
Ms K Angel	50,000	23 May 2011	\$0.038	\$0.15	22 May 2015	50,000
Ms K Angel	50,000	23 May 2011	\$0.036	\$0.21	22 May 2015	-
Ms K Angel	50,000	23 May 2011	\$0.033	\$0.28	22 May 2015	-

These options have been issued under the Company's Share Option Plan. They expire on the earlier of their expiry date or termination of the individual's employment. The options are exercisable at the discretion of the individual until they expire. Specific notes in relation to the table are set out below.

These options, all granted in Bondi Mining Limited prior to the completion of the scheme of arrangement, were subject to a 4 for 1 consolidation on 16 December 2011 which affected the number of options on issue and their exercise price. The reconstructed holdings for continuing key management persons, D Morcombe and R Valenta are shown in the 2012 holdings table above.

### **(b) Modification of terms of equity-settled share-based payment transactions**

No terms of equity-settled share based payment transactions (including options granted as compensation to a key management person) have been altered or modified by the Company during the reporting period or the prior period, other than the reconstruction of all options on issue in Bondi Mining Limited as at 16 December 2011 and in WTR Holdings Ltd at 30 December 2011. These reconstructions affected both the number of options on issue and the exercise price.

### **(c) Exercise of options granted as compensation**

During the reporting period, no options previously granted as compensation were exercised (2011: Nil).

Options issued as remuneration in WTR Holdings Pty Ltd were exercised in October 2011 (250,000) and during the 2011 financial year (8,750,000).

### **(d) Analysis of options and rights over equity instruments granted as compensation**

Details of vesting profiles of the options granted as remuneration to key management personnel of the Company are detailed below:

## Director's Report (Cont.)

Key Management Personnel	Number of Options	Grant Date	Vested in Year (%)	Forfeited in Year (%)	Financial Year in which Grant Vests	Value yet to Vest	
						Minimum (\$)	Maximum (\$)
<b>Non-Executive Directors</b>							
Mr G Sookun	710,937	12 Oct 2011	100	-	2012	-	-
Mr G Sookun	164,063	12 Oct 2011	-	-	2013	13,088	13,088
Mr G Sookun	325,000	1 June 2012	-	-	2014	17,940	17,940
Mr T Davenport	568,750	12 Oct 2011	100	-	2012	-	-
Mr T Davenport	131,250	12 Oct 2011	-	-	2013	10,470	10,470
Mr T Davenport	175,000	1 June 2012	-	-	2014	9,660	9,660
Dr I Ransome	426,562	12 Oct 2011	100	-	2012	-	-
Dr I Ransome	98,438	12 Oct 2011	-	-	2013	7,852	7,852
Dr I Ransome	350,000	1 June 2012	-	-	2014	19,320	19,320
Mr R Baker	875,000	1 June 2012	-	-	2014	48,300	48,300
Dr R Valenta	250,000	9 May 2011	-	-	2011	-	-
Dr R Valenta	875,000	1 June 2012	-	-	2014	48,300	48,300
Mr D Morcombe	75,000	9 May 2011	-	-	2011	-	-
Mr D Morcombe	2,000,000	1 June 2012	-	-	2014	110,400	110,400
Mr J Williams	875,000	1 June 2012	-	-	2014	48,300	48,300
<b>Executive Directors</b>							
Mr W Malouf	4,550,000	12 Oct 2011	100	-	2012	-	-
Mr W Malouf	1,050,000	12 Oct 2011	-	-	2013	83,760	83,760
Mr B Griffin	1,516,667	12 Oct 2011	-	-	2013	120,987	120,987
Mr B Griffin	1,516,667	12 Oct 2011	-	-	2014	120,987	120,987
Mr B Griffin	1,516,666	12 Oct 2011	-	-	2015	120,987	120,987
<b>Senior Management</b>							
Mr G Boden	-	-	-	-	-	-	-
Mr Jules Leclezio	710,937	12 Oct 2011	100	-	2012	-	-
Mr Jules Leclezio	164,063	12 Oct 2011	-	-	2013	13,088	13,088

### (e) Analysis of Movements in options

The only movements during the reporting period of options over ordinary shares in the Company held by key management personnel were:

Movement Description	Number of Options Affected	Exercise Price	Expiry Date
Consolidation	(975,000)	\$0.80 <sup>1</sup>	8 May 2015
Grant	15,400,000	\$0.285	31 March 2015
Grant	5,475,000	\$0.285	31 March 2015

1. On consolidation the exercise price increased fourfold from \$0.20 to \$0.80 per option.

### 21.11 Payments to persons before taking office

During the reporting period no payment was made to a person before the person took office as part of the consideration for the person agreeing to hold office.

## Director's Report (Cont.)

### 21.12 Directors' and executive officers' remuneration

Details of the nature and amount of each major element of remuneration of each director and each executive of the Company (Key Management Personnel) are as set out in the table below. Key Management Personnel of the Group, which from a financial reporting perspective represents WTR Holdings personnel for the entire financial year (and prior year) and World Titanium Resources personnel from 30 December 2011.

Key Management Personnel	Year	Short Term Benefits	Share-Based Payments	Total	Value of Options as proportion of Remuneration
		Salary & Fees	Value of Options		%
		\$	\$		\$
<b>Non-Executive Directors</b>					
Dr P Woods (Resigned 22/12/11)	2012	90,033	69,800	159,833	43.67
	2011	136,800	-	136,800	-
Mr G Leclezio (Resigned 22/12/11)	2012	-	111,680	111,680	100.00
	2011	152,675	-	152,675	-
Mr T Davenport	2012	12,000	57,220	69,220	82.66
	2011	-	-	-	-
Mr G Sookun (From 30/06/11)	2012	15,600	72,363	87,963	82.27
	2011	-	-	-	-
Dr I Ransome (From 10/08/11)	2012	29,820	44,640	74,460	59.95
	2011	-	-	-	-
Mr R Baker (From 30/12/11)	2012	12,000	6,900	18,900	36.50
	2011	-	-	-	-
Dr R Valenta (From 30/12/11)	2012	12,000	6,900	18,900	36.50
	2011	-	-	-	-
Mr D Morcombe (From 30/12/11)	2012	12,000	15,771	27,771	56.79
	2011	-	-	-	-
Mr J Williams (From 06/1/12)	2012	12,000	6,900	18,900	36.50
	2011	-	-	-	-
<b>Executive Directors</b>					
Mr W Malouf	2012	231,600	446,720	678,320	65.86
<i>Executive Chairman</i>	2011	57,960	-	57,960	-
Mr B Griffin (From 22/12/11)	2012	247,171	362,960	610,131	59.49
<i>Chief Executive Officer</i>	2011	-	-	-	-
<b>Senior Management</b>					
Mr J Leclezio	2012	192,000	69,800	261,800	26.66
<i>Country Manager</i>	2011	136,000	-	136,000	-
Mr G Boden	2012	219,268	-	219,268	-
<i>Company Secretary</i>	2011	162,342	-	162,342	-
<b>Total Key Management Personnel</b>	<b>2012</b>	<b>1,085,492</b>	<b>1,271,654</b>	<b>2,357,146</b>	<b>53.95</b>
	2011	645,777	-	645,777	-

#### Notes in relation to the table of key management personnel remuneration:

- 1) Mr Sookun transitioned from Non-Executive Director to Chief Financial Officer 1 September 2012.
- 2) Short term benefits – Cash bonuses have not been shown in the table above as no bonuses have been paid in either the 2012 or 2011 financial years.
- 3) Long term benefits – Long service leave expenses have not been shown in the table above as no liability has been accrued to date.
- 4) Post-employment benefits – No retirement benefits are paid in relation to any key management personnel.
- 5) The fair values of the options are calculated at the date of grant using a Black-Scholes pricing model and allocated to each reporting period in accordance with the vesting profile of the options. The value recognised is the portion of the fair value of the options allocated to the reporting period. In valuing the options, market conditions have been taken into account.

## Director's Report (Cont.)

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- 6) Payments made to Mr Boden through his consulting company Boden Corporate Services Pty Ltd (BCS) include time spent on Company activities, including accounting and administration by Mr Boden and other employees of BCS, during the period for which Mr Boden was Company Secretary.

### 22. Lead Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 21 and forms part of the Directors' report for the year ended 30 June 2012.

Signed in accordance with a resolution of the directors:



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Bruce Griffin  
Chief Executive Officer  
Perth  
28 September 2012

## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of World Titanium Resources Limited (formerly Bondi Mining Limited) for the year ended 30 June 2012, 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 audit; and
- b) any applicable code of professional conduct in relation to the audit.

This declaration is in respect of World Titanium Resources Limited.



Perth, Western Australia  
28 September 2012

**N G NEILL**  
Partner, HLB Mann Judd

## Statement of Comprehensive Income For the year ended 30 June 2012

	Note	Consolidated	
		2012 \$	2011 \$
<b>Continuing Operations</b>			
Revenue and other income from continuing operations		609,740	259,490
Personnel expense	4	(2,105,391)	(61,438)
Exploration and evaluation expense		(1,665,289)	(669,696)
Professional services expense		(1,202,424)	(892,667)
Administration expense		(1,059,863)	(347,004)
Depreciation	6	(33,677)	(10,329)
Travel expense		(445,269)	(141,259)
Foreign currency translation gain /(loss)		(34,456)	95,721
<b>Loss before income tax expense</b>		<b>(5,936,629)</b>	<b>(1,767,182)</b>
Income tax expense	5	(9,067)	(278)
<b>Net loss for the period</b>		<b>(5,945,696)</b>	<b>(1,767,460)</b>
<b>Other comprehensive income for the period, net of tax</b>			
Net change in fair value of available for sale financial assets	11	(290,000)	(50,000)
Exchange difference on translation of foreign operations	15(iii)	342,540	(150,715)
<b>Total comprehensive loss for the period</b>		<b>52,540</b>	<b>(200,715)</b>
<b>Total comprehensive loss for the period attributable to the members of World Titanium Resources Limited</b>		<b>(5,893,156)</b>	<b>(1,968,175)</b>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	17	(3.20)	(3.11)
Diluted earnings per share	17	(3.20)	(3.11)

This statement of comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 26 to 47.

