



Sierra Rutile

## ASX ANNOUNCEMENT

21 August 2024

### Sierra Rutile 2024 Half-Year Result

Sierra Rutile Holdings Limited (ASX: SRX) (**Sierra Rutile** or the **Company**) presents its results for the half year ended 30 June 2024 (2024). All figures are in US Dollars unless otherwise stated.

#### Financial Highlights

- **Revenue** of \$54.49 million (HY23: \$108.3 million), decreased due to reduced global pigment demand and operational disruptions at Area 1.
- **Operating loss** of \$2.8 million (HY23 gross profit of \$30.5 million).
- **Net Loss After Tax** of \$24.8 million (HY23: \$0.6 million).
- **Operating cashflow** of \$8.7 million (HY23 \$7.0 million).
- **Net cash** of \$11.2 million at 30 June 2024 and no debt.

#### Operational Highlights

- **Rutile production** of 30 kt down 47% on pcp (HY23: 57kt) as a result of ten weeks suspension of operations.
- **Rutile sales** of 33 kt, (HY23: 58 kt).
- **Realised rutile price** of \$1,193/t (HY23: \$1,457/t).
- **Net unit cash production costs** of \$1,174/t excluding standby costs during suspension of operations compared to \$1,111/t in HY23.
- **Safety:** Tragically, one fatality occurred. This was the Company's first Lost Time Injury (LTI) in over a year. LTIFR of 0.13 and a TRIFR of 0.13. The Company is committed to improving safety outcomes.
- **Area 1 Operations:** Suspended in March 2024 due to weak market conditions and uncertainty regarding fiscal regime. Operations resumed in May 2024 as directed by the Government of Sierra Leone under existing fiscal regime (Third Amendment Agreement).
- **Sembehun:** Definitive Feasibility Study (DFS) released, reinforcing the project's strategic value, 14-year mine life, IRR of 27.8% and LOM EBITDA of \$1.7 billion.

#### Corporate

- **Leonoil Takeover Offer:** Off-market cash offer of A\$0.18 cash per share, with no minimum acceptance condition, following two inferior offers received previously.
- The Board recommends shareholders **ACCEPT the Leonoil Offer** in the absence of a superior proposal.
- **2024 Outlook:** The Company remains committed to extracting value from the operations at Area 1 while navigating the current Leonoil Offer.

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

“The half year was an extremely eventful and challenging period for Sierra Rutile, marked by significant operational and corporate developments. Despite these events, our management team and Board continue to work towards maximising value from our operations at Area 1, advancing the Sembehun project, and navigating competing takeover proposals.

Macroeconomic factors led to a decline in global pigment demand and rutile prices, intensified by operational challenges such as the temporary suspension of Area 1 operations due to uncertainties with the Third Amendment Agreement, and power supply disruptions.

These disruptions resulted in the Company reporting revenue of only \$54.5 million and an operating loss of \$2.8 million for the first half of 2024. Operating cash flow for the first half was \$8.7 million over the period and the Company closed the half year with no debt and \$11.2 million in cash, receivables declined materially and the overall working capital position deteriorated.

We take the safety of our team seriously. Tragically, there was a fatality at our Area 1 operations during the period. We continue to extend our deepest sympathies to our colleague’s family and friends. Our focus has been an immediate review of any safety risks which found no repeatable or imminent risks. However, procedural modifications were made to prevent a repeat occurrence of the tragic incident.

We have seen strong interest in the Company from several major shareholders during the quarter. This included three competing takeover proposals, reflecting recognition of Sierra Rutile’s market-leading position in global rutile supply.

The Board recommends that shareholders ACCEPT Leonoil’s off-market takeover proposal, in the absence of a superior proposal. At this stage, the Leonoil Offer is the only offer available for Sierra Rutile shareholders to accept and no superior proposal is currently anticipated.

Completing the Sembehun DFS was a major achievement during the half, reinforcing the strategic value of the project. We believe the Company will be well positioned to progress financing discussions for Sembehun once the Company’s longer-term ownership is clarified.”

### **Outlook**

The Company remains committed to extracting value where possible from the operations at Area 1 while navigating the current Leonoil Offer. Improved pricing conditions are expected in 2025 with the Company having entered into an 18-month offtake agreement with a major pigment customer to supply a total of 75,000t of standard grade rutile. Pricing for the 25,000t to be shipped during the second half of 2024 has been fixed and a pricing mechanism for 2025 has been agreed incorporating a floor price higher than 2024 pricing with additional price upside.

As the Leonoil Offer is the third takeover proposal since March 2024, the Directors of Sierra Rutile do not currently anticipate a superior proposal will emerge. The Board encourages shareholders to carefully read the Target’s Statement (released on 9 August 2024) which details the reasons why shareholders should accept the Leonoil Offer. The Board continues to recommend shareholders ACCEPT the Leonoil Offer in the absence of a superior offer.

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 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](http://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

This announcement contains production guidance based on estimates of Sierra Rutile’s ore reserves and mineral resources. The estimates in this announcement that relate to the ore reserves and mineral resources of Sierra Rutile have been extracted from the ASX release by Sierra Rutile entitled “Sierra Rutile Annual Statement of Resources and Reserves” dated 24 March 2023, available at <https://sierrarutile.com/> and [www.asx.com.au](http://www.asx.com.au) (**Announcement**). For the purposes of ASX Listing Rule 5.19, Sierra Rutile confirms that it is not aware of any new information or data that materially affects the information regarding Sierra Rutile’s ore reserves and mineral resources included in the Announcement and that all material assumptions and technical parameters underpinning the estimates in the Announcement continue to apply and have not materially changed. Sierra Rutile confirms that the form and context in which the Competent Person’s findings are presented have not been materially modified from the Announcement.

### 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.