



Sierra Rutile Limited

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Sierra Rutile Provides Q2 and Half-Year 2016 Operational Update

London, UK, 15 July 2016: Sierra Rutile Limited (AIM: SRX) (“Sierra Rutile”) is pleased to provide an operational update on the second quarter of 2016 (“Q2 2016”).

Highlights

- Strong quarterly production with 34,629 tonnes of rutile:
 - 29% increase in rutile production from Q1 2016;
 - 16% increase in rutile production from Q2 2015.
- Record first half-year production¹ with 61,408 tonnes of rutile:
 - 15% increase in rutile production from half-year 2016.
- Continued demand for high-grade natural rutile from customer base with 96% of maximum targeted sales volumes already contracted for 2016:
 - Re-commencement of rutile sales into the titanium metal market;
 - Continued strong demand from pigment and welding customers in Europe and North America.
- Gangama Dry Mine project completed on schedule and within budget on 31 May 2016:
 - Mine now operational and producing high quality natural rutile;
 - Feed rates and plant utilisation exceeded design criteria during commissioning period and ramp-up has continued to outperform budgeted performance criteria;
 - Steady-state operation expected to be achieved in Q3 2016.
- Full-year production now expected to be at upper end of previously stated guidance of between 120,000 tonnes and 135,000 tonnes:
 - Ramp-up of production from Gangama Dry Mine performing ahead of plan;
 - Higher production from existing units driven by continued strong demand from customers.

Commenting on Q2 2016 performance, Chief Executive Officer, John Sisay said:

“We are very pleased with the strong performance of the business in Q2 2016, including the successful commissioning of the Gangama Dry Mine whose performance to date has surpassed our expectations. We are also delighted with the signs of recovery in the pigment, metals and welding markets with our customers showing increasing confidence. We will continue to progress the evaluation studies on our expansion projects in H2 2016 to ensure we can respond quickly to any increased demand for our products in 2017 and beyond.”

¹ Record production on a first half-year basis, covering the period of 1 January to 30 June.

Production

Q2 2016 rutile production was 16% higher than Q2 2015 with 34,629 tonnes of rutile produced (Q2 2015: 29,933 tonnes of rutile).

	Q2 2016	Q1 2016	% Change	Q2 2015	% Change
Rutile (t)	34,629	26,779	29%	29,933	16%
Ilmenite (t)	5,025	3,300	52%	4,117	22%
Zircon (t) ¹	394	297	33%	333	18%

Half-year production was 61,408 tonnes of rutile, representing a 15% increase on H1 2015.

	H1 2016 Actual	H1 2015 Actual	% Change
Rutile (t)	61,408	53,275	15%
Ilmenite (t)	8,325	16,920	(51)%
Zircon (t) ¹	691	651	6%

¹ Zircon Concentrate is a semi-finished zircon product grading 40-55% ZrO₂.

Sierra Rutile's production performance continued to benefit from improvements to plant utilisation and availability undertaken during 2015 and early 2016. These improvements have resulted in both the Lanti Dredge Mine and Lanti Dry Mine producing higher volumes of HMC in H1 2016 compared to H1 2015.

The recently commissioned Gangama Dry Mine produced its first heavy mineral concentrate (HMC) at the end of May, with plant utilisation of 86% versus a budget of 47% being achieved in the month of June. Higher production is expected in H2 2016 as Sierra Rutile continues with the ramp-up towards steady state production.

Recoveries at the mineral separation plant were consistent with those achieved in 2015, and are expected to improve for the rest of the year as further enhancements are implemented. H1 2016 ilmenite production was lower than H1 2015 as the mining operations focussed on the production of rutile over ilmenite given the relative economics of these products in H1 2016.

Given the strong operational performance from all mining units in the first half of the year, the successful ramp-up of production from the Gangama Dry Mine and strong demand from customers, Sierra Rutile expects that production for the full year should be at the upper end of previously stated guidance of between 120,000 and 135,000 tonnes. Sierra Rutile remains on track to becoming the world's largest rutile producer in 2016.

