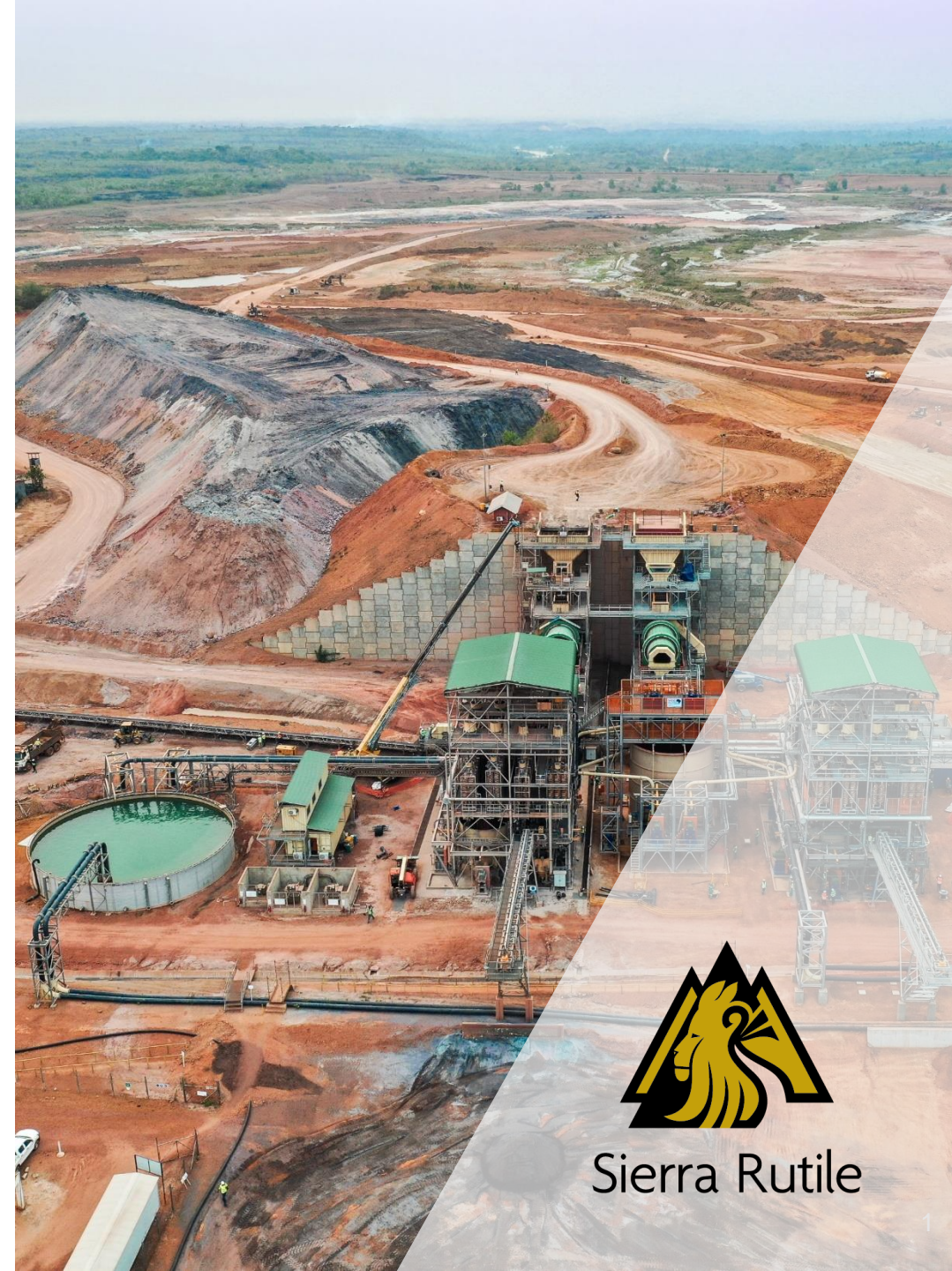


Sierra Rutile 2023 Full Year Results

The world's largest natural rutile producer

February 2024

ASX:SRX



Sierra Rutile

Important Notices and Disclaimer



Sierra Rutile

Forward looking statements

Certain statements in or in connection with this announcement contain or comprise forward looking statements. Such statements may include, but are not limited to, statements with regard to future production and grades, capital cost, capacity, sales projections and financial performance and may be (but are not necessarily) identified by the use of phrases such as “will”, “expect”, “anticipate”, “believe” and “envisage”. By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future and may be outside Sierra Rutile’s control. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of, among other factors, changes in economic and market conditions, success of business and operating initiatives, changes in the regulatory environment and other government actions, fluctuations in product prices and exchange rates and business and operational risk management. Subject to any continuing obligations under applicable law or relevant securities exchange listing rules, Sierra Rutile undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after today's date or to reflect the occurrence of unanticipated events.

