

TO Market Announcements Office
ASX Limited
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

By ASX Online

30 AUGUST 2024

Dear Sir or Madam

Sierra Rutile Holdings Limited - Supplementary Target's Statement

We act for Sierra Rutile Holdings Limited ACN 613 822 165 (ASX: SRX) (**Sierra Rutile**), in relation to the off-market takeover offer by Leonoil Company Limited (**Leonoil**) to acquire all of the Sierra Rutile shares it does not own at a price of A\$0.18 cash per share as announced on 22 July 2024 (**Offer**).

We enclose in accordance with section 647 the *Corporations Act 2001* (Cth) (**Corporations Act**), a copy of our client's supplementary target's statement dated 30 August 2024 in relation to the Offer (**Supplementary Target's Statement**). The Supplementary Target's Statement will be sent to Leonoil and lodged with the Australian Securities & Investments Commission in accordance with the Corporations Act.

Yours sincerely



King & Wood Mallesons

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Sierra Rutile

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to its contents, you should contact your financial, tax or other professional adviser immediately

Supplementary Target's Statement

This Supplementary Target's Statement supplements, and is to be read together with, the Target's Statement dated 9 August 2024 issued by Sierra Rutile Holdings Limited (ACN 613 822 165) in response to the off-market takeover bid made by Leonoil Company Limited (incorporated in Sierra Leone with company number SLE291216LEONO1600739)

ACCEPT the Offer

Your Sierra Rutile Directors unanimously recommend that you **ACCEPT** the Offer (in the absence of a Superior Proposal)

IF YOU HAVE ANY QUESTIONS IN RELATION TO THE OFFER YOU CAN CONTACT THE SIERRA RUTILE SHAREHOLDER INFORMATION LINE ON 1300 850 505 (WITHIN AUSTRALIA) OR +61 3 9415 4000 (OUTSIDE AUSTRALIA) WHICH IS AVAILABLE BETWEEN 8:30AM AND 5:00PM (MELBOURNE TIME), MONDAY TO FRIDAY EXCLUDING NATIONAL PUBLIC HOLIDAYS.

Supplementary Target's Statement

Important notices

This document is given by Sierra Rutile Holdings Limited (ACN 613 822 165) under Part 6.5 Division 4 of the Corporations Act and is the first supplementary target's statement (**Supplementary Target's Statement**) to the Target's Statement dated 9 August 2024 (**Target's Statement**) issued by Sierra Rutile and given to the ASX and lodged with the Australian Securities and Investments Commission (**ASIC**) on 9 August 2024, in relation to the off-market takeover bid made by Leonoil Company Limited (incorporated in Sierra Leone with company number SLE291216LEONO1600739) (**Offer**). This Supplementary Target's Statement supplements, and is to be read together with the Target's Statement. You should read both the Supplementary Target's Statement and the Target's Statement in their entirety before deciding whether or not to accept the Offer for your Sierra Rutile Shares.

This Supplementary Target's Statement is dated, and was given to the ASX and lodged with ASIC on 30 August 2024. None of ASIC, ASX or any of their respective officers takes any responsibility for the content of this Supplementary Target's Statement.

Unless the context otherwise requires, capitalised terms and certain abbreviations used in this Supplementary Target's Statement have the meanings given to them in Section 10.1 of the Target's Statement. The interpretation rules set out in Section 10.2 of the Target's Statement also apply to this Supplementary Target's Statement.

Unless otherwise specified, all references to \$, US\$ and USD are references to the currency of the United States of America.

This Supplementary Target's Statement prevails to the extent of any inconsistency with the Target's Statement.

If you have recently sold all of your Sierra Rutile Shares, please disregard this document.

1 Sierra Rutile Directors continue to recommend that you **ACCEPT** the Offer

Your Sierra Rutile Directors continue to recommend that you **ACCEPT** the Offer (in the absence of a Superior Proposal). As at the date of this Supplementary Target's Statement, no Superior Proposal has emerged, and the Sierra Rutile Directors do not currently anticipate that a Superior Proposal will emerge.

Sierra Rutile's announcement of its financial results for the half year ended 30 June 2024 and release of its interim financial report for the half year ended 30 June 2024 (**Half Year Financial Report**) reinforces a number of the reasons to accept the Offer set out in Section 1 of the Target's Statement.

In particular, the Board reiterates the following reasons to **ACCEPT** the Offer:

- The Offer is an all-cash offer and provides certainty of value;
- Accepting the Offer avoids significant future funding and associated dilution risk;
- Accepting the Offer avoids inherent risks associated with an investment in Sierra Rutile; and
- There are risks to not accepting the Offer.

Sierra Rutile confirms that each of the Sierra Rutile Directors have either accepted, or are in the process of accepting, the Offer in respect of all the

Sierra Rutile Shares they hold or control as at the date of this Supplementary Target's Statement.¹

As noted in the Target's Statement, each Sierra Rutile Director who holds or controls Sierra Rutile Shares issued or acquired on the vesting of Sierra Rutile Performance Rights or Sierra Rutile Restricted Rights intends to accept, or procure acceptance of, the Offer in respect of all of those Sierra Rutile Shares (in the absence of a Superior Proposal).