## Statement of Financial Position

### As at 30 June 2012

		Consolidated	
	Note	2012	2011
		\$	\$
<b>Current assets</b>			
Cash and cash equivalents	8	9,905,950	6,950,729
Trade and other receivables	9	251,491	245,904
Other current assets	10	55,732	57,443
<b>Total current assets</b>		<b>10,213,173</b>	<b>7,254,076</b>
<b>Non-current assets</b>			
Trade and other receivables	9	438,898	528,151
Plant and equipment	12	156,744	39,186
Other investments	11	-	390,000
<b>Total non-current assets</b>		<b>595,642</b>	<b>957,337</b>
<b>Total assets</b>		<b>10,808,815</b>	<b>8,211,413</b>
<b>Current liabilities</b>			
Trade and other payables	13	1,006,858	289,524
<b>Total current liabilities</b>		<b>1,006,858</b>	<b>289,524</b>
<b>Total liabilities</b>		<b>1,006,858</b>	<b>289,524</b>
<b>Net assets</b>		<b>9,801,957</b>	<b>7,921,889</b>
<b>Equity</b>			
Issued capital	15	18,290,240	12,018,469
Reserves	15	2,027,064	473,071
Accumulated losses	16	(10,515,347)	(4,569,651)
<b>Total equity</b>		<b>9,801,957</b>	<b>7,921,889</b>

This statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 26 to 47.

## Statement of Cash Flows

### For the year ended 30 June 2012

	Note	Consolidated	
		2012	2011
		\$	\$
<b>Cash flows from operating activities</b>			
Receipts from third parties		91,907	-
Payments to suppliers and employees		(3,837,987)	(1,862,442)
<b>Net cash used in operating activities</b>	18	<b>(3,746,080)</b>	<b>(1,862,442)</b>
<b>Cash flows from investing activities</b>			
Movement in receivable – subsidiary sale instalments		128,640	239,747
Sale of share investment		500,000	-
Sale of property, plant and equipment		41,918	-
Acquisition of property, plant and equipment		(152,369)	(21,157)
Interest Received		171,891	15,553
<b>Net cash used in investing activities</b>		<b>690,080</b>	<b>234,143</b>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of share capital		-	8,747,759
Costs of capital raising		-	(492,669)
Cash acquired in merger		5,948,815	-
Realisation of net receivables acquired in merger		62,406	-
<b>Net cash from financing activities</b>		<b>6,011,221</b>	<b>8,225,090</b>
Net increase in cash and cash equivalents		2,955,221	6,596,791
Cash and cash equivalents at 1 July		6,950,729	353,938
<b>Cash and cash equivalents at 30 June</b>	8	<b>9,905,950</b>	<b>6,950,729</b>

This statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 26 to 47.

## Statement of Changes in Equity For the year ended 30 June 2012

Consolidated	Note	Issued Capital \$	Accumulated Losses \$	Reserves \$	Total \$
<b>Balance at 1 July 2010</b>		3,916,580	(2,802,191)	550,585	1,664,974
Loss attributable to members of the consolidated entity	16	-	(1,767,460)	-	(1,767,460)
Other comprehensive income	15(iii)	-	-	(200,715)	(200,715)
Total comprehensive income/(loss)		-	(1,767,460)	(200,715)	(1,968,175)
Shares issued during the year	15(i)	8,717,759	-	-	8,717,759
Cost of capital raising	15(i)	(615,870)	-	-	(615,870)
Share-based payments	15(iii)	-	-	123,201	123,201
<b>Balance at 30 June 2011</b>		<b>12,018,469</b>	<b>(4,569,651)</b>	<b>473,071</b>	<b>7,921,889</b>
<b>Balance at 1 July 2011</b>		<b>12,018,469</b>	<b>(4,569,651)</b>	<b>473,071</b>	<b>7,921,889</b>
Loss attributable to members of the consolidated entity	16	-	(5,945,696)	-	(5,945,696)
Other comprehensive income	15(iii)	-	-	52,540	52,540
Total comprehensive income/(loss)		-	(5,945,696)	52,540	(5,893,156)
Shares issued during the year	15(i)	6,271,771	-	-	6,271,771
Share-based payments	15(iii)	-	-	1,501,453	1,501,453
<b>Balance at 30 June 2012</b>		<b>18,290,240</b>	<b>(10,515,347)</b>	<b>2,027,064</b>	<b>9,801,957</b>

This statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 26 to 47.

# Notes to the Financial Statements

## For the year ended 30 June 2012

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### 1 REPORTING ENTITY

World Titanium Resources Limited is a Company domiciled in Australia. The financial report of the Consolidated Entity comprising the Company and its wholly owned subsidiaries for the financial year ended 30 June 2012 was authorised for issue by the directors on 27 September 2012. The Company is primarily involved in the exploration and evaluation of its minerals sands assets in Madagascar.

### 2 SIGNIFICANT ACCOUNTING POLICIES

#### (a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AAS's) which include Australian equivalents to International Financial Reporting Standards (AIFRS) adopted by the Australian Accounting Standards Board (AASB), and the Corporations Act 2001. Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS's).

This 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). The Company, formerly named Bondi Mining Limited merged with unlisted WTR Holdings Ltd (formerly World Titanium Resources Ltd) in a reverse acquisition transaction, completed on 30 December 2011. At the balance date the Group comprises the parent, and wholly owned subsidiaries, WTR Holdings Pty Ltd (Australia), Madagascar Mineral Fields Ltd (Mauritius), Malagasy Sands No2 Limited (Mauritius), Toliara Sands SARL (Madagascar) and Madagascar Resources SARL (Madagascar).

#### (b) Reverse acquisition accounting

The transaction involving World Titanium Resources Limited (formerly Bondi Mining Limited) acquiring all shares of WTR Holdings Ltd (formerly World Titanium Resources Ltd and previously Madagascar Resources NL) has been accounted for under the principles of Reverse Acquisition included in the Australian Accounting Standard AASB 3 'Business Combinations'. As a result of the acquisition of WTR Holdings Ltd (formerly World Titanium Resources Ltd and previously Madagascar Resources NL) being considered a reverse acquisition, the financial statements presented in this report represent a continuation of the financial statements of WTR Holdings Ltd and comprise the following:

- Statement of financial position:
  - Comparative Statement of Financial Position – WTR Holdings Ltd (and its subsidiaries) as at 30 June 2011, being the immediately preceding annual reporting period.
  - Current Statement of Financial Position – World Titanium Resources Limited (formerly Bondi Mining Limited) and its controlled entities as at 30 June 2012, including the reverse acquisition of WTR Holdings Ltd which comprises:
    - The historical Statement of Financial Position of the WTR Holdings Ltd Group.
    - The Statement of Financial Position of World Titanium Resources Limited based on fair value at acquisition date (30 December 2011) and transactions since that date at historical cost.
- Statement of Comprehensive Income, Statement of Cash Flows and Statement of Changes in Equity:
  - Comparative financial information – WTR Holdings Ltd Group for the year ended 30 June 2011.
  - Current period financial information – WTR Holdings Ltd Group for the year ended 30 June 2012 and World Titanium Resources Limited for the period 31 December 2011 to 30 June 2012.

The legal structure of World Titanium Resources Limited subsequent to acquisition of WTR Holdings Ltd will be that World Titanium Resources Limited will remain as the parent entity. However, the principles of reverse acquisition accounting apply where the owner of the acquired entity (in this case, WTR Holdings Ltd) obtains control of the acquiring entity (in this case, World Titanium Resources Limited) as a result of the combination of the businesses.

## Notes to the Financial Statements (Cont.)

### For the year ended 30 June 2012

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#### 2 SIGNIFICANT ACCOUNTING POLICIES (CONT.)

##### (b) Reverse acquisition accounting (Cont.)

Under reverse acquisition accounting, the consolidated financial statements are issued under the name of the legal parent (World Titanium Resources Limited) but are a continuation of the consolidated financial statements of the legal subsidiary (WTR Holdings Ltd), with the assets and liabilities of the legal subsidiary being recognised and measured at the pre-combination carrying amounts rather than their fair values.

##### (c) Basis of preparation

The financial 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.

##### (d) Significant accounting judgements and key estimates

The preparation of 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 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 2011.

##### (e) Adoption of new and revised accounting standards

In the year ended 30 June 2012, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period.

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

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2012. 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 its business and therefore, no change necessary to Group accounting policies.

##### (f) Going concern

The financial report has been prepared on a going concern basis which assumes the settlement of liabilities and the realisation of assets in the normal course of business. For the year ended 30 June 2012 the Company has incurred a loss of \$5,945,696 (2011: loss of \$1,767,460) and at year end the Company had a working capital of \$9,206,315 (2011: \$6,964,552) including a cash and cash equivalents balance of \$9,905,950 (2011: \$6,950,729). Cash used in operating activities in 2012 was \$3,746,080 (2011: \$1,862,442).

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

##### (g) Significant accounting polices

The same accounting policies and methods of computation have been followed in this financial report as were applied in the most recent annual financial statements of the unlisted World Titanium Resources Ltd Group, which are set out below as Note 1(h) through 1(v).

