



Sierra Rutile

## ASX ANNOUNCEMENT

16 MAY 2024

### Sierra Rutile 2024 Annual General Meeting

Sierra Rutile Holdings Limited (ASX: SRX) (“**Sierra Rutile**” or the “**Company**”) today held its 2024 Annual General Meeting of Shareholders.

Shareholders voted on six resolutions:

- Adoption of the Remuneration Report
- Election of Mr Patrick O’Connor
- Election of Mr Jan Joubert
- Election of Wara Serry-Kamal
- Removal of Mr Graham Davidson
- Removal of Mr Greg Martin

A transcript of the addresses delivered by the Chairman and the Managing Director & CEO are attached.

Ends

This ASX Release was authorised for release to the ASX by the Managing Director & CEO.

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**SIERRA RUTILE HOLDINGS LIMITED**  
**2024 ANNUAL GENERAL MEETING**  
**Thursday, 16 May 2023**  
**Chairman's and Managing Director & CEO's Addresses**

**Chairman's address**

2023 was an extremely eventful year for Sierra Rutile and we acknowledge it was a difficult year for our shareholders. We faced several challenges as we worked to extend value generation from our historic Area 1 operations. Alongside this, we advanced the Definitive Feasibility Study, or DFS, for our future Sembahun project - which I am pleased to say was successfully completed and delivered recently in March.

Sierra Rutile is the world's largest natural rutile producer, with a rich history spanning more than 50 years at our Area 1 operations in Sierra Leone. With Area 1 approaching the end of its mine life, and the operational challenges that come with this, Sembahun represents the future growth of the company and the Sembahun DFS clearly demonstrates the value of the project. Sembahun represents one of the largest and highest quality known rutile deposits in the world, offering an attractive development opportunity, a 14-year long mine life with additional exploration potential.

Looking at 2023, macroeconomic factors resulting in reduced pigment demand and rutile prices, together with operational challenges such as power supply disruptions at Area 1, impacted our financial performance. The challenging market conditions and uncertainty regarding the continuation of the Third Amendment Agreement tax concessions led to the decision to delay commencing the Mogbwemo Tails project and also contributed to the Company impairing its Area 1 assets during the year by \$35.3 million. Revenue reduced to \$176 million and the Company reported a Net Loss After Tax of \$20.1 million. Importantly, Sierra Rutile closed the year with no debt and a working capital balance, excluding consumables, of US\$66.1 million.

Our Managing Director, Theuns de Bruyn, will talk more about the operations in his CEO's address. There have been some important developments since the conclusion of the financial year that I would like to address these now. These include our decision to suspend operations at Area 1 earlier this year, and the subsequent, recent, restart as well as the unsolicited on market takeover offer for the Company.

As you are aware, in May 2023 the Government of Sierra Leone informed Sierra Rutile of its intention to renegotiate the Third Amendment Agreement which outlines tax concessions for remaining production at Area 1, and in January 2024 advised the Company that it would take steps to revert to the previous tax regime. This was obviously disappointing. These concessions support the financial sustainability of Area 1, particularly given the challenging market conditions we have been experiencing and create an uncertain climate in which to make necessary large upfront investments in reliable power generation and the Mogbwemo project.



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We therefore made the difficult decision to suspend operations at Area 1 from 11 March of this year.

Last week we announced that we were advised by the Government the suspension of operations breached the Mines and Minerals Development Act of 2023. The Government also directed Sierra Rutile to restart operations at Area 1 by 31 May this year. While we disagree Sierra Rutile has committed the alleged breach, we have restarted operations at Area 1. The restart is on the assumption that the Third Amendment Agreement will continue to apply for the remaining production from the existing Area 1 operations. We will continue to engage with the Government concerning potential changes that may be agreed to the fiscal regime or ownership structure to allow for the funding and development of the Sembehun Project which, we believe, is clearly in the long-term interest of both the Company and the country of Sierra Leone.

You will also be aware that since the 20th of March this year Sierra Rutile has been subject to an unsolicited on-market takeover offer from PRM Services LLC or PRM for all of the shares in Sierra Rutile. We have released our Target's Statement and Supplementary Target's Statement in response to the PRM offer. After careful review, the Board believes the offer is inadequate. This offer was lodged at a time when the current market conditions for rutile are depressed and do not reflect the longer-term expected supply deficit, our Area 1 operations suspended pending a resolution relating to the Third Amendment Agreement, and prior to the release of the Sembehun DFS.

Sierra Rutile Directors continue to unanimously recommend that shareholders REJECT the Offer and DO NOTHING in relation to any documents received from PRM. I would also note that Sierra Rutile's share price has consistently traded well above the PRM offer price since the announcement of the offer.

Subsequent to the PRM takeover offer, the Company also received notices requesting changes to the Board of Sierra Rutile. The Company will action valid shareholder requests as per Corporations Act requirements, and those relevant to this meeting have been outlined in the Notice of Meeting and will be considered in the formal part of today's meeting. I would like to highlight that the Board of Sierra Rutile strongly believes that the continuity of the current Board is important for the Company as it responds to the current issues and challenges.

Whilst the PRM Bid was opportunistic, it has resulted in a renewed market focus on the strategic value of the assets of Sierra Rutile and brought significant change to the shareholder base of the company.