Mineral Resources, Ore Reserves Estimates and Production Guidance

This announcement contains production guidance based on estimates of Sierra Rutile’s ore reserves and mineral resources. The estimates in this announcement that relate to the ore reserves and mineral resources of Sierra Rutile have been extracted from the Interim Financial Report for the half year ended 30 June 2023 which was lodged at the ASX on 24 August 2023, available at <https://sierrarutile.com/> and www.asx.com.au (Announcement).

For the purposes of ASX Listing Rule 5.19, Sierra Rutile confirms that it is not aware of any new information or data that materially affects the information regarding Sierra Rutile’s ore reserves and mineral resources included in the Announcement and that all material assumptions and technical parameters underpinning the estimates in the Announcement continue to apply and have not materially changed. Sierra Rutile confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the Announcement.

Non-IFRS financial information

This announcement includes certain information and data, such as Operating Costs, Net Operating Cash Costs and Unit Operating Cash Costs, that are not recognised under Australian Accounting Standards and are classified as ‘non-IFRS financial information’ under ASIC Regulatory Guide 230 (Disclosing non-IFRS financial information). Sierra Rutile uses these non-IFRS financial information metrics to assess business performance and provide additional insights into the underlying performance of its operations.

The non-IFRS financial information metrics in this announcement do not have standardised meaning under the Australian Accounting Standards and, as a result, may not be comparable to the corresponding metrics reported by other entities. Non-IFRS financial information should be considered in addition to, and not as a substitute for, financial information prepared in accordance with Australian Accounting Standards. Readers are cautioned not to place undue reliance on non-IFRS financial information cited in this announcement.

Global Rutile Supply Declining Materially

Natural Rutile demand driven by Titanium for high technology applications and pigments



Sierra Rutile

Titanium is a critical mineral

Minimal recycling

Growing demand expected

- ▲ Natural rutile is the highest-grade form of naturally-occurring titanium feedstock.
- ▲ Preferred raw ingredient for the cleaner, greener chloride pigment production process.
- ▲ Benefits of natural rutile over ilmenite/ synthetic rutile or titanium slag include higher purity, superior optical properties, reduced environmental footprint.
- ▲ Titanium also used in aerospace, defence, construction, shipbuilding, medical devices, sporting goods...

Three Key Applications Of Rutile



Sierra Rutile is World's Largest Natural Rutile Supplier

Long term experience in Sierra Leone



Sierra Rutile

-
- 1** 50+ years in operation, supplying >20% of global natural rutile
 - 2** One of the largest private employers in Sierra Leone, but needing to suspend operations and “right-size” for current market conditions
 - 3** Long-standing commitment to ESG and local communities
 - 4** Titanium is a critical mineral and feedstocks are a US\$4bn+ market
 - 5** Alternatives to natural rutile are lower grade and/or more energy intensive to produce
 - 6** Attractive Sembehun development pathway, one of the world's largest and highest-grade natural rutile deposits
 - 7** Arbitration (or agreement) with Government of Sierra Leone (GoSL) over fiscal arrangements to apply to Area 1 while Area 1 operations are suspended
 - 8** Potential to capitalise on increasingly tight rutile supply given proven high-quality product

Area 1 operations to be suspended



Sierra Rutile

Third Amendment Agreement and improved market conditions are critical pre-requisites for Area 1 operations to continue



Sierra Rutile plays a critical role economically as a major employer in Sierra Leone.



GoSL entered Third Amendment Agreement (TAA) with Sierra Rutile effective 1 August 2021, providing significant concessions for Area 1 mine life to support continuity of operations pending development of Sembehun.



In January 2024, GoSL advised they no longer supported the TAA, potentially resulting in significantly increased royalties and taxes.