## Notes to the Financial Statements (Cont.)

### For the year ended 30 June 2012

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#### 2 SIGNIFICANT ACCOUNTING POLICIES (CONT.)

##### (h) Basis of consolidation

###### *Subsidiaries*

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements, less provision for diminution in circumstances where it is considered that the investment may not recover its book value.

###### *Transactions eliminated on consolidation*

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Unrealised gains arising from transactions with equity accounted investee are eliminated against the investment to the extent of the Group's interest in investee.

##### (i) Foreign currency

###### *(i) Foreign currency transactions*

Transactions in foreign currencies are translated to the financial currency of the Group at foreign exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign currency differences arising on translation are recognised in the statement of comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at exchange rates ruling at the dates the fair value was determined.

###### *(ii) Financial statements of foreign operations*

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Australian dollars at foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to Australian dollars at rates approximating to the foreign exchange rates ruling at the dates of the transactions. The revenues and expenses of foreign operations in hyperinflationary economies are translated to Australian dollars at the foreign exchange rates ruling at the balance date. Foreign exchange differences arising on retranslation are recognised in a separate component of equity.

Prior to translating the financial statements of foreign operations in hyperinflationary economies, the financial statements, including comparatives, are restated to account for changes in the general purchasing power of the local currency. The restatement is based on relevant price indices at the balance date.

###### *(iii) Net investment in foreign operations*

Exchange differences arising from the translation of the net investment in foreign operations are taken to translation reserve. They are released into the profit or loss upon disposal.

##### (j) Property, plant and equipment

###### *(i) Owned assets*

Items of property, plant and equipment are measured at cost or deemed cost less accumulated depreciation (see below) and impairment losses (see Note 1(n)).

## Notes to the Financial Statements (Cont.)

### For the year ended 30 June 2012

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#### 2 SIGNIFICANT ACCOUNTING POLICIES (CONT.)

##### (j) Property, plant and equipment (Cont.)

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

##### (ii) Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Group and its cost can be measured reliably. All other costs are recognised in the statement of comprehensive income as an expense as incurred.

##### (iii) Depreciation

Depreciation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives in the current and comparative periods are as follows:

Leasehold improvements	10 years
Motor vehicles	4-5 years
Office equipment	4-10 years
Office furnishings	4-5 years
Tools and equipment	4 years
Plant and installations	5 years

##### (k) Exploration and evaluation expenditure

Expenditure incurred during exploration and the early stages of evaluation of new areas of interest is written off as incurred.

Where the Directors decide to progress to development in an area of interest all further expenditure incurred relating to the area will be capitalised.

Projects are advanced to development status when it is expected that future expenditure can be recouped through sale or successful development and exploitation of the area of interest.

##### (l) Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses (see Note 1(n)).

##### (m) Cash and cash equivalents

Cash and cash equivalents comprise cash balances.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

##### (n) Impairment

The carrying amounts of the consolidated assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

##### (o) Calculation of recoverable amount

The recoverable amount of the Group's receivables is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets).

## Notes to the Financial Statements (Cont.)

### For the year ended 30 June 2012

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#### 2 SIGNIFICANT ACCOUNTING POLICIES (CONT.)

##### (o) Calculation of recoverable amount (Cont.)

Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Impairment testing of significant receivables that are not assessed as impaired individually is performed by placing them into portfolios of significant receivables with similar risk profiles and undertaking a collective assessment of

impairment. Non-significant receivables are not individually assessed. Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each balance date.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

##### (p) Share capital

###### *Dividends*

Dividends are recognised as a liability in the period in which they are declared.

###### *Transaction costs*

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

##### (q) Wages, salaries, annual leave, sick leave and non-monetary benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date.

Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the consolidated entity as the benefits are taken by the employees.

##### (r) Share-based payment transactions

The share option program allows the Group's directors and key management personnel to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a binomial option-pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

##### (s) Trade and other payables

Trade and other payables are stated at cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year, which remain unpaid at that time.

Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

## Notes to the Financial Statements (Cont.)

### For the year ended 30 June 2012

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#### 2 SIGNIFICANT ACCOUNTING POLICIES (CONT.)

##### (t) Revenue

Revenues are measured at fair value of the consideration received net of the amount of goods and services tax (GST in Australia, TVA in Madagascar) payable to the taxation authorities. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible returns of goods can be estimated reliably and there is no continuing management involvement with the goods.

##### Interest income

Interest income is recognised in the statement of comprehensive income as it accrues.

##### Logistical support services

Revenue received by a subsidiary for support services provided to the Toliara Sands Project is recognised once the service is performed and an invoice raised.

##### (u) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences: The initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax recognised is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

##### (v) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST in Australia, TVA in Madagascar), except where the amount of GST/TVA incurred is not recoverable from the Australian Tax Office (ATO) or Centre Fiscal Mandrosoa (Fisc). In these circumstances, the GST/TVA is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST/TVA included. The net amount of GST/TVA recoverable from, or payable to, the ATO/Fisc is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a net basis. The GST/TVA components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO/Fisc are classified as operating cash flows.

## Notes to the Financial Statements (Cont.)

### For the year ended 30 June 2012

#### 2 SIGNIFICANT ACCOUNTING POLICIES (CONT.)

##### (w) Parent entity financial information

The financial information for the parent entity, World Titanium Resources, disclosed in note 27 has been prepared on the same basis as the consolidated financial statements, except as set out below.

##### (i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the parent entity's financial statements. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

##### (ii) Share-based payments

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

#### 3 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 makers) 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 a less advanced stage at Ankililoaka, Basibasy and Morombe.

###### Other exploration

Exploration applications have been submitted to the relevant statutory authority covering a series of high quality, sediment-hosted, stratiform copper targets that have been identified in Namibia. The copper targets are similar in age and style to Discovery Metals' Boseto copper project, in Botswana.

	Mineral Sands	Other Exploration	Unallocated	Total
	\$	\$	\$	\$
<b>(i) Segment performance</b>				
<b>Year Ending 30 June 2012</b>				
Total segment revenue	17,231	-	592,509	609,740
Segment result	(2,984,159)	(755)	(2,960,782)	(5,945,696)
<b>Year Ending 30 June 2011</b>				
Total segment revenue	12,122	-	247,368	259,490
Segment result	(1,053,726)	-	(713,734)	(1,767,460)
<b>(ii) Segment assets</b>				
<b>30 June 2012</b>				
Segment assets	670,302	2,035	10,136,478	10,808,815

## Notes to the Financial Statements (Cont.)

### For the year ended 30 June 2012

3 OPERATING SEGMENTS (Cont.)	Mineral Sands	Other Exploration	Unallocated	Total
	\$	\$	\$	\$
<b>30 June 2011</b>				
Segment assets	394,212	-	7,817,201	8,211,413
<b>(iii) Segment liabilities</b>				
<b>30 June 2012</b>				
Segment liabilities	791,438	755	214,665	1,006,858
<b>30 June 2011</b>				
Segment liabilities	60,942	-	228,582	289,524
<b>(iv) Cash flow information</b>				
<b>Year Ending 30 June 2012</b>				
Net cash flow from operating activities	(1,910,333)	-	(1,835,747)	(3,746,080)
Net cash flow from investing activities	(148,139)	-	838,219	690,080
Net cash flow from financing activities	-	-	6,011,221	6,011,221
<b>Year Ending 30 June 2011</b>				
Net cash flow from operating activities	(1,095,439)	-	(767,003)	(1,862,442)
Net cash flow from investing activities	(15,646)	-	249,789	234,143
Net cash flow from financing activities	-	-	8,225,090	8,225,090

	Consolidated	
	2012	2011
	\$	\$
<b>4 PERSONNEL EXPENSES</b>		
Wages, salaries & fees	(617,754)	(61,438)
Other associated staff costs	(99,342)	-
Increase in annual leave accrual	(21,841)	-
Share based compensation- Note 14	(1,366,454)	-
	<b>(2,105,391)</b>	<b>(61,438)</b>

#### 5 INCOME TAX

The major components of income tax expense are:

##### Income statement

##### Current income tax:

Current income tax	9,067	278
Adjustments for prior years	-	-

##### Deferred tax expense:

Relating to origination & reversal of temporary differences	-	-
Unused tax losses not recognised as Deferred Tax Asset	-	-

Total income tax expense in statement of comprehensive income	<b>9,067</b>	<b>278</b>
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##### Numerical reconciliation between tax expense/(credit) and pre-tax net profit/(loss)

Accounting loss before income tax	(5,785,696)	(1,767,460)
Income tax benefit using the domestic corporation tax rate of 30% (2011: 30%)	(1,735,709)	(530,238)
Increase in income tax expense due to:		
Non-deductible expenses	1,096,728	330,991
Tax losses not recognised	723,147	200,652
Minimum tax requirement in Madagascar	(9,067)	(278)
Decrease in income tax expense due to:		
Non-assessable income	(84,166)	(849)
	<b>(9,067)</b>	<b>(278)</b>
Over provided in previous years	-	-
Income tax expense on pre-tax net profit/(loss)	<b>(9,067)</b>	<b>(278)</b>

## Notes to the Financial Statements (Cont.)

### For the year ended 30 June 2012

#### 5 INCOME TAX (CONT.)

The Directors estimate the potential future income tax benefit arising from tax losses and temporary differences available to WTR Holdings Pty Ltd to be \$739,998 (2011: \$472,688) and consolidated \$1,139,040 (2011: \$651,491) which substantially relates to expenditure incurred in relation to the exploration of heavy mineral sands and associated minerals in Madagascar.

