



Sierra Rutile

ASX ANNOUNCEMENT

29 January 2024

Area 1 Operations to be suspended following Government of Sierra Leone Decision

Sierra Rutile Holdings Limited (ASX: SRX) (**SRX** or the **Company**) has disclosed previously¹ that the Government of Sierra Leone (**GoSL**) had advised Sierra Rutile Limited (**Sierra Rutile**), the operating subsidiary of SRX, that they are seeking to renegotiate the terms of the Third Amendment Agreement between Sierra Rutile and the GoSL.

The Third Amendment Agreement is in relation to the fiscal regime applying to the remaining production from the existing Area 1 operations, and negotiations on potential amendments have been ongoing since May 2023. As also previously detailed, a decision to commit the necessary additional capital to enable production from the Mogbwemo sub portion of Area 1 was also in part contingent on the outcome of the negotiations.

On 22 January 2024, Sierra Rutile received correspondence from the GoSL stating GoSL's intention to proceed on the basis that, with effect from 1 July 2023, the fiscal regime set out in the Third Amendment Agreement would no longer apply to Sierra Rutile, and that Sierra Rutile would revert to the fiscal regime in place as at 20 November 2001 between Sierra Rutile and the GoSL. Reverting to the previous fiscal arrangements would require a substantial payment to be made by Sierra Rutile to the GoSL in relation to the 2023 financial year, which would have a significant impact on the Company's financial and operational sustainability.

In terms of the financial impact, while no formal assessment has been issued, if the concessions in the Third Amendment Agreement were removed, a number of concessions on taxes and charges that might otherwise apply (including withholding taxes at 0.5% rather than 5.5% and fuel duty of 1.0% rather than 12.0%) and the most significant concessions under Third Amendment Agreement being a royalty on sales at a rate of 0.5% rather than 4.0% and minimum corporate tax of 0.5% of revenue rather than 3.5%, would no longer apply as of 1 July 2023.

The position of the Company is that the Third Amendment Agreement cannot be amended without the mutual agreement of Sierra Rutile. Reverting to the previous fiscal arrangements would make continuing operations in Area 1 uneconomic.

The dispute resolution provisions under the Third Amendment Agreement contemplate that the parties will attempt to resolve any dispute in good faith through negotiation. If the dispute is not settled by negotiation, the dispute can be referred to arbitration in the United Kingdom. Sierra Rutile has initiated this dispute process with the GoSL, which starts with an obligation to seek to negotiate an agreed outcome.

¹ ASX Announcement 4 May 2023 "Area 1 Fiscal Arrangements"



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Sierra Rutile has also issued a suspension notice to GoSL for operations at Area 1 under the relevant mining licence and mining act, which will take effect from 11 March 2024. The current uncertainty concerning the fiscal regime does not provide a stable platform upon which Sierra Rutile can make ongoing strategic, capital or investment decisions or enter into the required major contracts necessary to continue production for the remainder of Area 1's mine life.

The Board of SRX will consider a restart of Area 1 operations if agreement can be reached with the GoSL on an appropriate fiscal regime that would again support production, alongside supportive market conditions.

The Company is not aware of any reason why the suspension of trading in its shares should not be lifted.

Ends

This ASX Release was authorised for release to the ASX by the Board.

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Background to the Third Amendment Agreement

In May 2021, after a period of challenging operating conditions, Sierra Rutile, then a subsidiary of Iluka Resources Limited (Iluka), provided to the GoSL six months' notice of its intention to temporarily suspend the operations of Sierra Rutile, effective 19 November 2021. The Notice of Suspension was withdrawn in January 2022 following operational improvements and the negotiation of revised fiscal arrangements for Sierra Rutile's Area 1 operations. The revised fiscal arrangements were contained in the Third Amendment Agreement dated 24 August 2021 to the Sierra Rutile Agreement between the GoSL and Sierra Rutile dated 20 November 2001 (Third Amendment Agreement). The revised fiscal arrangements provided for a range of reductions in government costs, duties, royalties and taxes.

The Third Amendment Agreement was ratified by the Parliament of Sierra Leone in December 2021. Additional information about the Third Amendment Agreement and the revised fiscal arrangements is contained in Sections 3.24.3, 3.24.4, 3.24.9 and 3.24.11 of the Demerger Booklet contained in the ASX Release by SRX entitled "Information Memorandum and Demerger Booklet" dated 25 July 2022 which sets out the basis for the demerger by Iluka of SRX.

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