In the current pricing environment, Area 1 cannot support any material change to TAA. Therefore, Area 1 operations are to be suspended from 11 March 2024.



Significant restructuring planned during suspension with at least 25% of workforce likely to be retrenched. Objective to “reset” cost-base.



Sierra Rutile has initiated a dispute process with the GoSL, which starts with an obligation to seek to negotiate an agreed outcome, following which there is provision for arbitration in the UK.



Long-Term Experience Operating in Sierra Leone

Focus on maximising value from Area 1 to Sembehun



Sierra Rutile



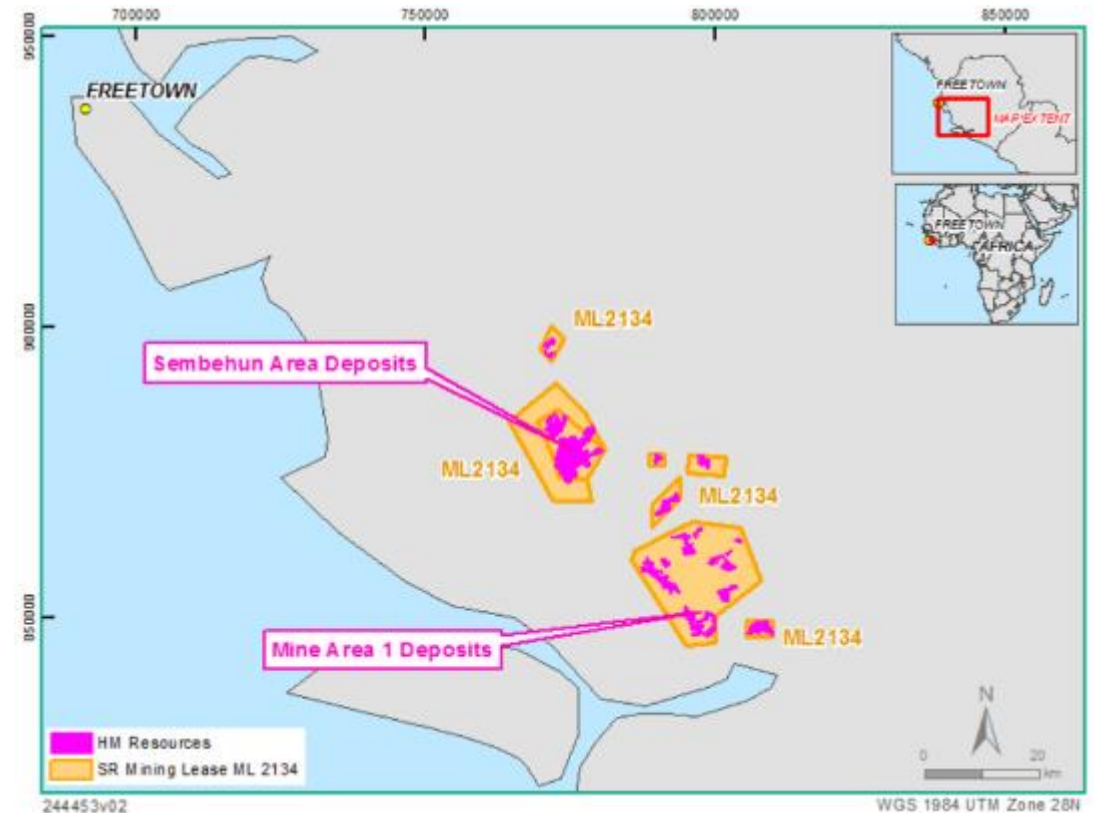
Area 1 JORC reserves at 30 June 2023 of 34Mt* potentially provide 3 years further mine life under appropriate economic settings.



Potential for Mogbwemo tails to reduce costs and increase Area 1 mine life.



Existing processing and export infrastructure to be leveraged across Sembehun. Sembehun to potentially add at least 13 years mine life at greatly improved margins.