The potential future income tax benefit arising from tax losses and timing differences has not been brought to account in this financial report as realisation of the benefit cannot be regarded as probable.

The potential future income tax benefit will only be obtained by the Group if:

- the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions to be realised;
- the Company continues to comply with the conditions for deductibility as imposed by tax legislation; and
- no changes in tax legislation adversely affect the Company in realising the benefit.

	<b>Consolidated</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<b>6 DEPRECIATION</b>		
Depreciation of equipment	<u>33,677</u>	10,329
	<b>33,677</b>	<b>10,329</b>
<b>7 NET FINANCIAL INCOME</b>		
Interest income	159,903	16,020
Interest on consideration instalments	<u>33,048</u>	2,298
Net Financial income	<b>192,951</b>	<b>18,318</b>
<b>8 CASH AND CASH EQUIVALENTS</b>		
Bank balances	<u>9,905,950</u>	6,950,729
Cash and cash equivalents in statement of cash flows	<b>9,905,950</b>	<b>6,950,729</b>
<b>9 TRADE AND OTHER RECEIVABLES</b>		
<i>Current</i>		
Deferred consideration receivable	115,942	122,281
Other debtors and receivables	<u>128,974</u>	123,090
Accrued income	6,575	533
	<b>251,491</b>	<b>245,904</b>
<i>Non-current</i>		
Deferred consideration receivable	<u>438,898</u>	528,151
	<b>438,898</b>	<b>528,151</b>
	<b>690,389</b>	<b>774,055</b>
<b>10 OTHER CURRENT ASSETS</b>		
Prepayments	54,080	57,443
Other	<u>1,652</u>	-
	<b>55,732</b>	<b>57,443</b>
<b>11 OTHER INVESTMENTS</b>		
<i>Non-current investments</i>		
Available for sale investments		
- Fair Value		
Balance at 1 July	390,000	440,000
Movement	<u>(390,000)</u>	(50,000)
Balance at 30 June	<b>-</b>	<b>390,000</b>

## Notes to the Financial Statements (Cont.)

### For the year ended 30 June 2012

#### 12 PROPERTY, PLANT AND EQUIPMENT

#### Consolidated

Cost:	Motor Vehicles	Office Equipment	Office Furnishings	Leasehold Improvements	Plant & Technical Equipment	Under Construction	Total
Balance at 1 July 2010	49,808	22,139	2,569	10,338	5,402	-	90,256
Acquisitions	-	20,106	-	-	-	2,614	22,720
Disposals	-	(2,430)	-	-	-	-	(2,430)
Effect of movements in foreign exchange	2,300	169	118	478	250	(72)	3,243
Balance at 30 June 2011	52,108	39,984	2,687	10,816	5,652	2,542	113,789
Balance at 1 July 2011	<b>52,108</b>	<b>39,984</b>	<b>2,687</b>	<b>10,816</b>	<b>5,652</b>	<b>2,542</b>	<b>113,789</b>
Acquisitions	<b>59,586</b>	<b>20,658</b>	<b>3,988</b>	-	<b>21,222</b>	<b>46,917</b>	<b>152,371</b>
Disposals	-	<b>(5,121)</b>	-	-	-	-	<b>(5,121)</b>
Acquisitions from Scheme	<b>74,328</b>	<b>7,388</b>	-	-	<b>80,139</b>	-	<b>161,855</b>
Disposal of assets acquired from Scheme	<b>(74,328)</b>	<b>(7,388)</b>	-	-	<b>(42,936)</b>	-	<b>(124,652)</b>
Effect of movements in foreign exchange	<b>(11,424)</b>	<b>(4,403)</b>	<b>(658)</b>	<b>(1,435)</b>	<b>(2,356)</b>	<b>(3,888)</b>	<b>(24,164)</b>
Balance at 30 June 2012	<b>100,270</b>	<b>51,118</b>	<b>6,017</b>	<b>9,381</b>	<b>61,721</b>	<b>45,571</b>	<b>274,078</b>
<b>Depreciation and impairment losses:</b>							
Balance at 1 July 2010	34,504	16,385	2,401	5,499	3,109	-	61,898
Depreciation charge for the year	3,777	4,288	180	1,112	719	253	10,329
Disposals	-	(86)	-	-	-	-	(86)
Effect of movements in foreign exchange	1,490	523	106	225	125	(7)	2,462
Balance at 30 June 2011	39,771	21,110	2,687	6,836	3,953	246	74,603
Balance at 1 July 2011	<b>39,771</b>	<b>21,110</b>	<b>2,687</b>	<b>6,836</b>	<b>3,953</b>	<b>246</b>	<b>74,603</b>
Depreciation charge for the year	<b>8,452</b>	<b>7,968</b>	<b>275</b>	<b>1,015</b>	<b>13,911</b>	<b>2,056</b>	<b>33,677</b>
Disposals	-	<b>(5,121)</b>	-	-	-	-	<b>(5,121)</b>
Accumulated depreciation acquired from Scheme	<b>45,620</b>	<b>7,388</b>	-	-	<b>53,697</b>	-	<b>106,705</b>
Disposal of assets acquired from Scheme	<b>(45,620)</b>	<b>(7,388)</b>	-	-	<b>(29,607)</b>	-	<b>(82,615)</b>
Effect of movements in foreign exchange	<b>(5,918)</b>	<b>(1,863)</b>	<b>(377)</b>	<b>(984)</b>	<b>(585)</b>	<b>(188)</b>	<b>(9,915)</b>
Balance at 30 June 2012	<b>42,305</b>	<b>22,094</b>	<b>2,585</b>	<b>6,867</b>	<b>41,369</b>	<b>2,114</b>	<b>117,334</b>
<b>Carrying amounts:</b>							
At 1 July 2010	15,304	5,754	168	4,839	2,293	-	28,358
At 30 June 2011	12,337	18,874	-	3,980	1,699	2,296	39,186
At 1 July 2011	12,337	18,874	-	3,980	1,699	2,296	39,186
At 30 June 2012	<b>57,965</b>	<b>29,024</b>	<b>3,432</b>	<b>2,514</b>	<b>20,352</b>	<b>43,457</b>	<b>156,744</b>

## Notes to the Financial Statements (Cont.) For the year ended 30 June 2012

	Consolidated	
	2012	2011
<b>13 TRADE AND OTHER PAYABLES</b>	<b>\$</b>	<b>\$</b>
Trade payables	785,882	134,347
Accrued expenses	194,462	124,085
Other payables	26,514	31,092
	<b>1,006,858</b>	<b>289,524</b>

### 14 SHARE BASED PAYMENTS

On 12 October 2011 4,650,000 options exercisable at \$1.00 on or before 31 March 2015 were granted to Directors and contractors in WTR Holdings Pty Ltd prior to the completion of the scheme of arrangement with Bondi Mining Limited. The completion of the scheme saw this class of options adjusted to be 16,275,000 options exercisable at \$0.285 on or before 31 March 2015.

Of the 16,275,000 options granted on 12 October 2011 7,328,125 vested on grant, 2,198,438 vested on 30 December 2011, 2,198,437 will vest on 31 July 2012, 1,516,667 will vest on 31 October 2012, 1,516,667 will vest on 31 October 2013 and 1,516,666 will vest on 31 October 2014.

On 1 February 2012 1,000,000 options were granted to an advisor of the Group. These options are exercisable at \$0.285 on or before 31 March 2015. These options vested on grant.

On 1 June 2012 5,475,000 options were granted to Directors. These options are exercisable at \$0.285 on or before 31 March 2015. The options do not vest until 12 January 2014.

No options were granted during 2011.

During 2011, 8,750,000 options previously granted during 2008 and 2009 were exercised raising \$625,000.

During 2012, 250,000 options previously granted in 2011 were exercised raising \$25,000.

#### Fair value of share options and assumptions:

Date of grant	12 October 2011	1 February 2012	1 June 2012
Number of options	16,275,000	1,000,000	5,475,000
Fair value at measurement date	\$0.099	\$0.200	\$0.106
Share price	\$0.266	\$0.350	\$0.240
Exercise price	\$0.285	\$0.285	\$0.285
Expected volatility (expressed as weighted average volatility used in the modelling under Black & Scholes option-pricing model)	50%	75%	75%
Option life (expressed as weighted average life used in the modelling under Black & Scholes option-pricing model)	1,266 days	1,154 days	1,033 days
Discount for non-negotiability	20%	20%	20%
Expected dividends	-	-	-
Risk-free interest rate (based on national government bonds)	3.575%	3.135%	2.035%

	Consolidated	
	2012	2011
<b>15 ISSUED CAPITAL AND RESERVES</b>		
<b>(i) Issued Capital</b>	<b>Number</b>	<b>Number</b>
On issue at 30 June – fully paid	<b>298,358,866</b>	<b>73,219,870</b>

## Notes to the Financial Statements (Cont.)

### For the year ended 30 June 2012

#### 15 ISSUED CAPITAL AND RESERVES (CONT.)

	Year Ended 30 June 2012		Year Ended 30 June 2011	
	No. of Shares	\$	No. of Shares	\$
Balance at 1 July	73,219,870	12,018,469	51,364,870	3,916,580
Option exercise \$0.10	250,000	25,000	-	-
Scheme of arrangement	183,674,682	-	-	-
<i>Sub-Total</i>	<b>257,144,552</b>	<b>12,043,469</b>	51,364,870	3,916,580
Bondi Mining Limited shares at merger	41,214,314	6,246,771	-	-
Option exercise \$0.05	-	-	5,000,000	250,000
Option exercise \$0.10	-	-	3,750,000	375,000
Rights entitlement issue \$0.25	-	-	6,000,000	1,500,000
Placement USD\$1.00	-	-	7,105,000	6,592,759
Cost associated with capital raising	-	-	-	(615,870)
Balance at 30 June	<b>298,358,866</b>	<b>18,290,240</b>	73,219,870	12,018,469

