



Sierra Rutile

Sierra Rutile Holdings Limited

Interim Financial Report for the half year ended 30 June 2023

Appendix 4D

Results for announcement to the market

		Half-Year 30 June 2023 US\$'000	Half-Year 30 June 2022 US\$'000
Revenue from ordinary activities	Decrease of 12% to	\$108,253	\$122,928
(Loss)/profit from ordinary activities after tax attributable to members	Decrease of 101% to	(\$638)	\$53,454
(Loss)/profit after tax attributable to members	Decrease of 101% to	(\$638)	\$53,454

The previous corresponding period is the half year ended 30 June 2022

The accompanying Interim Financial Report that follows gives commentary and further explanation of the results.

Dividend Information

No dividend was declared.

Net tangible asset backing

	30 June 2023	30 June 2022
Net tangible asset backing per share	A\$0.476	NMF ¹

¹ At 30 June 2022 the Group did not exist in its current form and there was only 1 share on issue held by Iluka Resources Limited.

Independent auditor's review

This Appendix 4D is based on the accompanying interim financial statements of Sierra Rutile Holdings Limited, which have been reviewed by PricewaterhouseCoopers ("PwC").

Other information

Disclosure requirements for ASX Listing Rule 4.2A not contained in this Appendix 4D are included in Sierra Rutile Holdings Limited's Interim Financial Report and follows this ASX Announcement.



Sierra Rutile Holdings Limited

ABN: 79 613 822 165

Interim Financial Report

For the half year ended 30 June 2023

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DIRECTORS' REPORT

The directors present their report on the Group consisting of Sierra Rutile Holdings Limited (Sierra Rutile or the Company) and the entities it controlled (the Group) for the half year ended 30 June 2023 (the reporting period).

All figures are in US Dollars unless otherwise stated.

FINANCIAL PERFORMANCE

Sierra Rutile delivered a solid financial performance for the 6 months to 30 June 2023 notwithstanding the deterioration in demand seen in the pigment market during the period and the production losses experienced during June due to the power supply disruptions.

Whilst revenues declined 12% compared to the corresponding period in 2022 (pre-demerger), gross profit only declined by 8% on lower expenses with the assistance of lower fuel prices.

	HY 2023	HY 2022
Rutile sold (kt)	58	68
Ave. Rutile price (\$/t)	1,457	1,461
Revenue (US\$'000)	108,253	122,928
Cost of Sales (US\$'000)	(77,780)	(89,908)
Gross Profit (US\$'000)	30,473	33,020

At the revenue line, volumes of rutile produced and sold fell by 21% and 15% respectively whilst the average price of rutile received remained stable. Expenses were reduced overall, however included higher (non-cash) depreciation related to assets constructed at Area 1 and capitalised to the balance sheet over the past 12 months.

Uncertainty regarding continuation of the Third Amendment Agreement tax concessions combined with challenging market conditions led to the decision to delay execution of the Mogbwemo Tails project and resulted in the Company taking an impairment charge of \$28.8 million against Area 1 property, plant and equipment and intangible assets.

Despite a decline in the AUD:USD exchange rate, strong investment returns enhanced the balance of the trust funds available for future Area 1 rehabilitation.

	HY 2023 US\$'000	HY 2022 US\$'000
Cash generated from operating activities	7,125	36,107
Investments in P,P&E and exploration	(14,541)	(2,165)
Distribution from rehab trust	2,500	-
Borrowings	-	701
Other items	(114)	(691)
Net (decrease)/ increase in cash and cash equivalents	(5,030)	33,952

The resumption of capital expenditure required to extend and optimise Area 1 mine life post-demerger continued with a further \$14.5 million spent on capital items of which \$5.7 million related to the Sembehun Definitive Feasibility Study (and related ESHIA).

The lower volume of sales, combined with intentionally higher ore stockpiles ahead of the wet season and high concentrate stocks as a result of keeping the Mineral Separation Plant (MSP) offline throughout most of June combined to result in a significant inventory increase over the period.

OPERATING PERFORMANCE

Ore mined increased year-on-year by 35% to prepare stockpiles for Q3 wet season with the Lanti mining area now also a load and haul operation. The Company was pleased to effectively increase the volume of ore feed by 9%, offsetting gradually declining rutile grades at Area 1 as it nears end of life.

In June, lower power availability from the generating units significantly restricted operations to running only three concentrators. Heavy Mineral Concentrate (HMC) was stockpiled ahead of the MSP with rutile production resuming at the start of July and full power was restored in August.

The LTI frequency rate ended on 0.58 after initially increasing since the start of the year. The trend was subsequently reversed since April, following interventions related to contractor onboarding and management.

As the largest private sector employer in Sierra Leone, Sierra Rutile has a long-standing commitment to environmental, social and governance (ESG) practices and contributing to the country's growth and employment. The Company's environmental rehabilitation program is running well and on track to rehabilitate 280Ha for 2023. No significant environmental incidents were reported.

SEMBEHUN DEVELOPMENT

Sierra Rutile made further progress on the development of Sembehun during the period, with \$5.7 million spent advancing the DFS, which is due to be completed by the end of 2023.

The decision was made to develop Sembehun as a single phase development to maximise project value and debt funding capacity, whilst reducing potential risks.

Cutfield Freeman & Co was appointed to assist in arranging debt funding with a Final Investment Decision (FID) targeted for Q1 2024.

OUTLOOK AND STRATEGY

The Company was successful in its efforts to continue generating positive operating cashflow to support the development of Sembehun, while also diversifying its customer-base. This was despite overall sales outcomes for the half-year being less than hoped.

The pigment market outlook remains poor, as evidenced by leading companies continuing to operate at a loss and Q2 sales volumes down over 20% YoY in many cases. Plant closures have extended beyond Europe to include the announcement in August of the immediate closure of a large Asian operation and anecdotal evidence suggests global pigment production will be subdued until at least year-end.

In light of the current subdued demand conditions in our major (pigment) market, production rates have been moderated with full-year guidance reduced by approximately 12%. Ongoing cost reduction efforts have been directed at reducing fixed costs associated with long-term contracts, consolidation of mining and haulage contractors, outsourcing of non-core activities, and optimisation of the mining schedule to reduce mining costs.

A key optimisation project in the Lanti mining area (DMI and DM4) will see the first phase commissioned in August 2023. The optimisation includes lowering risk, reducing costs, simplifying and improving processing capability.

Studies have been completed into lowering of the Mogbwemo pond level and construction of a relocatable spiral plant to enable the reprocessing of more than 12Mt of historic tails. This project would lower the average mining costs over the remainder of Area 1 LOM and should proceed once the Board is satisfied that the tax concessions provided by the Third Amendment Agreement will remain in place.

Longer term, a global supply deficit of natural rutile continues to emerge. Sierra Rutile is well placed to benefit from this with the finalisation of the Sembehun DFS expected by the end of 2023 ahead of a potential financing and FID for the project in the first half of 2024. This is expected to significantly extend mine life and reduce the Company's cost structure, leveraging prior investment in processing and logistics infrastructure.

