



Sierra Rutile

ASX ANNOUNCEMENT

29 JULY 2024

Quarterly Activities Report – June 2024

Sierra Rutile Holdings Limited (ASX: SRX) (**Sierra Rutile** or the **Company**) provides its operational, development, ESG, and corporate update for the quarter ended 30 June 2024. All figures are in US Dollars unless otherwise stated.

Operations:

- **Safety:** Tragically, one fatality occurred. LTIFR of 0.13 and TRIFR of 0.13.
- **Area 1 - Government Discussions:** The restart of Area 1 is now complete; discussions regarding the Third Amendment Agreement continued.
- **Rutile production** of 11kt, reduced due to the suspension of operations.
- **Rutile sales** of 3kt in Q2 2024 entirely represented by sale of IGR into the welding market with a bulk shipment of SGR scheduled for June slipping into July.
- **Realised rutile price** averaging \$1,838/t FOB with all sales being IGR.
- **Net unit cash production costs** excluding care and maintenance costs of \$1,174/t.

Corporate:

- **Takeover Offer by Gemcorp:** Off-market cash offer of A\$0.16 per share subject to 51% minimum acceptance condition announced post-quarter end representing a 28.3% premium to SRX 3-month VWAP and a 68.4% premium to the PRM on-market takeover bid.
- **Takeover Offer by Leonoil:** Off-market cash offer of A\$0.18 cash per share with no minimum acceptance condition received after the Gemcorp offer representing a 12.5% premium to the Gemcorp offer.
- **Results of AGM:** Mr. Jan Joubert appointed to the board as a Non-Executive Director.

Sembehun:

- Definitive Feasibility Study (**DFS**) was finalised and released.
- **14-year mine life** and ~175ktpa of rutile between 2028 and 2038.
- **Capex estimate reduced** by 11% from pre-feasibility estimate to \$301 million.
- NPV₈ (post-tax, real) of \$408 million, **IRR of 27.8%** and LOM EBITDA \$1.7 billion.

Finance:

- **Net cash** as at 30 June of \$11.2 million (unaudited).
- **Working capital** as at 30 June of \$44.3 million (unaudited).

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Sierra Rutile, Managing Director and CEO, Theuns de Bruyn, commented:

“Sierra Rutile had a challenging June quarter. Tragically, this included a fatality at our Area 1 operations. We continue to extend our deepest sympathies to our colleague’s family, friends and co-workers. Our focus has continued to be on ensuring the safety of our workforce with an immediate review of any safety risks.

The review found no immediately repeatable or imminent risks but modifications were made to operating procedures to prevent a repeat occurrence of the tragic incident.

The June quarter also saw multiple major operational and corporate events. We were very pleased to see strong competing interests in the Company from multiple parties, all of which are major shareholders, which better reflects the strategic value of Sembehun and the Company’s market-leading position in the global supply of rutile.

Operations at Area 1 resumed following discussions with the Government of Sierra Leone. However, industrial action briefly halted operations, which was quickly resolved following engagement with employees and union officials. The Minister of Labour visited the site on 29 and 30 May to broker a resolution of the issue.

Completing the Sembehun DFS was a major achievement during the period. It reinforced the strategic value of the project and the Company believes it will be in a position to progress discussions to finance it once longer-term ownership is clarified.”



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Corporate

Takeover Offer from Leonoil

Following the end of the quarter, Sierra Rutile received a takeover offer from Leonoil Company Limited (**Leonoil**), a major Sierra Leonean-based oil company.

The offer is for all the issued and outstanding shares in Sierra Rutile that Leonoil does not already own, with no minimum acceptance condition at A\$0.18 cash per ordinary share (**Leonoil Offer**).

Leonoil is one of Sierra Rutile's largest shareholders, holding 19.85% of the issued shares in the Company.