Please refer to section 9.3 of the Target's Statement for details of the interests Sierra Rutile Directors have in Sierra Rutile.

2 Sierra Rutile half year financial results

Sierra Rutile released the Half Year Financial Report on 22 August 2024.

The Sierra Rutile Directors highlight the following details in the Half Year Financial Report. A copy of the Half Year Financial Report is set out at Annexure A.

In light of Sierra Rutile's financial position set out in Section 1.5 of the Target's Statement and the Half Year Financial Report, the Board is assessing funding solutions to provide additional short term working capital. Those funding options being considered currently include the potential for an unsecured working capital facility and/or an entitlement offer. The Board of Sierra Rutile intends to secure this working capital funding as soon as possible following the scheduled close date of the Offer Period, being 9 September 2024.

(a) Net loss after tax

Sierra Rutile recorded a half year net loss after tax of \$24.8 million. In addition to the operational issues that have resulted in a deterioration in the Company's net working capital position as set out in Section 1.5 of the Target's Statement, the Company has further impaired its property, plant and equipment and increased its provision against slow moving and obsolete consumable inventories (which are excluded from the net working capital position set out in Section 1.5 of the Target's Statement).

(b) Going concern

As set out in the Half Year Financial Report, there is a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern in the medium term and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The Half Year Financial Report highlights that the continuing viability of the Group and its ability to continue as a going concern is dependent upon a number of factors which include accessing finance in the form of debt or equity funds.

¹ Please refer to the latest Change of Director's Interest Notices released by Sierra Rutile on 26 August 2024 and 29 August 2024 which confirms that each of Martin Alciaturi, Graham Davidson and Theuns de Bruyn have accepted the Offer in respect of the Sierra Rutile Shares they hold or control as at the date of this Supplementary Target's Statement.

3 Status of Offer

As at the date of this Supplementary Target's Statement, Leonoil has disclosed that it has voting power (including by virtue of acceptances of the Offer) of approximately 24%.

The Offer remains conditional and is currently scheduled to close at 5:00pm (AWST) on 9 September 2024 unless withdrawn or extended in accordance with the Corporations Act.

4 Additional Information

4.1 Approval of Supplementary Target's Statement

This Supplementary Target's Statement has been approved by a resolution passed by the Sierra Rutile Directors on 29 August 2024.

Signed for and on behalf of
Sierra Rutile Holdings Limited



Greg Martin
Chairman
Sierra Rutile Holdings Limited

Annexure A: Half Year Financial Report

See next page.

Sierra Rutile Holdings Limited

Interim Financial Report

For the half year ended 30 June 2024

Appendix 4D

Results for announcement to the market		Half -Year 30 June 2024 US\$M	Half-Year 30 June 2023 US\$M
Revenue from ordinary activities	Decrease of 50% to	\$54.49	\$108.3
(Loss) from ordinary activities after tax attributable to members	Decrease of 3777% to	(\$24.8)	(\$0.6)
Net (loss) attributable to members	Decrease of 3777% to	(\$24.8)	(\$0.6)

The previous corresponding period is the half year ended 30 June 2023

The accompanying Interim Financial Report that follows gives commentary and further explanation of the results.

Dividend Information

No dividend was declared.

Net tangible asset backing

	30 June 2024	30 June 2023
Net tangible asset backing per share	A\$0.320	A\$0.476

Independent auditor's review

This Appendix 4D is based on the accompanying Interim Financial Report of Sierra Rutile Holdings Limited, which has been reviewed by PricewaterhouseCoopers ("PwC"). A copy of PwC's audit review report is included in the accompanying Interim Financial Report. The audit review report includes a section on a material uncertainty in respect of going concern. More information on this matter can be found in Note 1 to the Interim Financial Report.

Other information

Disclosure requirements for ASX Listing Rule 4.2A not contained in this Appendix 4D are included in Sierra Rutile Holdings Limited's Interim Financial Report and follows this ASX Announcement.

This ASX announcement has been authorised for release by the Board of Sierra Rutile Holdings Limited



Martin Alciaturi – Finance Director

21 August 2024



Sierra Rutile Holdings Limited

ABN: 79 613 822 165

Interim Financial Report

For the half year ended 30 June 2024

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DIRECTORS' REPORT

For the half year ended 30 June 2024

The directors present their report on the Group consisting of Sierra Rutile Holdings Limited (Sierra Rutile or the Company) and the entities it controlled (the Group) for the half year ended 30 June 2024 (the reporting period).

All figures are in US Dollars unless otherwise stated.

Operating and Financial Review

Financial Performance

Sierra Rutile had a challenging and eventful six months with major operational and corporate events occurring in the period. Operations at Area 1 were suspended from 11 March 2024 to 19 May 2024 in response to uncertainty regarding the Area 1 fiscal regime and ongoing weak market conditions.