MINERAL RESOURCES AND ORE RESERVES STATEMENT

The interim Mineral Resources and Ore Reserves estimates for Sierra Rutile Holdings Limited as at 30 June 2023 are summarised in the tables below:

Table 1 – Ore Reserve Category Estimation for Area 1 Operations as at 30 June 2023

Ore Reserve Category	Diluted Ore Tonnes	Rutile Grade	Rutile Content	Ilmenite Grade	Ilmenite Content	Zircon Grade	Zircon Content
	kt	%	kt	%	kt	%	kt
Proved	9,640	1.34	129	0.71	69	0.11	11
Probable	23,938	1.36	325	0.80	191	0.14	34
Total	33,579	1.35	454	0.77	260	0.13	45

Notes:

- The Ore Reserve estimation considers diluted Measured and Indicated Mineral Resources only.
- No Inferred Mineral Resources have been included in the Ore Reserve estimation.
- The Ore Reserve estimation as at 31 December 2022 was completed using an average real rutile price of US\$1,441/t over the life of mine.
- The Ore Reserve estimation is stated at a variable rutile cut-off grade as determined by the economic pit limit analysis results.
- The Ore Reserve estimation is 100% attributable to Sierra Rutile Limited.
- Numbers in columns may not add up due to rounding.
- January 2023 to June 2023 mining depletions were applied to the Ore Reserve estimate as of 31 December 2022.
- No digital depletions were conducted, but the Ore Reserve estimate was adjusted with the production depletions, utilising the Ore Reserve grades as per the 2023 CPR.
- All mining depletions were assumed to have been mined from the Proved Ore Reserve Category.

Table 2 – Ore Reserve Estimation by Deposit for Area 1 Operations as at 30 June 2023

Ore Reserve Category	Diluted Ore Tonnes	Rutile Grade	Rutile Content	Ilmenite Grade	Ilmenite Content	Zircon Grade	Zircon Content
	kt	%	kt	%	kt	%	kt
Gangama West							
Proved	5,931	1.38	82	0.79	47	0.12	7
Probable	4,341	1.30	56	0.74	32	0.12	5
Total	10,272	1.35	139	0.77	79	0.12	12
Gangama North							
Proved	828	1.46	12	0.83	7	0.13	1
Probable	4,762	1.50	72	0.86	41	0.14	6
Total	5,590	1.50	84	0.85	48	0.13	8
Taninahun							
Proved	442	1.30	6	1.22	5	0.12	1
Probable	706	0.85	6	1.00	7	0.08	1
Total	1,148	1.02	12	1.09	13	0.09	1
Gbeni							
Proved	2,439	1.20	29	0.40	10	0.07	2
Probable	1,884	1.18	22	0.39	7	0.07	1
Total	4,322	1.19	52	0.40	17	0.07	3
Lanti							
Proved	-	-	-	-	-	-	-
Probable	3,097	1.64	51	0.55	17	0.10	3
Total	3,097	1.64	51	0.55	17	0.10	3
Pejebu							
Proved	-	-	-	-	-	-	-
Probable	5,629	1.29	73	1.14	64	0.15	8
Total	5,629	1.29	73	1.14	64	0.15	8
Ndendemoia							
Proved	-	-	-	-	-	-	-
Probable	3,520	1.29	45	0.64	23	0.25	9
Total	3,520	1.29	45	0.64	23	0.25	9
Total							
Proved	9,640	1.34	129	0.71	69	0.11	11
Probable	23,938	1.36	325	0.80	191	0.14	34
Grand Total	33,579	1.35	454	0.77	260	0.13	45

Notes:

- The Ore Reserve estimation considers diluted Measured and Indicated Mineral Resources only.
- No Inferred Mineral Resources have been included in the Ore Reserve estimation.
- The Ore Reserve estimation as at 31 December 2022 was completed using an average real rutile price of US\$1,441/t over the life of mine.

4. The Ore Reserve estimation is stated at a variable rutile cut-off grade as determined by the economic pit limit analysis results.
5. The Ore Reserve estimation is 100% attributable to Sierra Rutile Limited.
6. Numbers in columns may not add up due to rounding.
7. January 2023 to June 2023 mining depletions were applied to the Ore Reserve estimate as at 31 December 2022.
8. No digital depletions were conducted, but the Ore Reserve estimate was adjusted with the production depletions, utilising the Ore Reserve grades as per the previous declaration.
9. All mining depletions were assumed to have been mined from the Proved Ore Reserve Category.

Table 3 – Ore Reserve Category Estimation for Sembahun Project as at 31 December 2022

Ore Reserve Category	Diluted Ore Tonnes	Rutile Grade	Rutile Content	Ilmenite Grade	Ilmenite Content	Zircon Grade	Zircon Content
	kt	%	kt	%	kt	%	kt
Proved	110,540	1.49	1,644	0.90	999	0.11	127
Probable	63,121	1.42	896	0.93	586	0.09	56
Total	173,661	1.46	2,540	0.91	1,585	0.11	183

Notes:

1. The Sembahun Project represents an unmined Mineral Resource and Ore Reserve, thus depletions are not applicable.
2. The Ore Reserve estimation considers diluted Measured and Indicated Mineral Resources only.
3. No Inferred Mineral Resources have been included in the Ore Reserve estimation.
4. The Ore Reserve estimation as at 31 December 2022 was completed using an average real rutile price of US\$1,338/t over the life of mine.
5. The Ore Reserve estimation is stated at a variable rutile cut-off grade as determined by the economic pit limit analysis results.
6. The Ore Reserve estimation is 100% attributable to Sierra Rutile Limited.
7. Numbers in columns may not add up due to rounding.

Table 4 – Ore Reserve Estimation by Deposit for the Sembahun Project as at 31 December 2022

Ore Reserve Category	Diluted Ore Tonnes	Rutile Grade	Rutile Content	Ilmenite Grade	Ilmenite Content	Zircon Grade	Zircon Content
	kt	%	kt	%	kt	%	kt
Benduma							
Proved	12,858	1.31	168	0.89	114	0.08	10
Probable	39,686	1.49	591	1.00	397	0.08	32
Total	52,544	1.44	759	0.97	511	0.08	42
Dodo							
Proved	47,674	1.44	687	0.86	410	0.11	52
Probable	6,368	1.32	84	0.81	52	0.10	6
Total	54,042	1.43	771	0.85	462	0.11	58
Kamatipa							
Proved	33,816	1.66	561	1.07	362	0.15	51
Probable	8,626	1.32	114	0.88	76	0.13	11
Total	42,442	1.59	675	1.03	438	0.15	62
Kibi							
Proved	14,885	1.42	211	0.61	91	0.08	12
Probable	8,147	1.26	103	0.69	56	0.08	7
Total	23,032	1.36	314	0.64	147	0.08	19
Komende							
Proved	1,307	1.33	17	1.69	22	0.17	2
Probable	294	1.21	4	1.80	5	0.15	-
Total	1,601	1.31	21	1.69	27	0.12	2
Total							
Proved	110,540	1.49	1,644	0.90	999	0.12	127
Probable	63,121	1.42	896	0.93	586	0.09	56
Grand Total	173,661	1.46	2,540	0.91	1,585	0.11	183

Notes:

1. The Sembahun Project represents an unmined Mineral Resource and Ore Reserve, thus depletions are not applicable.
2. The Ore Reserve estimation considers diluted Measured and Indicated Mineral Resources only.
3. No Inferred Mineral Resources have been included in the Ore Reserve estimation.
4. The Ore Reserve estimation was completed using an average real rutile price of US\$1,338/t over the life of mine.
5. The Ore Reserve estimation is stated at a variable rutile cut-off grade as determined by the economic pit limit analysis results.
6. The Ore Reserve estimation is 100% attributable to Sierra Rutile Limited.
Numbers in columns may not add up due to rounding.