* See breakdown of resources and reserve categories in Appendix A

2023 Results



Sierra Rutile

Operating Performance

Operating performance impacted by reduced global pigment demand and operational challenges

Mining and Concentrator

	2023	2022	Variance
Ore mined (tonnes)	9,826,963	10,457,803	(6%)
Ore Grade (HM%)	2.60%	2.78%	(7%)
HMC produced (tonnes)	266,432	322,328	(17%)

Mineral Separation Plant (tonnes)

	2023	2022	Variance
MSP Feed (HMC)	264,664	325,417	(19%)
Rutile produced	112,603	135,804	(17%)
Ilmenite produced	44,675	58,603	(24%)
Zircon in concentrate ie. produced	27,652	34,065	(19%)

- ▲ Mining operations were scaled back partly due to occasional power disruptions but, primarily, due to lower global demand for rutile in the short term.
- ▲ Grade impacted marginally by mining some lower grade deposits within Area-1 pending commissioning of Gangama tidal bund.
- ▲ HMC decreased due to multiple power outages during the period, lowering the operational time of our Mineral Separation Plant.
- ▲ Ilmenite production reduced disproportionately due to assemblage of ore sources.

Financial performance summary

Financial performance reflects weakness in the global pigment market

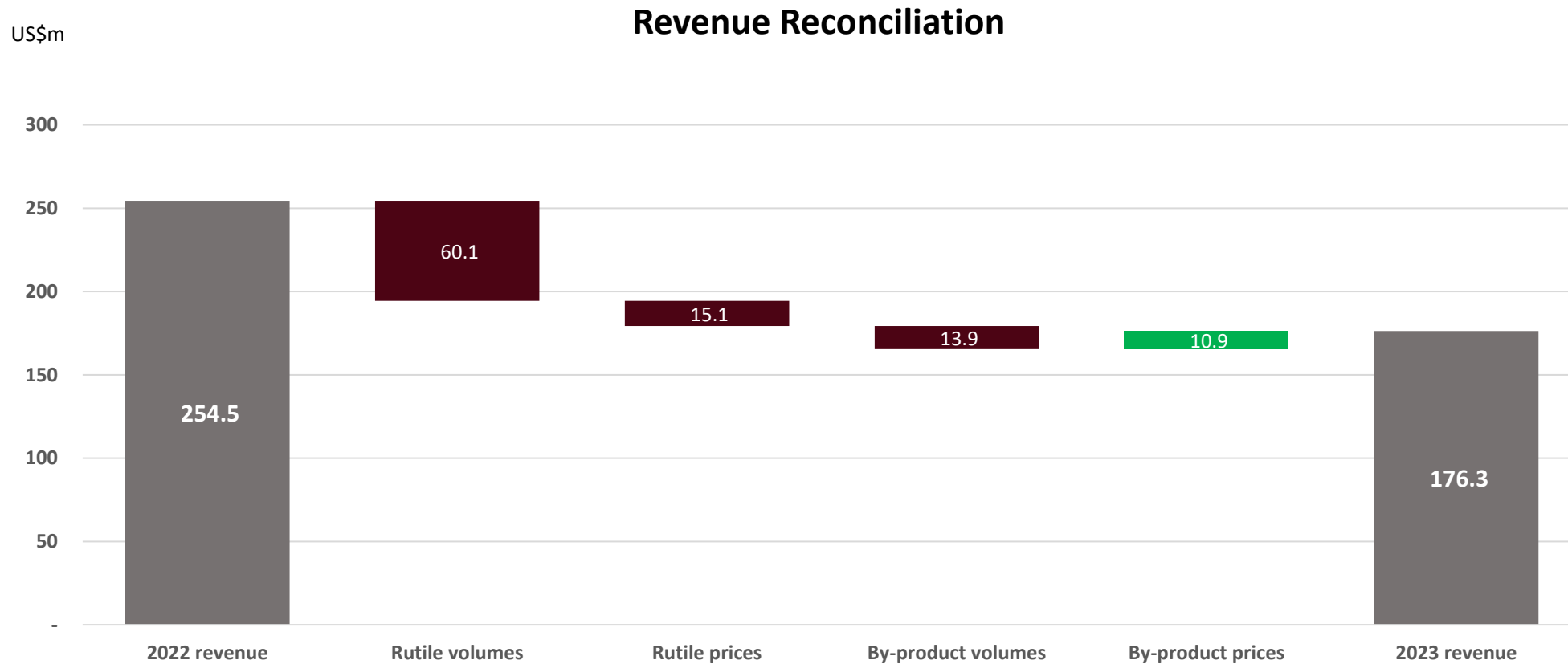
(US\$ millions)	2023	2022
Revenue	176.3	254.5
Production costs (net of inventory movements)	(140.2)	(177.9)
General and administration	(12.6)	(8.2)
Selling and distribution	(2.4)	(2.7)
Other costs	1.0	(8.7)
EBITDA	22.1	57.0
Depreciation and amortisation	(3.5)	(2.5)
Impairment/reversal of impairment	(35.3)	23.4
Financing	(2.5)	(1.0)
Income tax	(0.9)	(1.3)
NPAT	(20.1)	75.6

