

# Sierra Rutile steadies for growth

It has been a rocky first year as a standalone entity for Sierra Rutile Holdings Ltd (SRX) but finance director Martin Alciaturi insists operational stability in Sierra Leone is just around the corner.

August marks the 12-month anniversary since SRX began trading on the ASX after being demerged from Iluka Resources Ltd. However, celebrations for the company will be somewhat subdued after recently conceding production for CY2023 is expected to fall short of last year's output of 136,000t rutile.

Mechanical failures at SRX's power station during June impacted operations, including plant availability, with the mineral separation plant and one of the four wet concentrators going offline for an extended period. As a result, the company prioritised production of heavy mineral concentrate until the power disruption issues were resolved.

Operations were expected to return to full capacity at the time of print. While SRX expressed confidence it could make up the lost production over the balance of the year remaining, guidance was withdrawn and will be reissued with the June quarterly report scheduled for July 27.

Alciaturi said while SRX was offering no excuses for failing to meet guidance, he also believes the company was "a little unlucky".

"We are a long way off the grid so we generate all of our own power and have been doing so for donkey's years – with plenty of backup too – so it's not like there's no margin for error, but unfortunately a couple of things have come together that have given us this period, which is ongoing as we speak, where we're running on less than full power," Alciaturi told **Paydirt**.

"We're having to sort of ration power, I suppose you could say, and choose where best to apply it. Whatever we did was going to have an impact on production. What we've chosen to do, unsurprisingly, is the thing which should have the least impact on production on a full-year basis, but probably has the most impact on production in the short term. It's been a bit of a juggle.

"We already were in the process of outsourcing power supply, not just for the new Sembahun project but also for the existing



SRX produced 136,000t in 2022, but is not expected to match that this year due to power challenges

Area 1 operations. That was already under way but won't actually be in place until probably closer to the end of the year. It's obviously disappointing and unfortunate, but that's what happens in mining from time to time."

SRX is also in the process of hybridising its predominantly diesel-powered site in Sierra Leone ahead of the upcoming development of the Sembahun project, which is currently forecast to add at least another 13 years to an operation that otherwise would have faced potential closure.

A DFS on Sembahun is due for completion before the end of this year with SRX targeting FID in early 2024. Last year's PFS indicated \$US337 million was needed to develop the current 174mt @ 1.46% rutile reserve, with steady-state operations set to generate post-tax NPV of \$US318 million and IRR of 24% for \$US535/t production costs, excluding royalties and rehabilitation and net of any co-product credits.

"Everyone understands that is the future," Alciaturi said.

"Sembahun is really just a newer, larger version of what we have in a couple of different locations at Area 1 and an enor-

mous proportion of the work to be done there is effectively civil earthmoving, which is by and large what mineral sands mining is. It's not like there's anything particularly radical that we're planning to do there.

"We've been buying some new equipment for Sembahun, but again it's not unlike anything we haven't bought before."

Operations at Area 1 have been running for more than 50 years and last year's production of 136,000t rutile – up 9,000t on the preceding 12 months – was easily the highest in recent memory, despite record rainfall at site during the September quarter.

Key financial returns from CY2022 included NPAT of \$US76.5 million on revenue of \$US254 million, up 38% on the prior year.

Alciaturi said the company's highly skilled workforce in Sierra Leone had taken greater ownership of the operations since the split from Iluka, adding that missing guidance this year was only a speed bump for what is otherwise shaping as a very bright future for the business.

"Last year's guidance was a material improvement on anything that happened in the previous however many years," he said.

"Even though we're not going to match last year's efforts, as things stand, we should still exceed the sort of production levels that Iluka were doing. And, of course, that's in the context of an ever-ageing resource because we all know the real game here is to get Sembahun developed and convert a relatively short mine life into quite a long one and improve our overall position on the cost curve."

Alciaturi also said the already robust financial returns for Sembahun were not based on "crazy assumptions" about rutile prices.

"It's based on reasonably conservative prices that are down from where we are today," he said.

"When you're already operating in a reasonably stable country and doing something that you've been doing for more than 50 years, how much risk is really there and what sort of return will compensate for that risk? I would argue the risk-reward trade-off here is excellent."

– Michael Washbourne