Table 5 – Ore Reserve Reconciliation by Mining Area for Sierra Rutile Area 1

Ore Reserve Category	June 2023 Ore Reserve Estimate							2022 Ore Reserve Estimate			
	Diluted Ore Tonnes	Rutile Grade	Rutile Content	Ilmenite Grade	Ilmenite Content	Zircon Grade	Zircon Content	Diluted Ore Tonnes	Rutile Content	Difference Ore Tonnes	Difference In Situ Rutile
	kt	%	kt	%	kt	%	kt	kt	kt	kt	
Gangama											
Proved	6,759	1.39	94	0.79	54	0.13	8	10,628	148	-3,868	-54
Probable	9,103	1.41	128	0.80	73	0.13	12	9,103	128	-	-
Total	15,862	1.40	222	0.80	127	0.13	20	19,731	276	-3,868	-54
Taninahun											
Proved	442	1.30	6	1.22	5	0.12	1	442	6	-	-
Probable	706	0.85	6	1.00	7	0.08	1	706	6	-	-
Total	1,148	1.02	12	1.09	13	0.09	1	1,148	12	-	-
Gbeni											
Proved	2,439	1.20	29	0.40	10	0.07	2	5,731	69	-3,292	-40
Probable	1,884	1.18	22	0.39	7	0.07	1	1,884	22	-	-
Total	4,322	1.19	52	0.40	17	0.07	3	7,615	91	-3,292	-40
Lanti											
Proved	-	-	-	-	-	-	-	-	-	-	-
Probable	3,097	1.64	51	0.55	17	0.10	3	3,097	51	-	-
Total	3,097	1.64	51	0.55	17	0.10	3	3,097	51	-	-
Pejebu											
Proved	-	-	-	-	-	-	-	-	-	-	-
Probable	5,629	1.29	73	1.14	64	0.15	8	5,629	73	-	-
Total	5,629	1.29	73	1.14	64	0.15	8	5,629	73	-	-
Ndendemoia											
Proved	-	-	-	-	-	-	-	-	-	-	-
Probable	3,520	1.29	45	0.64	23	0.25	9	3,520	45	-	-
Total	3,520	1.29	45	0.64	23	0.25	9	3,520	45	-	-
Total											
Proved	9,640	1.34	129	0.71	69	0.11	11	16,801	223	-7,160	-93
Probable	23,938	1.36	325	0.80	191	0.14	34	23,938	325	-	-
Grand Total	33,579	1.35	454	0.77	260	0.13	45	40,739	548	-7,160	-93

Notes:

- The 2022 Ore Reserve estimate figures are as per the 2022 Sierra Rutile CPR as at 31 December 2022.
- No Ore Reserve reconciliation for the Sembahun Project is presented due to no mining having taken place at Sembahun and no additional information has been included that may materially affect the Ore Reserve estimate of the Sembahun Project.
- For the period ending June 2023, the Area 1 Ore Reserves decreased by 7.2 Mt from 40.7 Mt to 33.6 Mt which is attributed to:
 - Mining depletion at Gangama West (- 3.9 Mt).
 - Mining depletion at Gbeni (- 3.3 Mt)
- Numbers in columns may not add up due to rounding.
- January 2023 to June 2023 mining depletions were applied to the Ore Reserve estimate as at 31 December 2022.
- No digital depletions were conducted, but the Ore Reserve estimate was adjusted with the production depletions, utilising the Ore Reserve grades as per the previous declaration.
- All mining depletions were assumed to have been mined from the Proved Ore Reserve Category.

Table 6 – Ore Reserve Reconciliation for Sierra Rutile by Ore Reserve Category

Ore Reserve Category	June 2023 Ore Reserve Estimate							2022 Ore Reserve Estimate						
	Diluted Ore Tonnes	Rutile Grade	Rutile Content	Ilmenite Grade	Ilmenite Content	Zircon Grade	Zircon Content	Diluted Ore Tonnes	Rutile Grade	Rutile Content	Ilmenite Grade	Ilmenite Content	Zircon Grade	Zircon Content
	kt	%	kt	%	kt	%	kt	kt	%	kt	%	kt	%	kt
Area 1														
Proved	9,640	1.34	129	0.71	69	0.11	11	16,801	1.33	223	0.67	113	0.11	18
Probable	23,938	1.36	325	0.80	191	0.14	34	23,938	1.36	325	0.80	191	0.14	34
Area 1 Subtotal	33,579	1.35	454	0.77	260	0.13	45	40,739	1.34	548	0.75	304	0.13	52
Sembahun														
Proved	110,540	1.49	1,644	0.90	999	0.11	127	110,540	1.49	1,644	0.90	999	0.11	127
Probable	63,121	1.42	896	0.93	586	0.09	56	63,121	1.42	896	0.93	586	0.09	56
Sembahun Subtotal	173,661	1.46	2,540	0.91	1,585	0.11	183	173,661	1.46	2,540	0.91	1,585	0.11	183
Grand Total														
Proved	120,180	1.48	1,773	0.89	1,068	0.11	138	127,341	1.47	1,867	0.87	1,112	0.11	145
Probable	87,059	1.40	1,221	0.89	777	0.10	90	87,059	1.40	1,221	0.89	777	0.10	90
Grand Total	207,240	1.44	2,994	0.89	1,845	0.11	228	214,400	1.44	3,088	0.88	1,889	0.11	235

Notes:

- The 2022 Ore Reserve estimate figures are as per the 2022 Sierra Rutile CPR as at 31 December 2022.
- The Sembahun Project Ore Reserve is stated as at 31 December 2022.
- The Sembahun Project represents an unmined Mineral Resource and Ore Reserve, thus depletions are not applicable.
- For the period ending June 2023, the Area 1 Ore Reserves decreased by 7.2 Mt from 40.7 Mt to 33.6 Mt which is attributed to:
 - Mining depletion at Gangama West (- 3.9 Mt).
 - Mining depletion at Gbeni (- 3.3 Mt)
- Numbers in columns may not add up due to rounding.
- January 2023 to June 2023 mining depletions were applied to the Ore Reserve estimate as at 31 December 2022.
- No digital depletions were conducted, but the Ore Reserve estimation was adjusted with the production depletions, utilising the Ore Reserve grades as per the previous declaration.
- All mining depletions were assumed to have been mined from the Proved Ore Reserve Category.