	Consolidated	
	2012	2011
	\$	\$
(ii) Reserves		
Foreign currency translation reserve	264,960	(77,580)
Share-based payments reserve	1,762,104	260,651
Asset valuation reserve	-	290,000
	<b>2,027,064</b>	<b>473,071</b>

#### (iii) Movements in Reserves

(a) Foreign currency translation reserve		
Balance at 1 July	(77,580)	73,135
Currency translation differences arising during the year	342,540	(150,715)
Balance at 30 June	<b>264,960</b>	<b>(77,580)</b>
(b) Share-based payments reserve		
Balance at 1 July	260,651	137,450
Options issued to directors, consultants & advisors	1,501,453	123,201
Balance at 30 June	<b>1,762,104</b>	<b>260,651</b>
(c) Asset valuation reserve		
Balance at 1 July	290,000	340,000
Revaluation/ Disposal	(290,000)	(50,000)
Balance at 30 June	-	290,000

	2012	2011
	Number	Number
(iv) Share Options on Issue		
Balance at 1 July	250,000	8,750,000
Options issued to directors and consultants	11,125,000	250,000
Options exercised during the year	(250,000)	(8,750,000)
Scheme of arrangement (net)	11,625,000	-
Bondi Mining merger (existing options on issue in Bondi Mining)	850,000	-
Balance at 30 June	<b>23,600,000</b>	<b>250,000</b>

	Weighted Av.	Number of	Weighted Av.	Number of
	Exercise Price	Options	Exercise Price	Options
Options on issue at the end of the year:	2012	2012	2011	2011
(a) Exercisable at \$0.05 by 30/11/2013:				
Balance at 1 July	-	-	\$0.05	5,000,000
Issued during the year	-	-	-	-
Exercised during the year	-	-	\$0.05	(5,000,000)
Balance at 30 June	-	-	-	-

## Notes to the Financial Statements (Cont.)

### For the year ended 30 June 2012

#### 15 ISSUED CAPITAL AND RESERVES (CONT.)

	Weighted Av. Exercise Price 2012	Number of Options 2012	Weighted Av. Exercise Price 2011	Number of Options 2011
(b) Exercisable at \$0.10 by 30/11/13				
Balance at 1 July	\$0.10	250,000	\$0.10	3,750,000
Issued during the year	-	-	\$0.10	250,000
Exercised during the year	\$0.10	(250,000)	\$0.10	(3,750,000)
Balance at 30 June	-	-	\$0.10	250,000

(c) Exercisable at \$0.285 by 31/03/12				
Balance at 1 July	-	-	-	-
Issued during the year (prior to scheme)	\$1.00*	4,650,000	-	-
Scheme consideration	\$0.285	11,625,000	-	-
Issued during the year (after scheme)	\$0.285	6,475,000	-	-
Balance at 30 June	\$0.285	22,750,000	-	-

\*Exercise price of \$1.00 reconstructed to \$0.285 during Scheme.

(d) Exercisable at \$0.80 by 08/05/13				
Balance at 1 July	-	-	-	-
Acquired in scheme	\$0.80	375,000	-	-
Balance at 30 June	\$0.80	375,000	-	-

(e) Exercisable at \$0.80 by 08/05/15				
Balance at 1 July	-	-	-	-
Acquired in scheme	\$0.80	475,000	-	-
Balance at 30 June	\$0.80	475,000	-	-

	2012 Number	2011 Number
<b>(v) Share Warrants on Issue</b>		
Balance at 1 July	426,300	426,300
Scheme of arrangement	1,065,750	-
Balance at 30 June	1,492,050	426,300

Warrants on issue at the end of the year:	Weighted Av. Exercise Price 2012	Number of Warrants 2012	Weighted Av. Exercise Price 2011	Number of Warrants 2011
(a) Exercisable at US\$0.285 by 21/06/13				
Balance at 1 July	US\$1.00*	426,300	-	-
Issued during the year	-	-	US\$1.00	426,300
Scheme consideration	US\$0.285	1,065,750	-	-
Balance at 30 June	US\$0.285	1,492,050	US\$1.00	426,300

\*Exercise price of US\$1.00 reconstructed to US\$0.285 during Scheme.

	Consolidated	
	2012	2011
<b>(vi) Share Based Payment Expense</b>		
Equity – settled share-based payment expenses In 2012	\$ 1,526,454	\$ -
	1,526,454	-

#### 16 ACCUMULATED LOSSES

Movements in accumulated profits / (losses) were as follows:

Balance at 1 July	(4,569,651)	(2,802,191)
Net profit/ (loss) for the year	(5,945,696)	(1,767,460)
Balance 30 June	(10,515,347)	(4,569,651)

## Notes to the Financial Statements (Cont.)

### For the year ended 30 June 2012

17 EARNINGS PER SHARE	Consolidated	
	2012	2011
(i) Loss attributable to ordinary shareholders		
Loss for the period:	\$	\$
Basic earnings	(5,945,696)	(1,767,460)
Diluted earnings*	(5,945,696)	(1,767,460)
	2012	2011
(ii) Weighted average number of ordinary shares	Number	Number
Weighted average number of shares used for basic earnings per share	185,843,330	56,922,090

\*As the Group incurred a loss for the year ended 30 June 2012, the options on issue have an antidilutive effect, therefore the diluted earnings per share is equal to the basic earnings per share.

18 RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES	Consolidated	
	2012	2011
Profit/(loss) after income tax	\$ (5,945,696)	\$ (1,767,460)
<i>Non-cash items:</i>		
Depreciation and amortisation	33,677	10,329
Foreign exchange (gains)/losses	356,094	(150,559)
Equity-settled share-based payment expenses	1,526,454	-
Interest on deferred consideration instalments	(33,048)	(2,298)
<i>Items classified as investing activities:</i>		
Interest received (Net of interest paid)	(159,645)	(16,086)
Profit on sale of assets	(399,881)	-
<i>Changes in operating assets and liabilities:</i>		
(Increase)/Decrease in trade and other receivables	121,504	(74,940)
Increase/(Decrease) in trade and other payables	754,461	138,572
Net cash used in operating activities	<u>(3,746,080)</u>	<u>(1,862,442)</u>

## 19 FINANCIAL INSTRUMENTS

Exposure to credit, interest rate and currency risks arise in the normal course of the consolidated entity's business.

### Credit risk

The Group has policies in place to ensure that any sales of surplus assets are made to customers with an appropriate credit history. The Group does not require collateral in respect of financial assets.

Cash deposits and investments are limited to high credit quality financial institutions.

### Interest rate risk

As the Group has no interest-bearing liabilities, the Group's loss and operating cash flows are not exposed to change in market interest rates.

The Group's interest rate risk arises from the interest-bearing assets. Cash being held to fund exploration programs and operating costs are placed with financial institutions at variable rates which exposes the Group to cash flow interest rate risk. To attempt to manage this risk the Group policy is to place all but immediately required funds into a range of term deposits and interest bearing call deposits.

### Cash and cash equivalents

Balances held in bank accounts are bearing a floating interest rate of 4.19% (2011: 4.62%) for Australian dollars and 1.06% for US dollars (2011: nil%).

### Other financial assets and liabilities

All other financial assets and liabilities of the group are non-interest bearing.

## Notes to the Financial Statements (Cont.)

### For the year ended 30 June 2012

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#### 19 FINANCIAL INSTRUMENTS (CONT.)

##### Foreign Currency Risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures to Malagasy Ariary, Euro and the US Dollar.

The Group's risk management policy is to keep surplus cash in US Dollars and have major contracts written using Euro or US Dollars as the currency for calculation of the liability or revenue stream. During 2011, ongoing expenditures in foreign currencies were minimal and the cash balance held in US dollars at 30 June 2011 was approximately \$US12,281.

At 30 June 2012 the US dollar bank balance of the Group was \$US4,930,682 (2011: \$US5,896,817) which converted to \$A4,916,474 at the 30 June 2012 exchange rate of \$US1.00289/\$A1.00 (2011:\$A5,390,752 at the 30 June 2011 exchange rate of \$US 1.0939/ \$A1.00). It is the present intention of the Board to retain this balance in \$US as a hedge against the requirement to send future amounts to Madagascar and Mauritius in that currency.

An appreciation in the \$A against the \$US would result in adverse movement in the statements of comprehensive income and financial position and a depreciation of the \$A against the \$US would lead to a favourable movement in the statement of comprehensive income and statement of financial position. A 100 basis points change, would result in a movement of approximately \$A49,165 in the reported results.

##### Market risk

The Group's activities expose it primarily to the changes in foreign currency exchange rates and interest rates on cash balances.

The total advances to all subsidiaries for the year were \$A1,449,649 (previous year \$364,249). Advances to the Mauritian and Malagasy subsidiaries are made in US dollars as funds are required to pay invoices and are held in US dollars before being converted to Ariary or Euro as required.

Hence a change in the exchange rate of 100 basis points, if applied to the total advance for the year would have an impact on earnings and equity of approximately \$A14,496. The same change on year end balances held in US dollars would be approximately \$A49,165.

The cash balances held at year end were \$A5.170 million, on which interest was being earned at 4.19%, and \$US4.931 million, on which interest is being earned at 1.09%. A change in the interest rate of 100 basis points, if applied to the year end balance of Australian dollars for a whole year, would have the effect of changing earnings and equity by \$51,704 and for the US dollars US\$49,307.