- ▲ Revenue decreased 31% primarily due to reduced demand from key pigment market and reduced pricing.
- ▲ EBITDA decreased 62% to \$22.1 million, impacted by decreased revenue and lower production levels to absorb fixed costs.
- ▲ Some costs (eg General and Admin) full 12 months vs 5 months in 2022.
- ▲ Net Loss After Tax of \$20.1 million, down from a \$75.6 million profit in 2022, reflecting weak demand in the global pigment market and asset impairments rather than prior year reversal.

Revenue Bridge



Revenue decreased largely due to production curtailments

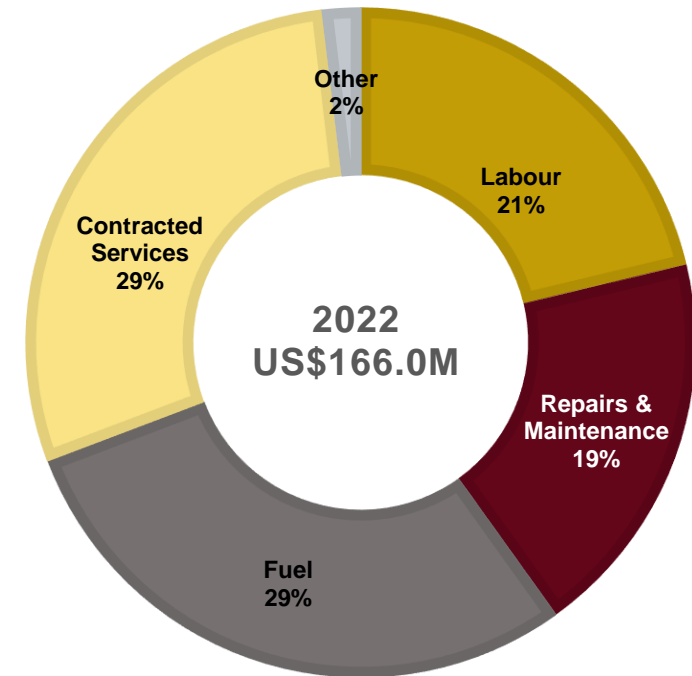
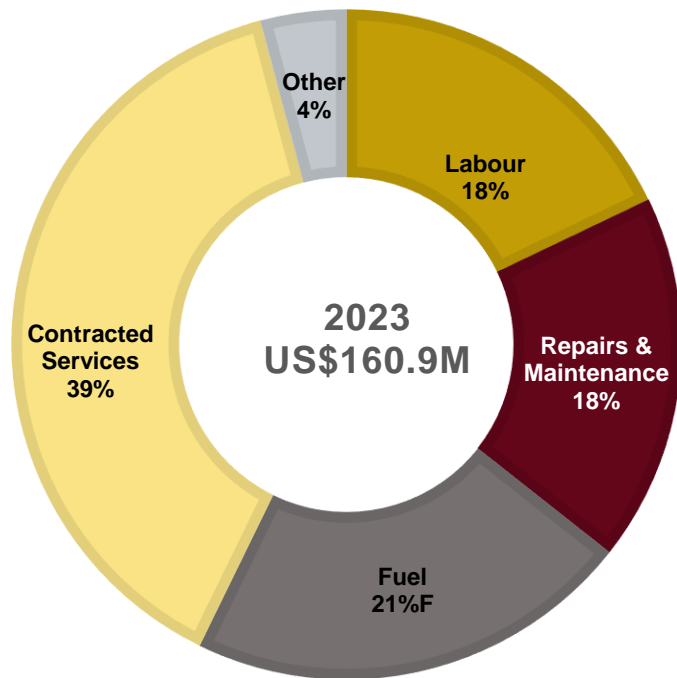


