



Sierra Rutile

ASX ANNOUNCEMENT

24 August 2023

Sierra Rutile Delivers 2023 Half Year Results

Sierra Rutile Holdings Limited (ASX: SRX) (“Sierra Rutile” or the “Company”) presents its results for the half year ended 30 June 2023. Sierra Rutile reported revenue of \$108.3 million, and Gross Profit of \$30.5 million, reflecting a focus on cost management. All figures are in US Dollars unless otherwise stated.

Financial Highlights:

- **Revenue** of \$108.3m (HY22: \$122.9m).
- **Gross Profit** of \$30.5m (HY22: \$33.0m).
- **NPAT** of (\$0.6m) (HY22: \$53.5m).
- **Underlying NPAT** of \$28.2m (HY22: \$30.0m), excluding impairment charge of \$28.8m.
- **Positive operating cashflow** of \$7.0m (HY22: \$35.4m).
- **Solid net cash position** of \$32.7m at 30 June.

Operational Highlights:

- **Rutile production** of 57kt, due to power supply disruptions in June. Full power restored in August.
- **Rutile sales** of 58 kt (HY22: 68 kt). Solid financial performance notwithstanding weaker demand seen in the pigment market.
- **Realised rutile price** of \$1,457/t (HY22: \$1,461/t).
- **Net unit cash production costs** of \$1,111/t (HY22: \$781/t).
- **Sembehun Project:** Definitive Feasibility Study (DFS) targeted to complete at the end of 2023. Final investment decision targeted for Q1 2024.
- **Investigating Mogbwemo Tailings Project** to reduce operating costs at Area 1 – contingent on satisfactory resolution of the Third Amendment Agreement.
- **Safety and environment:** 3 lost time injuries (LTI) in HY23, resulting in Lost Time Injury Frequency Rate (LTIFR) of 0.58. Committed to improving safety performance.
- **FY2023 Guidance:**
 - Production: 124kt-126kt of rutile
 - Net Unit Cost: \$990-1,055/t



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Sierra Rutile Managing Director and CEO, Theuns de Bruyn, commented: “The Half Year 2023 was a resilient financial performance with continued positive operating cashflow generated to support ongoing capital investment.

This was despite weakening demand in the pigment market, and some interruptions to production during the half. 2023 production commenced in line with expectations but was subsequently impacted by power supply issues in June. Revenue was down around 12% but gross profit was down only 8%, reflecting a focus on cost management.

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

The Mogbwemo Tails Project is an excellent opportunity to reduce operating costs at Area 1 and, if needed, could provide extra runway for the development of Sembehun. We hope to proceed if the current uncertainties regarding market conditions and the Third Amendment Agreement tax concessions for Area 1 are resolved.

Operating cash generation remained positive notwithstanding the production challenges, with the decrease in cash a result of investing \$14.5 million capex, including \$5.7 million on the Sembehun DFS and ESHIA.

Ore mined increased year-on-year by 35% to prepare stockpiles for the Q3 wet season with the Lanti mining area now also a load and haul operation. We were pleased to effectively increase the volume of ore feed by 9%.

The key highlight of our first half results was the successful effort to continue generating positive operating cashflow to support the development of Sembehun, while also diversifying our customer-base.

Demand for Sierra Rutile’s natural rutile is supported by its high grade and low impurity characteristics, and we will continue to leverage our established market presence.”

Outlook

Demand conditions in the major pigment market are currently quite subdued and Sierra Rutile moderated its production rates during the half year. The Company’s full-year production guidance is now 124kt-126kt, with net unit costs of \$990-1,055/t. Ongoing cost reduction efforts have been directed at reducing fixed costs associated with long-term contracts, consolidating mining and haulage contractors, outsourcing of non-core activities, and optimising the mining schedule to reduce mining costs.



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Investment of \$20 million into the Mogbwemo project could generate an IRR in excess of 40%, so the intention would be to proceed if market conditions improve and a satisfactory resolution to uncertainties regarding the Third Amendment Agreement tax concessions applicable to Area 1 can be achieved.

The longer-term outlook for rutile remains positive with a global supply deficit anticipated as growing demand outstrips depleting global resources. Sierra Rutile is well placed to benefit from the finalisation of the Sembehun DFS by the end of 2023 ahead of a potential financing and FID for the project, which would reduce the Company's cost structure and significantly extend mine life.

Ends

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

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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 nearby Sembehun deposits. Sembehun represents one of the largest and highest grade natural rutile resources in the world, and its development would extend Sierra Rutile's mine life by at least 13 years.

Sierra Rutile is listed on the Australian Securities Exchange. Further details about Sierra Rutile are available at www.sierra-rutile.com