Project Development

Gangama Dry Mining

As announced previously, Sierra Rutile commissioned the Gangama Dry Mine project on 31 May 2016, which is now operational and producing high quality natural rutile.

Construction of Gangama Dry Mine commenced in April 2015 and, over a thirteen-month period, Sierra Rutile worked alongside DRA Projects to ensure that the project was completed on time and within budget. Feed rates and plant utilisation exceeded design criteria during the commissioning period and the ramp-up has continued to outperform budgeted performance criteria.

Other expansion projects

Process optimisation, value engineering and market evaluation for the planned 250 tonne per hour bolt-on units for the Lanti and Gangama Dry Mines continue. Subject to a successful outcome to these studies and appropriate market conditions, Sierra Rutile expects to be positioned to commence construction of these bolt-on units early in 2017. These short-lead times and low-capital brownfield expansions allow Sierra Rutile to react quickly to a firming market to profitably meet potential demand as markets allow. These expansions are expected to be funded from operating cashflows.

Sierra Rutile also continues to progress towards a definitive feasibility study for the Sembehun Dry Mine.

Sales and Marketing

Customer destocking activity appears to have accelerated after Sierra Rutile experienced sales volumes increasing in the second quarter to a new quarterly record high. Volumes were higher than the same quarter a year ago, and were also higher than the second quarter in both 2013 and 2014.

For the second half of the year, the vast majority of Sierra Rutile's product is committed. Improved market conditions have generated additional sales and Sierra Rutile is able to meet customer needs with production capacity from existing mining units and the successful commissioning of the Gangama Dry Mine. Customer interest in future supply is high, helped by predictions that rutile supply from existing mines will decline through to 2020.

As announced previously, sales into the titanium metal market resumed, marking the return of an important high value end market for Sierra Rutile's premium rutile product. Purchases of rutile by European and Western pigment manufacturers remains on a solid footing and demand from the welding sector is picking up after a slow start to the year.

Lastly, Sierra Rutile has observed that buyer confidence is strengthening and anecdotal reports are that the announced Q2 pigment price increases are materialising, which would be the first positive movement in pigment pricing since 2012. This, coupled with pigment inventories returning to more normal levels, is a strong indicator that near-term traction will be seen in feedstock pricing. Other signals, including the further pigment pricing increases announced for Q3, significant increases in Chinese pigment pricing during H1 2016 and a firming of ilmenite demand in China through Q2, all point to the improving health of the sector.

Conclusion

Sierra Rutile continues to follow a sales led production plan for 2016 and beyond, and will produce to meet its sales requirements, with a focus on profitability over volume.

This disciplined and flexible approach continues to position Sierra Rutile strongly versus its peers. It enables Sierra Rutile to focus on profitable cash generation even during periods of market weakness, whilst retaining the flexibility to respond quickly to increasing demand for its products.

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About Sierra Rutile Limited

Sierra Rutile is a leading, multi-mine mineral sands company, operating world-class assets and developing a portfolio of growth projects in the south west of Sierra Leone, with its primary commodity mined being natural rutile, a titanium feedstock. The Company has an established operating history spanning approximately 50 years and a resource mine life of another 50 years with one of largest natural rutile deposits in the world and a JORC-Compliant Mineral Resource for measured, indicated and inferred resources for the Sierra Rutile mine of over 866 million tonnes (as at 30 September 2015). Sierra Rutile expects to be the world's largest primary producer of natural rutile in 2016 and its market-led, long-term mine plan has the flexibility to adapt to customer demand.

www.sierra-rutile.com

Forward-Looking Information

This document may contain forward-looking statements. These forward-looking statements are made as of the date of this announcement and Sierra Rutile Limited (the "Company") does not intend, and does not assume any obligation, to update these forward-looking statements, whether as a result of new information, future events or otherwise, except as required under applicable securities legislation.

Forward-looking statements relate to future events or future performance and reflect Company management's expectations or beliefs regarding future events and future performance and include, but are not limited to, statements with respect to the estimation of mineral reserves and resources, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital expenditures, success of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. By their very nature forward-looking

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