##### Capital risk management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Group, to the extent that these do not conflict with the directors' fiduciary duties towards the Group or the requirements of local regulation. The results of the directors' review of the Group's capital structure are used as a basis for the determination of the level of dividends, if any, that are declared. The Group was not subject to externally imposed capital requirements in either the current or prior year.

##### Fair values

The accounting standard relating to financial instruments requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1),
- inputs other than quoted prices included within level 1 that are observable for the asset or liability,

## Notes to the Financial Statements (Cont.)

### For the year ended 30 June 2012

#### 19 FINANCIAL INSTRUMENTS (CONT.)

either directly (as prices) or indirectly (derived from prices) (level 2); and

- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The fair values together with the carrying amounts shown in the statement of financial position are as follows:

	Carrying Amount		Fair Value	
	2012	2012	2011	2011
<b>Consolidated</b>				
	\$	\$	\$	\$
Trade and other receivables	251,491	251,491	831,498	831,498
Cash and cash equivalents	9,905,950	9,905,950	6,950,729	6,950,729
Trade and other payables	(1,006,858)	(1,006,858)	(289,524)	(289,524)
Available for sale assets	-	-	390,000	390,000
	<b>9,150,583</b>	<b>9,150,583</b>	<b>7,882,703</b>	<b>7,882,703</b>

#### Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

#### Trade and other receivables / payables

Receivables and payables which have a remaining life of less than one year are recorded at the nominal amount, which is deemed to reflect the fair value.

The amount receivable from Malagasy Minerals Limited in relation to unpaid consideration for its purchase of Mada-Aust SARL amounts to:

	Nominal Amount		Fair Value	
	2012	2012	2011	2011
	\$	\$	\$	\$
Current	120,000	115,942	125,000	122,281
Non-Current	547,034	438,898	670,675	528,151
Total	<b>667,034</b>	<b>554,840</b>	<b>795,675</b>	<b>650,432</b>

The fair value has been calculated by discounting the amounts receivable by 7% pa (2011: 7% pa), based upon the estimated timing of receipts.

#### 20 CAPITAL AND OTHER COMMITMENTS

##### (i) Lease commitments

Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:

	Consolidated	
	2012	2011
	\$	\$
Within one year	96,053	24,625
More than one year and less than two years	-	6,049
More than two years and less than five years	-	585
	<b>96,053</b>	<b>31,259</b>
Representing:		
Non-cancellable operating leases	-	-
Cancellable operating leases	96,053	31,259
	<b>96,053</b>	<b>31,259</b>

The cancellable leases relate to offices and residences in Madagascar. The Group is required to give three months notice prior to the end of a one year term for its office in Madagascar.

##### (ii) Exploration expenditure commitments

The group has minimum annual expenditure commitments, as required by the Malagasy Mining Code, in order to maintain title to various mining permits which are held in Madagascar. Expected annual rental for calendar 2013 in relation to existing exploration and mining tenements is approximately \$AU 102,000.

## Notes to the Financial Statements (Cont.)

### For the year ended 30 June 2012

#### 21 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There are no known contingent liabilities or contingent assets as at the date of these statements.

#### 22 CONSOLIDATED ENTITIES

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding (%)		Company's Investment (\$)	
			2012	2011	2012	2011
WTR Holdings Pty Ltd	Australia	Ordinary	100	-	70,850,510	-
Malagasy Sands No 2 Limited	Mauritius	Ordinary	100	100	1,000	1,000
Madagascar Mineral Fields Ltd	Mauritius	Ordinary	100	100	1,660	1,660
Toliara Sands SARL	Madagascar	Ordinary	100	100	2,041,456	1,552,671
Madagascar Resources SARL	Madagascar	Ordinary	100	100	568,723	450,176

The above Malagasy incorporated companies are owned by Madagascar Mineral Fields Ltd (100% of Toliara Sands SARL) and Malagasy Sands No.2 Ltd (100% of Madagascar Resources SARL). The Malagasy companies are therefore indirectly 100% owned by World Titanium Resources Ltd. The Malagasy incorporated companies carry on business in Madagascar. Malagasy Sands No.2 and Madagascar Mineral Fields Ltd carry on business in Mauritius. The two Mauritian companies are owned by WTR Holdings Pty Ltd.

#### 23 RELATED PARTIES

##### (i) Key management personnel compensation

As permitted by the Corporations Regulations 2M.3.03, disclosures of remuneration policies, service contracts, details of remuneration and other equity instruments are included in the Director's Report on pages 13 to 20.

The following people were key management personnel of the Group at any time during the reporting period and unless otherwise indicated, were directors or executives for the entire period:

##### **Non-Executive Directors**

Dr Peter Woods	Resigned 22 December 2011
Mr Guy Leclezio	Resigned 22 December 2011
Mr Tristan Davenport	
Mr Goroodeo Sookun	
Dr Ian Ransome	Appointed 10 August 2011
Mr Roderic Baker	Appointed 30 December 2011
Dr Richard Valenta	Appointed 30 December 2011
Mr Darren Morcombe	Appointed 30 December 2011
Mr Jeffrey Williams	Appointed 6 January 2012

##### **Executive Directors**

Mr Wayne Malouf	Executive Chairman	
Mr Bruce Griffin	Chief Executive Officer	Appointed 22 December 2011

##### **Senior Management**

Mr Graeme Boden	Company Secretary
Mr Jules Leclezio	Country Manager

The key management personnel compensation included in 'personnel expenses' (see note 4) are as follows:

	Consolidated	
	2012	2011
	\$	\$
Share based payments	(1,366,454)	-
Salary & fees	(460,292)	-
Increase in provision for annual leave	(21,841)	-
	<u>(1,848,587)</u>	<u>-</u>

Apart from details disclosed in this note, no director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving directors'

## Notes to the Financial Statements (Cont.)

### For the year ended 30 June 2012

#### 23 RELATED PARTIES (CONT.)

interests existing at year-end.

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Group or its subsidiaries in the reporting period. The terms and conditions of the transactions with management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

			Consolidated	
			2012	2011
Director	Transaction	Note	\$	\$
Mr W Malouf	Strategic Consultancy Services		71,229	57,960
Mr G Sookun	Financial Consultancy Services		3,600	
Dr I Ransome	Geological Consultancy Services		17,820	-
Dr P Woods	Geological & Corporate Consultancy Services	i	90,033	136,800
Mr G Leclezio	Strategic Consultancy Services	ii	-	152,675
<b>Non-Director</b>				
Mr G Boden	Secretarial & Financial Consultancy Services	iii	219,268	162,342
Mr J Leclezio	Logistical & Administrative Consultancy Services	iv	192,000	136,000

- i) Dr Peter Woods is a director and shareholder of Quantum Holdings Pty Ltd ("Quantum"). During the year Quantum provided geological and administrative consultancy services to the Group. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms.
- ii) Guy Leclezio provided strategic consultancy services to the Group during the year. Amounts were billed based upon normal market rates for such services and were due and payable under normal payment terms. Guy Leclezio is a director and shareholder of Canon Point Pty Ltd and Running Water Ltd.
- iii) Graeme Boden is a director and shareholder of Boden Corporate Services Pty Ltd ("Boden"). During the year Boden staff provided company secretarial, financial consultancy, accounting and administrative services to the Group. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms.
- iv) Jules Leclezio, through his consultancy company, Midas Consultancy Pty Ltd, provided logistical consultancy services as well as acting as the nominated manager for Toliara Sands SARL and Madagascar Resources SARL in Madagascar. He also provided administrative consultancy services to the Group.

Amounts payable to key management personnel at the reporting date arising from these contracts were as set out below:

	Consolidated	
	2012	2011
	\$	\$
<b>Current payables</b>		
Trade and other payables	8,095	54,868
	<b>8,095</b>	<b>54,868</b>

## Notes to the Financial Statements (Cont.)

### For the year ended 30 June 2012

#### 23 RELATED PARTIES (CONT.)

##### (ii) Equity holdings and transactions

The movement during the reporting period in the number of ordinary shares in the Group held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

Key Management Person (KMP)	Balance 1 July 2011	Purchases	Sales	Options Exercised	Balance at Date of Ceasing to be a KMP	Scheme Adjustments	Balance 30 June 2012
Mr W Malouf	-	-	-	-	-	-	-
Mr B Griffin	N/A	-	-	-	-	-	-
Mr G Sookun	-	-	-	-	-	-	-
Mr T Davenport	277,778	-	-	-	-	694,445	972,223
Dr I Ransome	N/A	-	-	-	-	-	-
Mr R Baker	N/A	-	-	-	-	-	-
Dr R Valenta	N/A	-	-	-	-	339,602	339,602
Mr D Morcombe	N/A	2,038,871	-	-	-	3,185,625	5,224,496
Mr J Williams	N/A	-	-	-	-	-	-
Mr P Woods	4,177,779	-	(500,000)	-	3,677,779	N/A	N/A
Mr G Leclezio	6,966,668	-	(1,000,000)	-	5,966,668	N/A	N/A
Mr G Boden	1,944,000	-	(400,000)	-	-	3,860,000	5,404,000
Mr J Leclezio	2,400,000	-	(600,000)	-	-	4,500,000	6,300,000
	15,766,225	2,038,871	(2,500,000)	-	9,644,447	12,579,672	18,240,321