The key terms of the Leonoil Offer, as set out in a Bid Implementation Agreement executed between Sierra Rutile and Leonoil, and announced on 22 July 2024 (**Leonoil BIA Announcement**) are as follows:

- Offer price of A\$0.18 cash per ordinary share
- No minimum acceptance condition
- No prescribed occurrences in relation to Sierra Rutile
- No material adverse change in relation to Sierra Rutile
- No government or regulatory action in consequence or in connection with the proposed Leonoil Offer which adversely impacts the Leonoil Offer
- No breach by Sierra Rutile of certain conduct of business restrictions
- Other customary conditions

The SRX Directors unanimously recommend each holder of SRX shares ACCEPT THE LEONOIL OFFER and have indicated that they will ACCEPT THE LEONOIL OFFER in respect of all SRX Shares they own or control, in both instances, in the absence of a Superior Proposal¹. The Leonoil Offer is expected to be open for acceptance at the end of July 2024. Sierra Rutile shareholders should read the Leonoil BIA Announcement in its entirety.

As noted in the Leonoil BIA Announcement, Leonoil is expecting to dispatch its Bidder's Statement at the end of July and Sierra Rutile is expecting to dispatch its Target's Statement by mid-August.

Takeover Offer from Gemcorp

Previously, on 1 July 2024, Sierra Rutile announced it had entered into a Bid Implementation Agreement (**Gemcorp BIA**) with Gemcorp Commodities Assets Holding Limited (**Gemcorp**), pursuant to which Gemcorp was to offer to acquire all of the issued and outstanding shares in Sierra Rutile it does not already own under the terms of an off-market takeover bid (**the Gemcorp Offer**).

Gemcorp is Sierra Rutile's largest shareholder, holding 19.9% of all outstanding shares.

Under the terms of the Gemcorp Offer, subject to the satisfaction or waiver of the conditions of the Gemcorp Offer, each Sierra Rutile Shareholder was to receive a cash offer of A\$0.16 for every Sierra Rutile share held. The offer represented a 68.4% premium to the A\$0.095 per share offer price of the PRM Services LLC (**PRM**) on-market takeover bid announced on 20 March 2024.

¹ As defined in the bid implementation agreement between Sierra Rutile and Leonoil dated 19 July 2024.



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Gemcorp elected not to match the Leonoil offer pursuant to the Gemcorp BIA and Sierra Rutile has subsequently paid a US\$400,000 “break fee” to Gemcorp .

Takeover Offer from PRM

On 20 March 2024, Sierra Rutile received an unsolicited on-market takeover offer from PRM to acquire all Sierra Rutile shares it does not own at a price of A\$0.095 cash per share (**PRM Offer**).

The Board unanimously determined that the offer price of A\$0.095 per Sierra Rutile Share is inadequate and undervalues Sierra Rutile. The offer price failed to capture the value of the Company’s established operations, robust balance sheet, and significant value opportunity in the world-class Sembehun Project.

Sierra Rutile released a Second Supplementary Targets Statement and a Third Supplementary Targets Statement, in which the Board reiterates its view that the PRM offer is inadequate and opportunistic and continues recommending that shareholders **REJECT** the PRM Offer.

The recent announcement of the entry into the Gemcorp BIA, and subsequently the Leonoil BIA both reinforced the Board’s view that the PRM Offer is inadequate and failed to recognise Sierra Rutile’s inherent value.

On 23 May 2024, PRM applied to the Takeovers Panel (**Takeovers Panel**) requesting that the Takeovers Panel conduct proceedings to inquire into allegations of association between Mano Mining and Logistics Limited, Rockbridge Overseas Limited, Leonoil Company Limited and Gemcorp Commodities Assets Holdings Limited in relation to the affairs of Sierra Rutile.

Following a review, the Takeovers Panel declined PRM’s request to conduct proceedings. The Panel concluded there was no reasonable prospect that it would declare unacceptable circumstances.

The PRM Offer will expire on 31 July 2024.

Results of AGM and Director Resignation

Sierra Rutile held its Annual General Meeting (**AGM**) on 16 May 2024, which resulted in the appointment of Mr Jan Sebastian Cilliers Joubert to the Board. Mr Joubert’s nomination was supported by Mano Mining and Logistics Limited and Rockbridge Overseas Limited (who together hold a 13.03% interest in the Company).