Total Cash Production Costs



Sierra Rutile

Global macroeconomic and regional factors impacted operating costs adjacent to supply chain issues



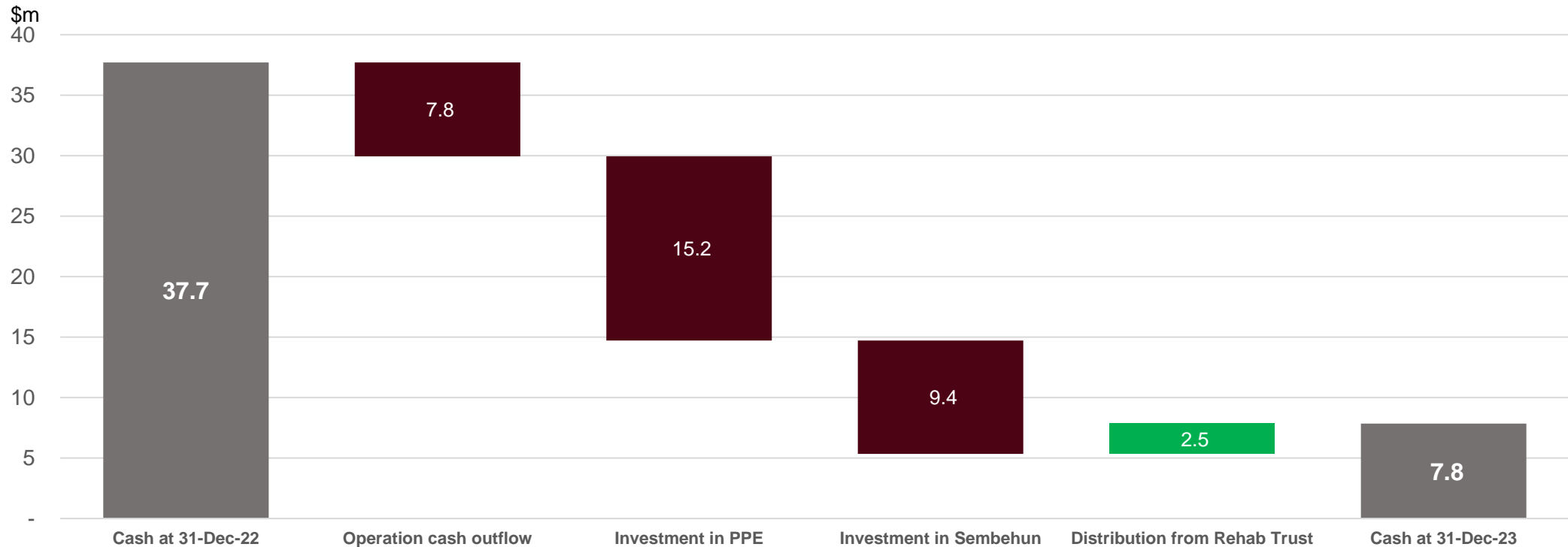
- ▲ Operating costs reduced marginally due to reduced activity levels.
- ▲ Moving to full contract mining operation during the year reduced direct labour and fuel costs and optimised site flexibility for mining activities.

Cashflows reflect significant investments



Sierra Rutile

\$7.8 million in cash and no debt as at 31 December 2023



Robust Balance Sheet

Material inventory build and substantial net working capital position; Company remains debt-free

(US\$ millions)	2023	2022
Cash	8	38
Trade and other receivables (incl. VAT)	55	54
Inventory (stockpiles and consumables)	62	35
Property, plant and equipment	2	24
Capitalised exploration and evaluation	39	29
Rehabilitation Trust funds	44	43
Other	0	1
Total Assets	210	223
Trade and other payables	33	29
Rehabilitation provisions	49	48
Other provisions	13	11
Total Liabilities	94	88
Net Assets	116	135
NTA/Share	A\$0.40	A\$0.47

- ▲ Reduced cash attributable to continued investment in non-current assets and inventory build-up throughout the year.
- ▲ Strong established customers with no receivables outside of normal trading terms.
- ▲ Increased inventory build-up was driven by challenging pigment market conditions globally.
- ▲ Overall net working capital (excluding consumables) totalled \$66.1 million.
- ▲ Company remains debt-free.