Key Management Person (KMP)	Balance 1 July 2010	Purchases	Sales	Options Exercised	Balance at Date of Ceasing to be a KMP	Scheme Adjustments	Balance 30 June 2011
Mr W Malouf	-	-	-	-	-	-	-
Mr G Sookun	-	-	-	-	-	-	-
Mr T Davenport	-	27,778	(500,000)	750,000	-	-	277,778
Mr P Woods	1,760,001	417,778	-	2,000,000	-	-	4,177,779
Mr G Leclezio	4,770,002	696,666	-	1,500,000	-	-	6,966,668
Mr E Young	250,000	-	(1,000,000)	750,000	-	-	N/A
Mr G Boden	-	194,000	-	1,750,000	-	-	1,944,000
Mr J Leclezio	200,000	200,000	-	2,000,000	-	-	2,400,000
	6,980,003	1,536,222	(1,500,000)	8,750,000	-	-	15,766,225

## Notes to the Financial Statements (Cont.)

### For the year ended 30 June 2012

#### 23 RELATED PARTIES (CONT.)

##### (iii) Options over equity instruments

The movement during the reporting period in the number of options over ordinary shares in the Group held, directly, indirectly or beneficially, by each key management person, including their related parties, is as set out below:

Key Management Person (KMP)	Balance 1 July 2011	Granted as remuneration	Options exercised	Scheme Adjustments	Balance 30 June 2012	Vested During The Year	Vested & Exercisable 30 June 12
Mr W Malouf	-	1,600,000	-	4,000,000	5,600,000	4,550,000	4,550,000
Mr B Griffin	-	1,300,000	-	3,250,000	4,550,000	-	-
Mr G Sookun	-	575,000	-	625,000	1,200,000	710,937	710,937
Mr T Davenport	-	375,000	-	500,000	875,000	568,750	568,750
Dr I Ransome	-	500,000	-	375,000	875,000	426,562	426,562
Mr R Baker	-	875,000	-	-	875,000	-	-
Dr R Valenta	-	875,000	-	250,000	1,125,000	250,000	250,000
Mr D Morcombe	-	2,000,000	-	75,000	2,075,000	75,000	75,000
Mr J Williams	-	875,000	-	-	875,000	-	-
Mr P Woods	-	250,000	-	N/A	N/A	N/A	N/A
Mr G Leclezio	-	400,000	-	N/A	N/A	N/A	N/A
Mr G Boden	-	-	-	-	-	-	-
Mr J Leclezio	-	250,000	-	625,000	875,000	710,937	710,937
	-	9,875,000	-	9,700,000	18,925,000	7,292,186	7,292,186

Key Management Person (KMP)	Balance 1 July 2010	Granted as remuneration	Options exercised	Scheme Adjustments	Balance 30 June 2011	Vested During The Year	Vested & Exercisable 30 June 11
Mr W Malouf	-	-	-	-	-	-	-
Mr G Sookun	-	-	-	-	-	-	-
Mr T Davenport	750,000	-	(750,000)	-	-	-	-
Mr P Woods	2,000,000	-	(2,000,000)	-	-	-	-
Mr G Leclezio	1,500,000	-	(1,500,000)	-	-	-	-
Mr E Young	750,000	-	(750,000)	-	-	-	-
Mr G Boden	1,750,000	-	(1,750,000)	-	-	-	-
Mr J Leclezio	2,000,000	-	(2,000,000)	-	-	-	-
	8,750,000	-	(8,750,000)	-	-	-	-

##### (iv) Identity of related parties

The Company has a related party relationship with its subsidiaries (see Note 22) and key management personnel (see Note 23).

##### (v) Other related party transactions

Further loan funds of \$1,449,649 (2011:\$366,299) were advanced to the Malagasy and Mauritian subsidiaries during the year to cover operating costs. Loans to controlled entities are interest free and unsecured.

Net loan funds of \$3,959,197 (2011: \$nil) were advanced from WTR Holdings Pty Ltd to World Titanium Resources Limited, to be held in US dollar balances in Mauritius.

It is the Company's intention not to seek payments of the above amounts for at least 12 months.

#### 24 EVENTS SUBSEQUENT TO THE REPORTING DATE

On 16 August 2012 the board granted 1,500,000 options exercisable at \$0.285 with an expiry date of 31 December 2015 to a key management person appointed subsequent to year end. These options carry specific vesting conditions linked to the completion of construction and commencement of operation of the Ranobe mine.

## Notes to the Financial Statements (Cont.) For the year ended 30 June 2012

### 25 AUDITOR'S REMUNERATION

#### Audit services

Auditors of the Company	Consolidated	
	2012	2011
Audit and review of financial reports:	\$	\$
HLB Mann Judd	37,750	15,000
Other overseas auditors	2,084	2,285
	<u>39,834</u>	<u>17,285</u>

#### Other Services – HLB Mann Judd

Independent Expert's Reports	20,000	17,000
Investigating Accountant's Report	1,100	12,500
	<u>21,100</u>	<u>29,500</u>

### 26 BUSINESS COMBINATION

#### Reverse acquisition of Parent Company

On 30 December 2011, World Titanium Resources Limited (formerly Bondi Mining Limited) acquired all of the voting shares of WTR Holdings Ltd (formerly World Titanium Resources Ltd and previously Madagascar Resources NL).

Due to the nature of the acquisition, the acquisition of WTR Holdings Ltd was considered a reverse acquisition for accounting purposes (see Note 2(b)). The following represents the net assets and consideration paid by WTR Holdings Ltd for the acquisition of World Titanium Resources Limited.

	Acquiree's carrying amount before business combination	Fair value adjustments	Fair value
<i>Net assets acquired:</i>			
Cash and cash equivalents	5,948,815	-	5,948,815
Trade and other receivables	336,948	-	336,948
Property, plant and equipment	55,150	-	55,150
Trade and other payables	(94,142)	-	(94,142)
	<u>6,246,771</u>	-	<u>6,246,771</u>
Goodwill on consolidation			-
Total consideration			<u>6,246,771</u>
<i>The cash outflow on acquisition is as follows:</i>			
Net cash acquired with parent company			5,948,815
Cash paid			-
Net cash inflow			<u>5,948,815</u>

The consideration paid was:

- 183,674,682 additional shares pursuant to the scheme of arrangement.
- 16,275,000 options in consideration for 4,650,000 existing options.
- 1,492,050 warrants in consideration for 426,300 existing warrants.
- 933,750 options (post consolidation) acquired as existing Bondi options.

### 27 PARENT ENTITY DISCLOSURES

As set out in Note 2(b) the consolidated financial statements in this report have been prepared on the basis of reverse acquisition accounting, where the surviving statement of financial position is that of the company now named WTR Holdings Pty Ltd, which is now a subsidiary of the company World Titanium Resources Limited (formerly Bondi Mining Limited).

The statement of financial position of the parent company World Titanium Resources Limited at 30 June 2012, together with comparative, for 30 June 2011, is set out below; together with loss for the 2012 and 2011 financial years.

## Notes to the Financial Statements (Cont.)

### For the year ended 30 June 2012

27 PARENT ENTITY DISCLOSURES (CONT.)	30 June 2012	30 June 2011
<b>(i) Financial position</b>	<b>\$</b>	<b>\$</b>
<b>Assets</b>		
Current assets	9,781,264	4,024,343
Non-current assets	66,891,313	14,115,465
Total assets	<u>76,672,577</u>	<u>18,139,808</u>
<b>Liabilities</b>		
Current liabilities	134,106	86,083
Non-current liabilities	-	110,650
Total liabilities	<u>134,106</u>	<u>196,733</u>
<b>Equity</b>		
Issued capital	82,981,763	22,021,614
Accumulated losses	(8,636,894)	(5,439,987)
Reserves:		
-Share-based payments	772,121	1,098,948
-Option Premium	1,421,481	262,500
Total equity	<u>76,538,471</u>	<u>17,943,075</u>
<b>(ii) Financial Performance</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
(Loss) for the period <sup>1</sup>	(759,506)	(852,036)
Other comprehensive income	-	-
Total comprehensive loss	<u>(759,506)</u>	<u>(825,036)</u>

<sup>1</sup> The 2012 loss is for the period post completion of the merger transaction.

## Director's Declaration

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- 1 In the opinion of the directors of World Titanium Resources Limited (the Company):
  - (a) the financial statements and notes and the audited remuneration disclosures that are contained in the Remuneration Report in the Directors' Report, are in accordance with the Corporations Act 2001, including:
    - (i) giving a true and fair view of the financial position of the Group as at 30 June 2012 and of its performance, as represented by the results of operations and its cash flows, for the financial year ended on that date; and
    - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements; and
  - (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2 (a); and
  - (c) the audited remuneration disclosures of the Remuneration Report in the Directors' Report (page 13 to 20) comply with Australian Accounting Standard AASB 124 Related Party Disclosures; and
  - (d) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- 2 The directors have been given the declarations by the chief executive officer and chief financial officer for the financial year ended 30 June 2012 pursuant to Section 295A of the Corporations Act 2001.

Dated at Perth this 28th day of September 2012

Signed in accordance with a resolution of the directors:



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Bruce Griffin  
Chief Executive Officer

## INDEPENDENT AUDITOR'S REPORT

To the members of World Titanium Resources Limited (formerly Bondi Mining Limited)

### Report on the Financial Report

We have audited the accompanying financial report of World Titanium Resources Limited ("the company"), which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

### *Directors' responsibility for the financial report*

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

In Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the consolidated financial report complies with International Financial Reporting Standards.

### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Independence*

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

***Matters relating to the electronic presentation of the audited financial report and remuneration report***

This auditor's report relates to the financial report and remuneration report of World Titanium Resources Limited for the financial year ended 30 June 2012 published in the annual report and included on the company's website. The company's directors are responsible for the integrity of the company's website. We have not been engaged to report on the integrity of this website. The auditor's report refers only to the financial report and remuneration report. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report and remuneration report. If users of the financial report and remuneration report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information contained in this website version of the financial report and remuneration report.