Table 7 – Mineral Resources for Sierra Rutile as at 30 June 2023

Area	Deposit	Mineral Resource Classification	Material	Rutile	Heavy Minerals	Ilmenite Grade	Zircon Grade	Rutile Grade	Cut-off
			Mt	Mt	%	%	%	% Rutile	
Area 1	Gangama	Measured	10.82	0.14	3.55	0.74	0.12	1.30	0.30
		Indicated	16.54	0.20	3.17	0.70	0.11	1.23	0.30
		Inferred	10.98	0.11	2.60	0.59	0.09	1.04	0.30
	Lanti	Measured	17.11	0.15	2.14	0.29	0.05	0.88	0.30
		Indicated	32.91	0.35	3.65	0.35	0.06	1.05	0.30
		Inferred	18.11	0.10	3.55	0.18	0.03	0.55	0.30
	Gbeni	Measured	10.84	0.10	2.54	0.31	0.06	0.94	0.30
		Indicated	8.18	0.07	2.58	0.28	0.05	0.84	0.30
		Inferred	3.90	0.03	2.47	0.22	0.04	0.65	0.30
	Taninahun	Measured	0.98	0.01	3.49	1.05	0.09	1.12	0.30
		Indicated	4.35	0.03	3.43	0.92	0.06	0.63	0.30
		Inferred	0.12	0.00	3.64	0.87	0.06	0.64	0.30
	Mogbwemo	Measured	-	-	-	-	-	-	-
		Indicated	14.95	0.12	2.13	0.48	0.04	0.78	0.30
		Inferred	9.94	0.11	2.48	0.41	0.07	1.07	0.30
	Ndendemoia E	Measured	-	-	-	-	-	-	-
		Indicated	14.33	0.16	7.00	0.50	0.20	1.10	0.50
		Inferred	-	-	-	-	-	-	-
	Ndendemoia W	Measured	-	-	-	-	-	-	-
		Indicated	4.00	0.03	-	-	0.10	0.60	0.25
		Inferred	-	-	-	-	-	-	-
	Pejebu	Measured	-	-	-	-	-	-	-
		Indicated	18.60	0.18	3.60	1.00	0.10	1.00	0.25
		Inferred	4.80	0.05	3.10	0.70	0.10	1.00	0.25
Total	Measured	39.75	0.40	2.67	0.44	0.07	1.02		
	Indicated	113.87	1.12	3.58	0.55	0.09	0.99		
	Inferred	47.84	0.39	2.98	0.38	0.06	0.82		
Other	Gambia Jagbahun Nyandahun Taninahun Boka	Inferred	27.87	0.29	-	-	-	1.00	0.25
		Inferred	2.10	0.02	-	-	-	1.00	0.25
		Inferred	5.63	0.11	-	-	-	1.90	0.25
		Inferred	3.35	0.06	-	-	-	1.70	0.25
	Total	Inferred	38.95	0.47				1.19	
Sembahun	Benduma	Measured	20.99	0.24	3.40	0.90	0.10	1.10	0.25
		Indicated	84.72	0.90	3.30	0.80	0.10	1.10	0.25
		Inferred	112.77	0.93	3.20	0.70	0.10	0.80	0.25
	Dodo	Measured	53.76	0.75	3.10	0.80	0.10	1.40	0.25
		Indicated	19.62	0.21	3.20	0.80	0.10	1.10	0.25
		Inferred	21.21	0.27	3.30	0.90	0.10	1.30	0.25

DIRECTORS' REPORT

Area	Deposit	Mineral Resource Classification	Material	Rutile	Heavy Minerals	Ilmenite Grade	Zircon Grade	Rutile Grade	Cut-off	
			Mt	Mt	%	%	%	%	% Rutile	
	Gbap	Measured	-	-	-	-	-	-	-	
		Indicated	16.78	0.20	2.50	0.40	0.10	1.20	0.25	
		Inferred	45.00	0.46	1.90	0.40	0.10	1.00	0.25	
	Kamatipa	Measured	36.36	0.59	3.80	1.10	0.20	1.60	0.25	
		Indicated	23.51	0.21	3.00	0.80	0.10	0.90	0.25	
		Inferred	1.37	0.02	3.30	0.90	0.10	1.30	0.25	
	Kibi	Measured	18.65	0.25	2.80	0.60	0.10	1.30	0.25	
		Indicated	16.54	0.16	2.50	0.60	0.10	1.00	0.25	
		Inferred	24.96	0.27	2.60	0.60	0.10	1.10	0.25	
	Komende	Measured	4.01	0.04	5.10	1.40	0.10	1.00	0.25	
		Indicated	5.65	0.03	4.70	1.00	0.10	0.50	0.25	
		Inferred	1.89	0.01	4.50	1.10	0.10	0.50	0.25	
	Area 7	Mosavi	Measured	-	-	-	-	-	-	-
			Indicated	47.40	0.34	8.20	0.40	0.20	0.70	0.30
			Inferred	-	-	-	-	-	-	-
Total	Measured	133.76	1.87	3.36	0.89	0.13	1.38			
	Indicated	214.22	2.05	4.25	0.67	0.12	0.97			
	Inferred	207.21	1.94	2.87	0.65	0.10	0.93			
Grand Total	Measured	173.51	2.27	3.20	0.78	0.11	1.30			
	Indicated	328.09	3.17	4.02	0.63	0.11	0.98			
	Inferred	294.00	2.81	2.51	0.52	0.08	0.95			

Notes:

- A calculated cut-off grade of 0.3% Rutile was applied for Gangama, Gbeni and Lanti (as at 31 December 2022), and Mogbwemo (as at 24 July 2023) while previously calculated variable grade cut-offs of between 0.25% and 0.5% Rutile have been applied to the balance of the project areas. The reported indicated and inferred resource in respect of Mogbwemo is not considered a material change.
- Totals may not add up due to rounding.
- Geological losses of 2.5%, 5.0% and 7.5% for Measured, Indicated and Inferred Mineral Resource Classification have been applied respectively to the calculated tonnages.
- Models have been depleted for mining for Area 1 only for the period January 2023 to June 2023.
- No digital depletions were conducted, but the Mineral Resource Estimate was adjusted with the production depletions, utilizing the Mineral Resource grades as per the previous declaration.
- All mining depletions were assumed to have been mined from the Measured Mineral Resource Category.
- In the Annual Statement of Mineral Resources and Ore Reserves as at 31 December 2022 Mosavi was incorrectly included as part of Area 1.