Separately, Ms Joanne Palmer stepped down from the Board on 24 April 2024 due to work and personal commitments. Sierra Rutile again thanks Ms Palmer for her contribution to the Board.

Extraordinary General Meeting

Sierra Rutile held an Extraordinary General Meeting (**EGM**) on 25 June 2024 following a requisition issued by PRM under section 249D of the *Corporations Act 2001* (Cth) (**Corporations Act**).

The proposed resolution was for the removal of Theuns de Bruyn's as a Director of Sierra Rutile. A majority voted against the resolution and it failed, resulting in Mr de Bruyn retaining his position.



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Operations

Operations – Area 1

Summary Physical and Financial	Units	June Qtr 2023	Mar Qtr 2024	Jun Qtr 2024
Safety				
TRIFR	/mwhrs	1.15	0.24	0.13
LTIFR	/mwhrs	0.58	0.12	0.13
Mining				
Ore Mined	mt	3.4	2.1	1.1
HMC Grade	%	2.5	2.6	2.1
Rutile Grade	%	1.4	1.4	1.3
Production				
Rutile	kt	25	19	11
Ilmenite	kt	9	8	8
ZIC/GIC	kt	14	4	3
Sales				
Rutile	kt	28	30	3
Ilmenite	kt	16	24	0
ZIC/GIC	kt	16	-	8
Revenue & Cash Costs				
Revenue - Rutile	US\$m	41	34	6
Unit price - Rutile	US\$/t	1,488	1,129	1,838
Revenue - Ilmenite/ZIC/ GIC	US\$m	15	10	3
Operating Cash Costs	US\$m	41	30	19
Net Operating Cash Costs - Rutile	US\$m	26	20	16
Unit Operating Cash Costs - Rutile	US\$/t	1,649	1,570	1,704
Net Unit Operating Cash Costs - Rutile	US\$/t	1,039	1,042	1,174
Capital	US\$m	8	5	4

Note: ZIC/GIC refers to zircon-in-concentrate and garnet-in-concentrate; Capital includes Sembehun studies.



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Net operating cash costs for the June 2024 quarter were US\$24.8m of which US\$5.8m related to site labour costs, contractor standby costs, and power and accommodation costs during suspension of operations and have been removed from operating costs in the table above (March 2024 quarter: US\$2.3m).

Fatality at Area 1

On 18 June 2024, Sierra Rutile reported an incident had occurred at the Area 1 operation of its subsidiary Sierra Rutile Limited (**SRL**), tragically resulting in the fatality of a Sierra Rutile employee at the site. This fatality represented the first lost-time injury (**LTI**) in over a year.

Operations at the relevant part of Area 1 were suspended while an initial review of any safety risks was conducted. No immediately repeatable or imminent risks were identified as part of the review, and initial immediate modifications to operating procedures were put in place to prevent a repeat occurrence of the tragic incident. With the conclusion of the initial safety risks review, Area 1 operations recommenced in full.

The Company remains committed to maintaining and improving safety performance.

Operations Restarted

In response to ongoing weak market conditions and uncertainty regarding the Area 1 fiscal regime, Area 1 operations were suspended on 11 March 2024. Following this, approximately 25% of the existing workforce was retrenched to restructure the Company's cost base.

Following the 11 March 2024 announcement, the Government of Sierra Leone (**GoSL**) advised that, in their opinion, the notice of suspension did not comply with the relevant requirements under the applicable law and regulations. The GoSL directed Sierra Rutile to resume mining operations at Area 1 by 31 May 2024. Although Sierra Rutile did not agree that it had committed the breach alleged by the GoSL, the Company announced on 8 May 2024 that operations would be restarted², following which both mining operations and wet concentrators (**WCPS**) resumed on 10 May 2024, and the Mineral Separation Plant (**MSP**) restarted on 19 May 2024, resulting in the production of finished products ready for sale.