***Auditor's opinion***

In our opinion:

- (a) the financial report of World Titanium Resources Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).

**Report on the Remuneration Report**

We have audited the remuneration report included in the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

***Auditor's opinion***

In our opinion the remuneration report of World Titanium Resources Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.



**HLB MANN JUDD**  
Chartered Accountants



**N G NEILL**  
Partner

Perth, Western Australia  
28 September 2012

# Corporate Governance Statement

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## Introduction

The ASX Corporate Governance Council has issued Corporate Governance Principles and Recommendations which had effect from January 2009.

Commensurate with the spirit of the ASX Principles and Recommendations, the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for corporate governance practices, taking into account factors such as the size of the Company and the Board, resources available and activities of the Company. Where, after due consideration, the Company's corporate governance practices depart from the Principles and Recommendations, the Board has disclosed the nature of, and reason for, the adoption of its own practice.

The following additional information about the Company's corporate governance practices is set out on the Company's website at [www.worldtitaniumresources.com](http://www.worldtitaniumresources.com)

- (a) Corporate Governance Statement;
- (b) Board Charter;
- (c) Audit Committee Charter;
- (d) Remuneration Committee Charter;
- (e) Nomination Committee Charter;
- (f) Technical Committee Charter;
- (g) Code of Conduct;
- (h) Delegation of Authority Policy;
- (i) Share Dealing Policy;
- (j) Drug and Alcohol Policy;
- (k) Environmental Policy;
- (l) Occupational Health & Safety Policy;
- (m) Privacy Policy.

## Explanations for departures from best practice recommendations

### Principle 1: Lay solid foundations for management and oversight

**Recommendation 1.2 is that the process of evaluating the performance of senior executives is disclosed.**

A formal performance evaluation process has not yet been established as the first employee senior executive commenced in October 2011, followed by two further full-time executives after the end of the 2012 financial year. The process and initial evaluations will be established in the coming year.

### Principle 2: Structure the board to add value.

**Recommendation 2.2 is that the chair should be an independent director.**

Mr W Malouf is Executive Chairman. It is not considered that Mr Malouf's executive position prevents him from exercising independent judgement in his role as chairman, particularly in the context of a board of nine directors.

**Recommendation 2.5 is that companies should disclose the process for evaluating the performance of the board, its committees and the individual directors.**

The evaluation process to be used to evaluate the performance of the board will be established during the current financial year and the first evaluation of the board conducted. A performance evaluation of the board was not conducted in the period since relisting in January 2012.

## Corporate Governance Statement (Cont.)

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### Principle 3: Promote ethical and responsible decision making.

**Recommendation 3.2: Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measureable objectives for achieving gender diversity for the board to assess annually both the objectives and the progress in achieving them.**

The Company has not yet established a diversity policy. Notwithstanding this, the company has policies in accordance with its code of conduct which:

- provide for equal opportunity in employment;
- has recruitment and selection processes which are based on the merit of appropriate candidates; and
- has grievance procedures to manage conflict, misconduct, discrimination and harassment.

**Recommendation 3.3: Companies should disclose in each annual report the measureable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.**

The Company has not established measurable guidelines in relation to diversity and may not. In a small organisation, establishing diversity on the basis of gender, age, ethnicity and cultural background is going to be difficult to design let alone achieve.

**Recommendation 3.4: Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive position and women on the board.**

The gender balance throughout the organisation at 30 June was as follows:

Position	2012		2011	
	Female	Total	Female	Total
Board	-	9	-	5
Other Key Management Personnel	-	2	-	1
Other Professionals	7	10	1	3
Other Employees	3	21	2	11

### Principle 4: Safeguard integrity in financial reporting

There were no material departures from the recommendation in respect of Principle 4.

The Audit Committee Charter is available on the Company's website.

### Principle 5: Make timely and balanced disclosures.

**Recommendation 5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and disclose those policies.**

The Company, its Directors and staff are aware of continuous disclosure requirements and operate in an environment where strong emphasis is placed on full and appropriate disclosure. The Company does not have formal written policies regarding disclosure, but uses strong informal systems carried out by experienced individuals.

This statement is published on the Company's website.

### Principle 6: Respect the rights of shareholders.

There were no material departures from the recommendation in respect of Principle 6.

## **Corporate Governance Statement (Cont.)**

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### **Principle 7: Recognise and manage risk.**

There were no material departures from the recommendation in respect of Principle 7.

The entity has established policies for the oversight of material business risks and the full board is engaged in the management of those risks, by meeting monthly during the 2012 year. The categories of risk which are reported in this annual report are material business risks, including political and technical risks, and financial risk.

### **Principle 8: Remunerate fairly and responsibly.**

A charter of the remuneration committee is available on the Company's website.

### **Recommendation 8.3: Companies should clearly distinguish the structure of non-executive remuneration from that of executives.**

Non-executive directors are paid a fixed fee, presently \$24,000 per annum, but do not receive short term incentive remuneration. Approval has been sought and received from shareholders to grant options to non-executive directors as a long term remuneration incentive. The board considers that the annual fee for non-executive directors is low by comparison with industry peers and that the level of options granted reflects this and is also an appropriate cash conservation measure in the Company's evaluation and development phase.

## ASX Additional Information

### 1. Listed Securities

The security holder information set out below was applicable as at 12<sup>th</sup> September 2012.

#### (i) Distribution of Security Numbers

Category (size of holding)	Ordinary Shares	
	Shareholders	Shares
1 – 1,000	65	22,171
1,001 – 5,000	148	438,611
5,001 – 10,000	76	584,617
10,001 – 100,000	227	8,069,824
100,001 and over	135	289,243,643
<b>Total</b>	<b>651</b>	<b>298,358,866</b>

There are 104 shareholders holding less than a marketable parcel at a price of \$0.22, totalling 78,958 shares.

#### (ii) Voting Rights

On a show of hands every person present who is a member or a proxy, attorney or representative of a member has one vote and upon a poll every person present who is a member or a proxy, attorney or representative of a member shall have one vote for each share held.

#### (iii) Twenty Largest Security Holders

The names of the twenty largest holders of ordinary shares are listed below:

Name	Number of Ordinary Shares	% of Issued Capital
BOULLE TITANIUM LTD	61,726,074	20.689
NA & S NOMINEES PTY LTD	44,581,250	14.942
NATIONAL NOMINEES LIMITED	21,393,372	7.170
J P MORGAN NOMINEES AUSTRALIA LIMITED	15,589,400	5.225
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	14,394,255	4.824
RUNNING WATER LIMITED	10,400,004	3.486
LARKHILL PTY LTD <MC TURNER FAMILY A/C>	7,437,500	2.493
CITICORP NOMINEES PTY LIMITED	7,266,404	2.435
QUANTUM HOLDINGS PTY LTD <PETER WOODS SUPERFUND A/C>	5,837,223	1.956
BODEN CORPORATE SERVICES PTY LTD <BODEN FAMILY A/C>	5,404,000	1.811
NEFCO NOMINEES PTY LTD	4,805,000	1.610
GRAHAM ROBERT FORWARD PTY LTD <THE GJ FAMILY A/C>	4,802,777	1.610
MR JULES LE CLEZIO	4,600,000	1.542
GUY FRANCOIS LE CLEZIO	3,797,305	1.273
RAYMOND MARIE MARC HEIN	3,466,669	1.162
SPRINGTIDE CAPITAL PTY LTD <COCKATOO VALLEY INVEST A/C>	3,430,996	1.150
QUANTUM HOLDINGS PTY LTD	3,150,004	1.056
MR PETER JAMES WOODS	3,010,000	1.009
ABN AMRO CLEARING SYDNEY NOMINEES P/L <CUSTODIAN A/C>	3,002,026	1.006
ZTF INVESTMENTS PTY LTD	2,981,589	0.999
<b>Total</b>	<b>231,075,848</b>	<b>77.449</b>

## ASX Additional Information (Cont.)

### (iv) Substantial Shareholders

The names of the substantial shareholders listed in the Company's share register as at 12<sup>th</sup> September 2012 were:

Name	Number of Ordinary Shares	% of Issued Capital
BOULLE TITANIUM LTD	61,726,074	20.689
NA & S NOMINEES PTY LTD	44,581,250	14.942
GUY LECLEZIO	15,488,974	5.191
<b>Total</b>	<b>121,796,298</b>	<b>40.822</b>

### (v) On market buy back

There is no on-market buy-back scheme in operation for the Company's listed shares.

## 2. Unquoted Options and Warrants

The information on unquoted option and warrant holders set out below was applicable as at 24<sup>th</sup> September 2012.

### (i) Distribution of unquoted option and warrant holder numbers

Category (size of holding)	No of Holders	No of Securities
10,001 – 100,000	2	150,000
100,001 and over	18	26,442,050
<b>Total</b>	<b>20</b>	<b>26,592,050</b>

### (ii) Voting Rights

Unlisted options do not entitle the holder to any voting rights.

### (iii) Holders of more than 20% of unquoted options and warrants

Name	No of Options	%
EDWARD WAYNE MALOUF	5,600,000	21.06

### (iv) Unquoted options and warrants on issue at 24<sup>th</sup> September 2012

Number on Issue	Exercise Price	Expiry Date
<b>Options:</b>		
375,000	\$0.80	8 May 2013
475,000	\$0.80	8 May 2015
22,750,000	\$0.285	31 March 2015
1,500,000	\$0.285	31 December 2015
<b>Warrants:</b>		
1,492,050	\$US0.285	21 June 2013