Table 8 – Mineral Resource Reconciliation by Mining Area for SRL Area 1

Area	Deposit	Resource Classification	2022 Mineral Resource Estimation					June 2023 Mineral Resource Estimation					Difference		
			Material	Rutile	Rut	Ilm	Zir	Material	Rutile	Rut	Ilm	Zir	Material	Rut	Ru
			Mt	Mt	%	%	%	Mt	Mt	%	%	%	Mt	%	Mt
Area 1	Gangama	Measured	14.81	0.19	1.30	0.74	0.12	10.82	0.14	1.30	0.74	0.12	-3.99	0.00	-0.05
		Indicated	16.54	0.20	1.23	0.70	0.11	16.54	0.20	1.23	0.70	0.11	-	-	-
		M&I	31.35	0.40	1.27	0.72	0.11	27.36	0.35	1.27	0.72	0.11	-3.99	0.00	-0.05
		Inferred	10.98	0.11	1.04	0.59	0.09	10.98	0.11	1.04	0.59	0.09	-	-	-
	Lanti	Measured	17.11	0.15	0.88	0.29	0.05	17.11	0.15	0.88	0.29	0.05	-	-	-
		Indicated	32.91	0.35	1.05	0.35	0.06	32.91	0.35	1.05	0.35	0.06	-	-	-
		M&I	50.02	0.50	0.99	0.33	0.06	50.02	0.50	0.99	0.33	0.06	-	-	-
		Inferred	18.11	0.10	0.55	0.18	0.03	18.11	0.10	0.55	0.18	0.03	-	-	-
	Gbeni	Measured	14.23	0.13	0.94	0.31	0.06	10.84	0.10	0.94	0.31	0.06	-3.39	0.00	-0.03
		Indicated	8.18	0.07	0.84	0.28	0.05	8.18	0.07	0.84	0.28	0.05	-	-	-
		M&I	22.41	0.20	0.91	0.30	0.05	19.02	0.17	0.91	0.30	0.05	-3.39	0.00	-0.03
		Inferred	3.90	0.03	0.65	0.22	0.04	3.90	0.03	0.65	0.22	0.04	-	-	-
	Taninahun	Measured	0.98	0.01	1.12	1.05	0.09	0.98	0.01	1.12	1.05	0.09	-	-	-
		Indicated	4.35	0.03	0.63	0.92	0.06	4.35	0.03	0.63	0.92	0.06	-	-	-
		M&I	5.32	0.04	0.72	0.94	0.06	5.32	0.04	0.72	0.94	0.06	-	-	-
		Inferred	0.12	0.00	0.64	0.87	0.06	0.12	0.00	0.64	0.87	0.06	0.00	0.00	0.00
	Mogbwemo	Measured	-	-	-	-	-	-	-	-	-	-	-	-	-
		Indicated	0.70	0.01	1.00	-	-	14.95	0.12	0.78	0.48	0.04	14.25	-0.22	0.11
		M&I	0.70	0.01	1.00	-	-	14.95	0.12	0.78	0.48	0.04	14.25	-0.22	0.11
		Inferred	-	-	-	-	-	9.94	0.11	1.07	0.41	0.07	9.94	1.07	0.11
	Pejebu	Measured	-	-	-	-	-	-	-	-	-	-	-	-	-
		Indicated	18.60	0.19	1.00	1.00	0.10	18.60	0.19	1.00	1.00	0.10	-	-	-
		M&I	18.60	0.19	1.00	1.00	0.10	18.60	0.19	1.00	1.00	0.10	-	-	-
		Inferred	4.80	0.05	1.00	0.70	0.10	4.80	0.05	1.00	0.70	0.10	-	-	-
	Ndendemoia E	Measured	-	-	-	-	-	-	-	-	-	-	-	-	-
		Indicated	14.33	0.16	1.10	0.50	0.20	14.33	0.16	1.10	0.50	0.20	-	-	-
		M&I	14.33	0.16	1.10	0.50	0.20	14.33	0.16	1.10	0.50	0.20	-	-	-
		Inferred	-	-	-	-	-	-	0.00	-	-	-	-	-	-
Ndendemoia W	Measured	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Indicated	4.00	0.02	0.60	0.10	-	4.00	0.02	0.60	0.10	-	-	-	-	
	M&I	4.00	0.02	0.60	0.10	-	4.00	0.02	0.60	0.10	-	-	-	-	
	Inferred	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Area 1	Measured	47.13	0.49	1.04	0.45	0.08	39.75	0.40	1.02	0.44	0.07	-7.38	-0.02	-0.08	
	Indicated	99.61	1.02	1.02	0.56	0.09	113.87	1.13	0.99	0.55	0.09	14.25	-0.03	0.11	
	Inferred	37.91	0.29	0.76	0.37	0.06	47.85	0.39	0.82	0.38	0.06	9.94	0.06	0.11	
Grand total			184.65	1.80	0.97	0.49	0.08	201.47	1.93	0.96	0.49	0.08	16.82	-0.02	0.13

Notes:

- The Sembahun Project is not included in the reconciliation as no material estimates have been conducted since the preceding reporting period.
- For the 6-month period ending June 2023, the Area 1 Mineral Resources increased by 16.82 Mt from 184.65 Mt to 201.47 Mt which is attributed to a combination of:
 - Addition of some 24.19 Mt Indicated and Inferred Mineral Resources due to the updated estimation of the Mogbwemo deposit.
 - Combined mining depletions of 7.38 Mt Measured Mineral Resources from the Gangama and Gbeni deposits.
- January 2023 to June 2023 mining depletions were applied.
- No digital depletions were conducted, but the Mineral Resource Estimate for Area 1 was adjusted with the production depletions, utilizing the Mineral Resource grades as per the previous declaration.
- All mining depletions were assumed to have been mined from the Measured Mineral Resource Category.

MINERAL RESOURCES AND ORE RESERVES

Sierra Rutile released its Annual Statement of Mineral Resources and Ore Reserves as at 31 December 2022 in March 2023 (the **Statement**). The Statement was prepared in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 Edition (the JORC Code 2012) and the ASX listing Rules, and is available on Sierra Rutile's website at <https://sierra-rutile.com/investors/#section-2> and the ASX website at www.asx.com.au.

This statement represents an interim Mineral Resource and Ore Reserve Statement for Sierra Rutile as at 30 June 2023, with the exception of the mining depletions that have been applied and the increase in the inferred and indicated resource for Mogbwemo which was added as at 24 July 2023. Sierra Rutile is not aware of any new information or data that materially affects the information included in the Statement and confirms that all material assumptions and technical parameters underpinning the estimates in the Statement continue to apply and have not materially changed.

All tonnes and grade information has been rounded; hence small differences may be present in the totals. All the Mineral Resource information is inclusive of Ore Reserves (i.e., Mineral Resources are not additional to Ore Reserves).

MINERAL RESOURCES AND ORE RESERVES CORPORATE GOVERNANCE

Sierra Rutile has an established governance process supporting the preparation and publication of Mineral Resources and Ore Reserves which includes a series of structures and processes independent of the operational reporting through business units and product groups and is designed to ensure reasonable and reliable estimates are produced in accordance with industry practice and our regulatory reporting requirements.