Environmental, Social & Governance



Sierra Rutile

DONATED BY
SRL FOUNDATION

Commitment to Sustainable Operations

Major contributor to Sierra Leone economy and community



Sierra Rutile



Country-leading safety performance with LTIFR of 0.33 and TRIFR of 0.55.



2023 milestone rehabilitation of 285ha against regulatory requirement of 150ha, planting over 305,000 seedlings.



Improving local communities through education and healthcare. The Sierra Rutile Clinic is one of the best-equipped clinics in Sierra Leone.



Sierra Leone Environmental Protection Agency approved Sembehun ESHIA.



The Regent Chief of Imperrri Chiefdom receiving SRL's Christmas Gift

Outlook



Sierra Rutile

What's Next?

From the world's largest natural rutile producer



Sierra Rutile

Short Term

- ▲ Suspension of operations and “right-sizing” of manpower levels
- ▲ Obtain resolution of Third Amendment Agreement with GoSL
- ▲ Sembehun DFS completion by mid-H1 2024

Medium Term

- ▲ Restart Area 1 operations (following resolution of Third Amendment Agreement and improved market)
 - Mogbwemo Tailings Project to reduce Area 1 costs
- ▲ Alternatively, permanent closure of Area 1
- ▲ Sembehun Funding (and continued rehabilitation of Area 1)

Long Term

- ▲ Sembehun FID and subsequential construction
- ▲ Sembehun expected to materially lower cost structure and leverage existing infrastructure
- ▲ Feedstock demand growth to exceed supply



Appendices



Sierra Rutile

Appendix A

Set out below is a summary of the Sierra Rutile Group's Ore Reserve and Mineral Resources estimates as at 30 June 2023



Sierra Rutile

Mineral Resource Estimate

Mineral Resource Category	Material Tonnes	In Situ Rutile	In Situ Ilmenite	In Situ Rutile Tonnes
	<i>Mt</i>	%	%	<i>Mt</i>
Area 1				
Measured	40	1.0	0.4	0.4
Indicated	114	1.0	0.6	1.1
Inferred	48	0.8	0.4	0.4
Area 1 Subtotal	202	1.0	0.5	1.9
Sembehun				
Measured	134	1.4	0.9	1.9
Indicated	214	1.0	0.7	2.1
Inferred	168	0.9	0.8	1.5
Sembehun Subtotal	508	1.1	0.7	5.5
Other				
Measured	-	-	-	-
Indicated	-	-	-	-
Inferred	39	1.2	-	0.5
Other Subtotal	39	1.2	-	0.5
Grand Total				
Measured	174	1.4	0.8	2.4
Indicated	309	1.0	0.6	3.1
Inferred	265	1.0	0.5	2.6
Grand Total	748	1.1	0.6	8.1

Notes:

1. Competent Person – Mineral Resources: Paul Obermeyer.
2. In situ (dry) metric tonnage is reported.
3. Mineral Resources are inclusive of Ore Reserves.
4. Rounding may generate differences in last decimal place.
5. Rutile, ilmenite and zircon are reported as a percentage of in situ material.
6. "Other" refers to the Gambia, Jagbahun, Nyandahun & Taninahun Boka deposits outside the Area 1 & Sembehun operational areas.

Ore Reserve Estimate

Ore Reserve Category	Material Tonnes	In Situ Rutile	In Situ Ilmenite	In Situ Rutile Tonnes
	<i>Mt</i>	%	%	<i>Mt</i>
Area 1				
Proven	10	1.3	0.7	0.1
Probable	24	1.4	0.8	0.3
Area 1 Subtotal	34	1.4	0.6	0.5
Sembehun				
Proven	111	1.5	0.9	1.6
Probable	63	1.4	0.9	0.9
Sembehun Subtotal	174	1.5	0.9	2.5
Grand Total				
Proven	121	1.5	0.9	1.7
Probable	87	1.4	0.8	1.2
Total Reserve	212	1.5	0.9	3.0

Notes:

1. Competent Person – Ore Reserves: George Olivier.
2. Ore Reserves are a sub-set of Mineral Resources.
3. Rounding may generate differences in last decimal place.
4. Mineral assemblage is reported as a percentage in Ore.
5. The quoted figures for Area 1 and Sembehun are stated as at 30 June 2023 and have been depleted for all production conducted to this date.

For more information contact

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SIERRA RUTILE LIMITED



Sierra Rutile