Power Contract Awarded

On 29 May 2024, Sierra Rutile announced additional power generation capacity had been secured with leading energy supplier, Himoina Southern Africa Proprietary Limited (**Himoina**). This additional power is by way of a 7MW power supply contract for additional power generation capacity over an 18-month term, with the option to extend. The contract is worth approximately US\$2.1 million in upfront costs (including local duties) and ongoing costs for providing equipment and staff to operate the power generation plant.

The contract, together with an existing 6MW of diesel generators supplied by a third-party power provider, is expected to provide Sierra Rutile with sufficient generation capacity to ensure stable and reliable power for the remainder of mine life at Area 1.

² As noted in the announcement of 8 May 2024 entitled "Intention to restart Area 1 Operations", the restart was on the assumption that the Third Amendment Agreement continues to apply for the remaining production from the existing Area 1 operations. The Company also noted its position that the Third Amendment Agreement cannot be amended without the mutual agreement of Sierra Rutile and that reverting to the previous fiscal arrangements would make any remaining operations in Area 1 uneconomic.



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Unlawful Strike Action

During the quarter, the Company resolved unlawful strike action at one of the three operating WCPs and the MSP, which commenced on 28 May 2024 and was resolved on 31 May 2024. The resolution was achieved following engagement with employees and union officials, with the assistance of the Labour Ministry, in particular the Minister of Labour, and other senior officials of the GoSL who attended the site to broker a resolution of the issue.

Production

As noted above, Area 1 operations were suspended on 11 March 2024 and restarted on 28 May 2024. The suspension of operations impacted production numbers over the period.

Due to the temporary suspension of operations, no ore was mined, heavy mineral concentrate (**HMC**) was not produced, and rutile production was not recorded for April or the early part of May. Operations have resumed largely as expected since early May but mining, plant runtime and ore fed to the WCPs were all impacted by the illegal strike action and the fatality event.

Sembehun

Sembehun is home to one of the world's largest and highest-grade natural rutile deposits. During the quarter, the Sembehun Definitive Feasibility Study (DFS) was finalised and released. The DFS confirmed Sembehun as a globally significant natural rutile deposit, presenting a commercially attractive development opportunity.

Initial engagement with potential financiers and off-takers regarding Sembehun was undertaken during 2023 to ascertain appetite and potential debt sizing. With the cyclical downturn in rutile prices and reduced volumes impacting cashflow generation since the middle of 2023, the Company commenced discussions around strategic/JV equity investment opportunities in the second half of 2023. These discussions have effectively been superseded by the recent corporate takeover proposals.

Environmental, Social and Governance

As a significant participant in the communities in which it operates, Sierra Rutile remains committed to sustainable operations and maintaining strong environmental, social, and governance (**ESG**) practices.

The 2024 Annual Environmental and Social Performance Report was submitted to the Environment Protection Agency in Sierra Leone for the 2023-2024 period.

Sierra Rutile's CEO, Theuns de Bruyn, commissioned the newly refurbished library at Impere Secondary School in Moriba Town. The project showcases the Company's continued commitment to promoting education within its mining communities.

During the quarter, three newly fabricated local boats, fishing gear, and a 40-horsepower engine were provided as alternative livelihood support for Semabu, Mokombu, and Kortumahun communities. Additionally, 257 bags of rice and 40 bags of onions were distributed as Sierra Rutile's Ramadan gifts to paramount chiefs, MPs, chiefs and sub-chiefs, religious leaders, youths and women leaders, and disabled groups in Sierra Rutile's mining areas.



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Sierra Rutile's Community Waste Management Committee commenced operations in Moriba Town and Mogbwemo Town. On 15 June 2024, the Ministry of Mines and Mineral Resources made distributions for Sierra Rutile's Agricultural Development Fund (ADF) for the 2024 period. Additionally, Five Sierra Rutile-supported livelihood agricultural groups planted large acres of land for groundnut, cassava, and vegetable production.