The Audit and Risk Committee has in its remit the governance of Mineral Resources and Ore Reserves. This includes an annual review of Mineral Resources and Ore Reserves at a group level, as well as review of findings and progress from the Group Resources and Reserves internal audit program with a regular meeting schedule.

Mineral Resources and Ore Reserves are estimated by suitably qualified independent personnel using industry standard techniques and supported by internal guidelines for the estimation and reporting of Mineral Resources and Ore Reserves. Sierra Rutile's internal guidelines are regularly reviewed and updated to align with industry practice and reporting regulations.

DIRECTORS

The names of the directors of the Company during the entire reporting period and up to the date of this report are:

- Greg Martin (Chairman)
- Theuns de Bruyn (Managing Director and CEO)
- Martin Alciaturi (Finance Director)
- Joanne Palmer (Non-Executive Director)
- Graham Davidson (Non-Executive Director)

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 5.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in "ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191", issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report and accompanying Financial Statements. Amounts in the Directors' Report have been rounded off in accordance with that Rounding Instrument to the nearest hundred thousand dollars, or in certain cases, to the nearest dollar, unless otherwise indicated.

MATTERS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

At the time of reporting, the directors are not aware of any matter or circumstance that has or may significantly affect the operations of the Group, the results of its operation or the state of affairs of the Group in subsequent financial periods.

APPROVAL OF DIRECTORS' REPORT

This Directors' Report is made in accordance with a resolution of the Board of Directors pursuant to section 298(2) of the Corporations Act 2001.



Greg Martin
Chairman
23 August 2023



Auditor's Independence Declaration

As lead auditor for the review of Sierra Rutile Holdings Limited for the half-year ended 30 June 2023, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Sierra Rutile Holdings Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Ian Campbell', is written over a light grey rectangular background.

Ian Campbell
Partner
PricewaterhouseCoopers

Perth
23 August 2023

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Half Year 30 Jun 2023 US\$'000	Half Year 30 Jun 2022 US\$'000
Revenue from contracts with customers	3	108,253	122,928
Cost of sales	4	(77,780)	(89,908)
Gross profit		30,473	33,020
Other income		637	881
(Impairment expense)/reversal of impairment expense	5	(28,808)	23,445
Other expenses		(5,389)	(5,676)
Operating (loss)/profit		(3,087)	51,671
Net foreign exchange gains/(losses)		579	(39)
Finance costs		92	2,456
Remeasurement (losses)/gains – financial instruments		2,319	-
Net finance costs		2,990	2,417
(Loss)/profit before income tax		(97)	54,088
Income tax expense	6	(541)	(633)
Net (loss)/profit for the half-year		(638)	53,454
Attributable to:			
- Owners of Sierra Rutile Holdings Limited		(638)	51,253
- Non-controlling interests		-	2,201
Net (loss)/earnings per share		Cents	Cents
Basic earnings per share for profit attributable to owners of Sierra Rutile Holdings Limited		(0.0037)	0.1208
Diluted earnings per share for profit attributable to owners of Sierra Rutile Holdings Limited		(0.0035)	0.1208

The above condensed Consolidated Statement of Profit or Loss should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Half Year 30 Jun 2023	Half Year 30 Jun 2022
Notes	US\$'000	US\$'000
Net (loss)/profit for the half-year	(638)	53,454
Other comprehensive income, net of tax		
Items that may be reclassified subsequently to profit or loss:		
<i>Net exchange differences on translation of foreign operations</i>	(941)	-
Other comprehensive loss for the half-year, net of tax	(941)	-
Total comprehensive (loss)/ income for the half-year	(1,579)	53,454
Attributable to:		
- Owners of Sierra Rutile Holdings Limited	(1,579)	51,253
- Non-controlling interests	-	2,201

The above condensed Consolidated Statement of Other Comprehensive Income should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 Jun 2023 US\$'000	31 Dec 2022 US\$'000
ASSETS			
Current assets			
Cash and cash equivalents		32,684	37,714
Trade and other receivables	8	61,241	53,936
Inventories	7	54,974	35,032
Other financial assets	14	-	2,500
		148,899	129,182
Non-current assets			
Property, plant and equipment	10	-	23,964
Intangible assets		-	720
Exploration and evaluation assets	9	35,420	29,434
Right of use asset		134	172
Deferred tax assets		12	19
Other financial assets	14	41,878	39,966
		77,444	94,275
TOTAL ASSETS		226,343	223,457
LIABILITIES			
Current liabilities			
Trade and other payables		35,161	28,973
Right of use lease liability		134	177
Current tax liabilities		5	364
Provisions	11	5,748	5,737
		41,048	35,251
Non-current liabilities			
Provisions	11	51,440	53,170
TOTAL LIABILITIES		92,488	88,421
NET ASSETS		133,855	135,036
Equity			
Share capital	12	546,515	546,515
Other reserves		(2,639)	(2,096)
Accumulated losses		(410,021)	(409,383)
Total equity attributable to equity holders		133,855	135,036

The above condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Notes	Half Year 30 Jun 2023 US\$'000	Half Year 30 Jun 2022 US\$'000
Cash flows from operating activities		
Receipts from customers	106,882	143,866
Payments to suppliers and employees	(99,757)	(107,759)
Cash generated from operating activities	7,125	36,107
Interest received	847	24
Income taxes paid	(961)	(715)
Net cash inflow from operating activities	7,011	35,416
Cash flows from investing activities		
Distribution from rehabilitation trust	2,500	-
Payments for property, plant and equipment	(8,866)	(2,165)
Payments for exploration activities	(5,675)	-
	(12,041)	(2,165)
Cash flows from financing activities		
Borrowing from former parent entity	-	701
	-	701
Net (decrease)/ increase in cash and cash equivalents	(5,030)	33,952
Cash at the beginning of the reporting period	37,714	25,995
Effect of exchange rate changes	-	(39)
Cash at the end of the reporting period	32,684	59,908

The above condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity contribution US\$'000	Other reserves US\$'000	Accumulated losses US\$'000	Non- controlling interests US\$'000	Total equity US\$'000
Balance at 1 January 2022	492,502	(22,759)	(466,032)	1,050	4,761
<i>Comprehensive income for the half-year</i>					
Profit for the half-year	-	-	51,253	2,201	53,454
Total comprehensive income for the half-year	-	-	51,253	2,201	53,454
Capital contribution	9,013	-	-	-	9,013
Transfer from option revaluation reserve on extinguishment of instrument	-	20,000	(20,000)	-	-
Acquisition of non-controlling interests	-	-	3,251	(3,251)	-
Balance at 30 June 2022	501,515	(2,759)	(431,528)	-	67,228
Balance at 1 January 2023	546,515	(2,096)	(409,383)	-	135,036
<i>Comprehensive income for the half-year</i>					
Loss for the half-year	-	-	(638)	-	(638)
Net exchange loss on translation of foreign operations	-	(941)	-	-	(941)
Total comprehensive loss for the half-year	-	(941)	(638)	-	(1,579)
Share-based payments	-	398	-	-	398
Balance at 30 June 2023	546,515	(2,639)	(410,021)	-	133,855

The above condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT

NOTE 1: CORPORATE INFORMATION AND BASIS OF PREPARATION

Reporting Entity

Sierra Rutile Holdings Limited (Sierra Rutile or the Company) is incorporated and domiciled in Australia. Sierra Rutile's principal activities is in the operation of a multi-deposit mineral sands mining operation in southern Sierra Leone. The condensed consolidated financial statements comprise Sierra Rutile and its controlled entities (the "Group").