In closing, on behalf of the Board, I would like to extend my gratitude to our executive team and all our people in Sierra Leone, Australia and elsewhere for their dedication throughout a challenging year. The recent completion of the Sembehun DFS represents a significant milestone for the Company, and the results highlight the strategic value of the project to Sierra Rutile. The DFS was a full team effort together with our consulting engineer Hatch, and we were extremely pleased with the reduction in the estimated capital expenditure needed to bring the project online in these inflationary times.



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I would also like to thank you, our shareholders, for your support and patience through this period as we explore value-enhancing options for Sierra Rutile. We will continue to keep shareholders informed of all material developments concerning the Company.

With that, I will now hand over to Theuns who will provide a more detailed update on the business and outlook ahead.

### **Managing Director & CEO's address**

It is fair to say that 2023 was a difficult year for Sierra Rutile. However, it was a year we see as defined by perseverance. Despite a downturn in market conditions and operational challenges to overcome, we successfully continued production from our Area 1 operations while we advanced Sembehun. The recently released Definitive Feasibility Study (DFS) highlights the significant strategic value of Sembehun, which represents the future growth pathway for the company after the conclusion of mining at Area 1.

#### *Operations*

As Greg mentioned, the Company closed the financial year with no debt and a working capital balance, excluding consumables, of US\$66.1 million. While we generated \$176 million of revenue and \$29 million of gross profit for the year, production, revenue and gross profit were all down year on year, primarily due to the deterioration in demand we saw in the pigment market. The average rutile price received for the year was 9% lower than the prior year.

Uncertainty regarding the 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 impairing its Area 1 property, plant and equipment during the year, and also to subsequently suspend mining and production operations in March. As Greg mentioned, the concessions in place for Area 1 are necessary to ensure the continued financial sustainability of our operations. While we have decided to restart operations at Area 1, I must re-iterate that the restart is on the assumption that the Third Amendment Agreement will continue to apply for the remaining production at Area 1. Staff have been mobilised to site and most operations are underway. We expect the Mineral Separation Plant to restart today.

The issues of continued investment into Area 1 and stable power supply in 2023 and early 2024, are now being addressed by entering a new power supply contract that, once established on site, should provide greater reliability for the continued operations in the remainder of Area 1. Also, the reduction of the site workforce by 25% in March 2024, provides a more sustainable cost base for the continued operation for the remainder of Area 1.



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While maximising the life and cashflow of our Area 1 operations is an important consideration for our current performance, the development of Sembehun represents the Company's growth plans and future. This is where we have made important progress that confirmed the project's strategic value to the Company. The recently completed DFS clearly demonstrated the significant value of Sembehun, which can significantly extend the Company's mine life, materially lower its cost structure and generate significant long-term value for both shareholders and the people of Sierra Leone.

This is especially relevant in the current situation where Sierra Rutile has received an unsolicited offer to acquire the Company which, following the release of the Sembehun DFS, we believe we have clearly demonstrated the offer does not reflect the strategic value of Sembehun.

### *ESG*

As one of the largest private sector employers in Sierra Leone employing over 1,500 people, the health and safety of all staff, contractors and visitors is our top priority. The Lost time Injury Frequency Rate (LTIFR) at the end of 2023 was 0.33 and our Total Reported Injury Frequency Rate (TRIFR) was 0.55. These are excellent numbers for the industry, and our safety performance is now country leading.

Also, as a significant participant in the Sierra Leone economy, we are committed to being at the forefront of environmental management in the local mining industry. As part of this, a total of 285 hectares of previously disturbed land were rehabilitated in 2023 which exceeded the regulatory requirement of 150 hectares. We are also proud of our long association with the local communities in which we operate, promoting and supporting community projects under our social investment support pillars of water, health, sanitation and education.

### *Market Outlook*

Looking broadly at the natural rutile market, while short-term headwinds remain, a longer-term trend of global natural rutile supply deficit is emerging. TZMI's December 2023 forecast indicates future rutile demand is supply constrained. Since supply from existing producers and approved projects is declining, our customers worldwide will need supply from Sembehun to maintain the current consumption levels.

We are still in an environment of challenging rutile prices, but with the reduced cost structure and a new and stable power supplier we are better placed to maximise the value for Area 1 whilst we progress the necessary steps to realising the potential value from the Sembehun project.

Our ability to capitalise on this will depend on Sierra Rutile's ability to swiftly come to a final investment decision on Sembehun. Steps to achieving this include reaching a suitable financing solution and a negotiated position with the Government of Sierra Leone, both of which we are progressing.



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### *Conclusion*

To conclude, I would like to acknowledge the exceptional efforts of the Sierra Rutile team in Australia, Sierra Leone and elsewhere for their continued support throughout 2023. I would also like to my fellow Directors and executive team for their tireless commitment and dedication.

Finally, I thank you, our shareholders, for your continued support, patience, and continued belief in our company. In our first full year as a standalone listed company, we have achieved a considerable amount and we are looking forward to delivering future value to our shareholders.

We need all stakeholders, being employees, suppliers, local communities, Government, customers, and capital providers, to work together so that we can successfully finance and develop the low cost, long life (+10 year) Sembehun Project for the benefit of all stakeholders.