Gift of New Boats



Library Commissioning Ceremony



Ramadan Gift Handover



Gift of Engines

Rutile Sales and Finance

Industrial grade rutile (IGR) sales volumes into the welding market were below plan but pricing was above forecast.

The first bulk pigment SGR shipment post Area 1 suspension (which ultimately was for just over 10.7kt) was originally planned for late June but the shipment was made in early July due to delayed vessel arrival. Had the shipment occurred as scheduled in June, Sierra Rutile's overall realised rutile price in the June 2024 quarter would have been a little over 10% higher than the previous quarter, reflecting early signs of a price recovery albeit still well below prices achieved a year ago.

During the quarter, two large American chloride pigment plants briefly suspended operations due to unforeseen events, impacting feedstock demand internationally.

Discussions with major Western pigment purchasers during the quarter all suggested that, whilst improved conditions are definitely expected next year, 2024 pigment sales were expected to be little more than flat compared to 2023 year-on-year as a result of subdued housing markets.



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Recent developments that are expected to help Sierra Rutile and the industry return to profitability include:

- Subsequent to the end of the quarter however, the European Union has imposed provisional anti-dumping duty of 40% on imports of Chinese pigment. Prior to the imposition of duties, Chinese imports represented about 40% of European consumption and European pigment prices are now expected to increase as a result.
- The possibility that falling inflation will see interest rate reductions helping boost real estate and demand from other TiO₂ consuming sectors.
- Announcements linked to investments in Japan to help fuel growing titanium metal demand in aerospace and novel new applications.

The cash balance at quarter end was \$11.2 million (excluding \$40.1 million of additional funds set aside for rehabilitation in the independently managed Sierra Rutile Rehabilitation Trust).

The Company remains debt-free with a net working capital position of US\$44.3 million as of 30 June 2024 (unaudited; refer below). Total working capital reduced during the quarter primarily as a result of the suspension of operations.

Sierra Rutile Net Working Capital Position	31 March 2024 US\$m	30 June 2024 US\$m
Cash	4.7	11.2
Trade and other receivables	46.5	16.9
Prepayments	12.5	8.5
Finished goods inventories	16.0	25.1
Other inventories (excl consumables)	8.3	7.2
Trade and other payables	(28.1)	(24.5)
Net working capital	59.9	44.3

Outlook

The Company remains committed to extracting value from the operations at Area 1 while navigating the current competing takeover proposals. A final investment decision for Sembehun will be prioritised once long-term ownership of the Company is clearer.

Ends

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



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About Sierra Rutile

Sierra Rutile is the world's largest natural rutile producer, with an established operating history of more than 50 years from its operations in Sierra Leone.

The Company is well positioned to extend its operations through the proposed development of the Sembehun deposits. Sembehun represents one of the largest and highest grade natural rutile resources in the world, and its development is expected to extend Sierra Rutile's mine life by 14 years. Sierra Rutile is listed on the Australian Securities Exchange. Further details about Sierra Rutile are available at www.sierra-rutile.com



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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

The information in this announcement relating to Sierra Rutile’s estimates of Mineral Resources and Ore Reserves statements for the Sembahun Project is extracted from the Information Memorandum prepared by Sierra Rutile in connection with its application for admission to the ASX, lodged on the ASX 25 July 2022 (**Information Memorandum**), available at www.asx.com.au. Sierra Rutile confirms that it is not aware of any new information or data that materially affects the information included in the Information Memorandum and that all material assumptions and technical parameters underpinning the estimates of Mineral Resources and Ore Reserves Statements in the Information Memorandum continue to apply and have not materially changed. Sierra Rutile confirms that the form and context in which the relevant competent persons’ findings are presented have not been materially modified from the Information Memorandum.

The information contained in this announcement relating to a production target and forecast financial information derived from the production target set out in the DFS summary was announced to the ASX on 12 April 2024, under the heading “Sembahun DFS Reinforces Strategic Value of Significant Project” (**DFS Announcement**). Sierra Rutile confirms that all the material assumptions underpinning the production target and the forecast financial information derived from the production target in DFS announcement continue to apply and have not materially changed.

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.