Basis of Preparation

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2023 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2022 and any public announcements made by Sierra Rutile Holdings Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001 and ASX listing rules.

The consolidated interim financial report was approved by the Board of Directors on 23 August 2023.

In light of the current subdued market conditions in the Group's main pigment market, the Directors have reviewed the business outlook, cashflow forecasts and immediate capital requirements and are of the opinion that the use of the going concern basis of accounting is appropriate.

In forming this view, the Directors have taken into consideration the following:

- The cash and working capital position of the Group as at the date of this report;
- The operating margins currently being achieved at Area 1 as well as ongoing programs directed at reduced fixed costs;
- The current sales outlook; and
- The decision to defer capital expenditure on the Mogwembo Tails project until greater certainty exists regarding Third Amendment tax concessions.

Accounting Policies

The accounting policies adopted and applied by the group are consistent with those applied by the Group in its annual financial report for the year ended 31 December 2022.

A number of new and amended accounting standards have become applicable for the current reporting period. The Group do not expect any impact on the Interim Financial Report as result of adopting these new and amended accounting standards.

Rounding of Amounts

In accordance with ASIC Corporations Instrument 2016/191, the amounts in the consolidated financial statements have been rounded to the nearest one thousand dollars, except as indicated.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT

NOTE 2: SEGMENT INFORMATION

The Group has only one operating location and one primary mining product being rutile, with ilmenite, zircon and other concentrate being considered by-products of the integrated mineral sand production process. Accordingly, the Group has one operating segment.

	Half Year 2023 US\$'000	Half Year 2022 US\$'000
Segment revenue by location of customer facilities		
- Asia	53,128	31,408
- Europe	49,575	56,698
- North and South America	5,550	34,822
Total segment revenue	108,253	122,928

Revenue of \$57,766,000 were derived from two customers of the group, which individually accounted for more than 10% of total segment revenue during the half year ended 30 June 2023. (Half year 2022: \$74,076,000 from two customers)

NOTE 3: SALES REVENUE

	Half Year 2023 US\$'000	Half Year 2022 US\$'000
Revenue from contracts with customers		
- Rutile revenue	83,962	95,523
- Ilmenite, Zircon and other concentrates revenue	20,891	21,925
- Freight revenue	3,400	5,480
Total revenue from contracts with customers	108,253	122,928

NOTE 4: COST OF SALES

	Half Year 2023 US\$'000	Half Year 2022 US\$'000
Labour	16,240	17,806
Repair and maintenance	13,191	13,464
Fuel	22,099	24,259
Contracted services	32,570	19,495
Other costs	1,833	7,419
Production cash costs	85,933	82,443
Change in inventory	(13,395)	1,075
Depreciation and amortisation	3,522	566
Other costs	1,720	5,824
Total cost of sales	77,780	89,908

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT

NOTE 5: IMPAIRMENT EXPENSE

The Group recognised an impairment expense of \$28,808,000 during the half year ended 30 June 2023 related to the Area 1 cash generating unit ("CGU"). (2022: \$23,445,000 reversal of impairment expense related to Sembahun exploration and evaluation assets, refer to note 9).

This impairment was a result of challenging market conditions and uncertainty surrounding the continuation of the Third Amendment Agreement tax concessions for Area 1 operations following recent discussions with the Government of Sierra Leone and the consequential deferral of the investment decision relating to the Mogwembo Tails project.

The impairment charge was recognised against Property plant and equipment ("PPE") (\$28,369,000) and Intangible assets (\$439,000). The carrying value of PPE and Intangible assets subsequent to the impairment charge is nil. Refer to note 10 for further details.

NOTE 6: INCOME TAX

Current tax expense

Income tax expense

Half Year 2023 US\$'000	Half Year 2022 US\$'000
541	633
541	633

The Group's primary operating subsidiary, Sierra Rutile Limited (SRL) is taxed under the provisions of the Sierra Rutile Agreement (rectification) Act 2002. During the half year ended 30 June 2023 and 30 June 2022, SRL's income tax payable was determined with respect to the applicable minimum turnover tax rates (0.5%).

NOTE 7: INVENTORIES

Ore Stockpiles

Heavy mineral concentrate stockpiles

Finished goods stockpiles

Consumables

Total inventories

30 Jun 2023 US\$'000	31 Dec 2022 US\$'000
9,535	1,237
8,754	696
12,296	14,730
24,389	18,369
54,974	35,032

NOTE 8: TRADE AND OTHER RECEIVABLES

Trade receivables

Other receivables

Total trade and other receivables

30 Jun 2023 US\$'000	31 Dec 2022 US\$'000
39,350	37,776
21,891	16,160
61,241	53,936

NOTE 9: EXPLORATION AND EVALUATION ASSETS

Carrying amount at 1 January

Reversal of impairment expense⁽ⁱ⁾

Additions

Carrying amount at end of period

30 Jun 2023 US\$'000	31 Dec 2022 US\$'000
29,434	-
-	23,445
5,986	5,989
35,420	29,434

(i) Reversal of historical impairment

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT

NOTE 10: PROPERTY, PLANT AND EQUIPMENT

	Infrastructure US\$'000	Plant, machinery and equipment US\$'000	Mine development US\$'000	Asset under construction US\$'000	Total US\$'000
Cost	89,376	344,504	87,214	13,351	534,445
Accumulated depreciation	(88,749)	(339,553)	(82,179)	-	(510,481)
Net carrying amount – 31 December 2022	627	4,951	5,035	13,351	23,964
Cost	89,376	346,267	91,239	15,075	541,957
Accumulated depreciation	(88,882)	(340,840)	(83,866)	-	(513,588)
Impairment	(494)	(5,427)	(7,373)	(15,075)	(28,369)
Net carrying amount – 30 June 2023	-	-	-	-	-
<i>Reconciliation of the carrying amount</i>					
At 1 January 2023	627	4,951	5,035	13,351	23,964
Additions	-	1,763	4,536	1,724	8,023
Transfers	-	-	-	-	-
Disposals	-	-	(385)	-	(385)
Depreciation charge for the period	(133)	(1,287)	(1,813)	-	(3,233)
Impairment charge	(494)	(5,427)	(7,373)	(15,075)	(28,369)
At 30 June 2023	-	-	-	-	-

Impairment

An impairment indicator was identified at reporting date as the carrying amount of Group's net assets exceeded its market capitalisation, along with declined market conditions and uncertainty of continuation of fiscal regime applied to Area 1 operations. Accordingly, Sierra Rutile undertook a review of the carrying value for all fixed assets.

The Group's property, plant and equipment are assessed as belonging to the Area 1 CGU. The recoverable amount of the Area 1 CGU was determined based on recoverable value estimates which require the use of assumptions. The calculations use cash flow projections based on the financial budget approved by management covering the current estimated Area 1 life of mine. The cash flows exclude any potential mining activities associated with Mogbwemo due to the consequential deferral of the investment decision relating to the Mogwembo Tails project given increased uncertainty of Area 1 fiscal regime following recent discussions with the government of Sierra Leone. The cash flows also exclude any additional exploration or evaluation conducted at Sembahun as well as any cash flows associated with any potential future mining activity at Sembahun (or any other area of interest outside of Area 1).

Significant assumptions used in preparing these calculations included:

- Forecast production levels and cash costs of production;
- Estimated ore reserves and mineral resources;
- Forecast capital expenditure for projects approved by the board and expenditure required to sustained operations; and
- Forecast sales volumes and prices. Future product prices are based on contracted rates or determined utilising information from industry reports where applicable.

As the recoverable amount is below the CGU's carrying amount, a full write-down of the property plant and equipment's carrying amount (\$28,369,000) has been recognised during the period ended 30 June 2023 (2022: nil)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT

NOTE 11: PROVISIONS

	30 Jun 2023 US\$'000	31 Dec 2022 US\$'000
Current		
Rehabilitation and mine closure	5,748	4,127
Other provisions	-	1,610
	5,478	5,737
Non-current		
Defined benefit liability	9,777	9,243
Rehabilitation and mine closure ^(b)	41,663	43,927
	51,440	53,170
Total provisions	57,188	58,907

The provision for rehabilitation and mine closure has been made in full for all disturbed areas at the reporting date based on current cost estimates for rehabilitation and infrastructure removal, discounted to their present value based on expected timing of future cash flows.

The rehabilitation and mine closure provision has been calculated by discounting estimated cash flows at risk-free discount rates after applying current inflation rate expectations.

Changes in the discount and inflation rates used to calculate rehabilitation and mine closure provision resulted in the provision balance decreasing by \$370,000 in the current reporting period (2022: increase of \$1,106,000). Other movements in the rehabilitation and mine closure provision during the reporting period include unwinding of discount \$904,000 and actual rehabilitation spend \$1,177,000.

NOTE 12: ISSUED CAPITAL

	30 Jun 2023 US\$'000	31 Dec 2022 US\$'000
424,236,447 fully paid ordinary shares (31 Dec 22: 424,236,447)	546,515	546,515

NOTE 13: SHARE BASED PAYMENTS

During the half year ended 30 June 2023, the Company issued 7,219,450 rights to key management personnel and senior staff under Sierra Rutile's Long Term Incentive Plan (LTIP). The 2023 LTIP rights has a three-year performance period and are subject to achieving service and performance conditions, including Sierra Rutile's absolute total shareholder return (TSR) over the performance period.

The company also issued 1,928,413 rights under the Iluka Legacy Award Replacement Awards in March 2023. For details of the relevant replacement awards, please refer to Sierra Rutile Annual Financial Report 2022 Note 19 (ii).

The share-based payment expense recognised for the half year ended 30 June 2023 is \$398,000 (30 Jun 2022: Nil)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT

NOTE 14: OTHER FINANCIAL ASSETS

	30 Jun 2023 US\$'000	31 Dec 2022 US\$'000
Current		
Security deposit and restricted cash	-	2,500
	-	2,500
Non-current		
Security deposit and restricted cash	1,483	7,025
Managed investment funds – at fair value through profit or loss	40,395	32,941
	41,878	39,966
Total other financial assets	41,878	42,466

NOTE 15: FAIR VALUE MEASUREMENT FINANCIAL INSTRUMENTS

The Group classifies financial assets and liabilities carried at fair value using a fair value hierarchy that reflects the significance of the inputs used in determining that value. The table below analyses financial assets carried at fair value by valuation method. The different levels in the hierarchy have been defined as follows:

- Level 1: quoted prices in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: inputs for the asset or liability that are not based on observable market data.

The Group's Level 1 financial assets represent listed securities within the managed investment funds in the rehab trust, the fair value of which are based on their quoted market prices at the end of the reporting period. The investments in other unlisted unit trusts are classified as Level 2 financial assets and are recorded at the redemption value per unit as reported by the investment managers of such funds.

	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
Financial instruments – Managed investment funds in rehab trust				
31 December 2022	19,026	13,915	-	32,941
Acquisitions – transfer from restricted cash	-	6,073	-	6,073
Transfer between levels	-	-	-	-
Disposals	-	-	-	-
Unrealised gains recognised in profit or loss	306	2,013	-	2,319
Gains/(losses) recognised in other comprehensive income	76	(1,014)	-	(938)
30 June 2023	19,408	20,987	-	40,395

NOTE 16: COMMITMENTS

Capital expenditure commitments

Capital expenditure contracted for and payable, but not recognised as liabilities is \$17,202,000 (2022: \$19,114,000). All of the commitments related to the purchase of property, plant and equipment for Area 1 mining operation (\$12,855,000) and the Sembehun DFS (\$4,347,000). The total amount is expected to be paid within one year of the reporting date.

NOTE 17: EVENTS THAT OCCURRED AFTER THE REPORTING PERIOD

At the time of reporting, the directors are not aware of any matter or circumstance that has or may significantly affect the operations of the Group, the results of its operation or the state of affairs of the Group in subsequent financial years.

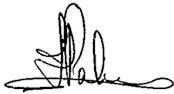
DIRECTOR'S DECLARATION

The directors declare that:

1. In the directors' opinion, the consolidated financial statements and notes thereto, as set out on pages 6 to 15 are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Australian Accounting Standards and the *Corporations Regulations 2001*;
 - (b) as stated in Note 1, the consolidated financial statements also comply with International Financial Reporting Standards; and
 - (c) giving a true and fair view of the financial position of the Group as at 30 June 2023 and of its performance for the year ended on that date.
2. In the directors' opinion there are reasonable grounds, at the date of this declaration, to believe that Sierra Rutile Holdings Limited will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made by the Managing Director and Chief Executive Officer and the Finance Director to the directors in accordance with section 295A of the *Corporations Act 2001* for the period ended 30 June 2023.

This declaration is made in accordance with a resolution of the directors.



Joanne Palmer
Director

Dated this 23 day of August 2023



Independent auditor's review report to the members of Sierra Rutile Holdings Limited

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Sierra Rutile Holdings Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the condensed consolidated statement of financial position as at 30 June 2023, the condensed consolidated statement of comprehensive income, condensed consolidated statement of profit or loss, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, material accounting policy information and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Sierra Rutile Holdings Limited does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the half-year ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the directors for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.



Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

A stylized, handwritten signature of the PricewaterhouseCoopers firm.

PricewaterhouseCoopers

A handwritten signature of Ian Campbell.

Ian Campbell
Partner

Perth
23 August 2023