The suspension of Area 1 operations had a significant impact on production numbers for the period and triggered a restructure of the Company's cost base which resulted in approximately 25% of the workforce being retrenched.

Ore mined, heavy mineral concentrate (HMC) and rutile production for January and February 2024 were in line with expectations. However, due to the temporary suspension of Area 1 operations, no ore was mined, HMC was not produced, and rutile production was not recorded for April or the early part of May.

Macroeconomic factors resulting in reduced pigment demand and lower rutile prices, together with operational challenges such as power supply disruptions at Area 1, also impacted Sierra Rutile's financial performance.

Revenues declined 49% compared to the corresponding period in 2023, with volumes of rutile produced and sold falling by 47% and 43% respectively whilst the average price of rutile sold declined by 18%.

	HY2024	HY 2023
Rutile sold (kt)	33	58
Ave. Rutile price (\$/t)	1,193	1,457
Revenue (US\$'000)	54,490	108,253
Cost of Sales (US\$'000)	(57,329)	(77,780)
Operating (Loss)/Profit (US\$'000)	(2,839)	30,473

Reported Net Loss After Tax for the half-year was \$24.8 million (HY 2023: loss \$0.6million)

Cost of sales were 26% lower reflecting lower volumes, but high fixed costs drove the company into losses resulting in a \$2.8 million operating loss excluding the impact of stand-by costs of \$8.1 million during the suspension of operations.

The challenging market conditions and uncertainty regarding the continuation of the Third Amendment Agreement tax concessions led to the decision to delay investment into the Mogbwemo Tails project and also contributed to the Company impairing its Area 1 assets by a further \$3.0 million.

The cash balance at period end was \$11.2 million, excluding \$41.0 million of additional funds set aside for rehabilitation in the independently managed Sierra Rutile Rehabilitation Trust. Approximately \$3.4 million of Trust funds were applied to rehabilitation activities during the year, with the Trust balance supplemented by investment returns.

The Company closed the year with a net working capital position (excluding consumables) of US\$44 million as of 30 June 2024.

	HY 2024 \$'000	HY 2023 \$'000
Cash generated from operating activities	9,057	7,125
Investments in P,P&E and exploration	(9,552)	(14,541)
Distribution from rehab trust	3,409	2,500
Other items	475	(114)
Net increase in cash and cash equivalents	3,389	(5,030)

The Sembehun Definitive Feasibility Study (and related Environmental, Social and Health Impact Assessment (ESHIA)) for Sembehun was completed during the period and additional capex of \$7.7 million was incurred maintaining the Area 1 mine life.

Operating Performance

Ore mined decreased year-on-year by 67% due to the suspension of operations and also a more measured approach to building ore stockpiles ahead of the wet season. Operations have resumed largely as expected following the suspension.

The lost-time injury (LTI) frequency rate ended on 0.13 following one fatality tragically occurring on site. This fatality represented the first 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. The Company remains committed to maintaining and improving safety performance as well as to sustainable environmental, social and governance practices and contributing to Sierra Leone's growth and employment.

The Company's environmental rehabilitation program is running well and met the milestone of rehabilitating 285Ha in 2023, against the regulatory requirement of 150ha, planting over 305,000 seedlings. No significant environmental incidents were reported.

Takeover Offers

Sierra Rutile has received strong competing interests in the Company from multiple parties, reflecting the strategic value of Sembehun both to the industry and Sierra Leone.

In March 2024, Sierra Rutile was subject to an unsolicited on-market takeover offer from PRM Services LLC (PRM) for all of the shares in Sierra Rutile at a price of \$0.095. The Board believed the PRM offer which was lodged prior to the release of the Sembehun DFS, did not adequately reflect the Company's value.

Following the PRM offer, Sierra Rutile received a takeover proposal from Gemcorp Commodities Assets Holding Limited (Gemcorp) for A\$0.16 a share, representing a 68.4% premium to the PRM offer. Whilst PRM and Gemcorp both currently remain shareholders, their takeover proposals have now expired or been withdrawn.

Post period end, the Company 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 is one of Sierra Rutile's largest shareholders, holding 19.85% of the issued shares in the Company. The Company released its Target Statement in relation to the Leonoil offer on 9 August. The Sierra Rutile Directors unanimously recommend each holder of Sierra Rutile shares ACCEPT THE LEONOIL OFFER and have indicated that they will ACCEPT THE LEONOIL OFFER in respect of all Sierra Rutile Shares they own or control, in both instances, in the absence of a Superior Proposal.

Board Composition

The Company held its Annual General Meeting (AGM) on 16 May 2024, which resulted in the appointment of Mr Jan Sebastian Cilliers Joubert to the Board. Ms Joanne Palmer stepped down from the Board on 24 April 2024 due to work and personal commitments.

Outlook

Sierra Rutile has remained committed to extracting value where possible from Area 1 operations while navigating the current takeover proposals. In May 2024, Sierra Rutile announced additional power generation capacity had been secured from leading energy supplier, Himoina Southern Africa Proprietary Limited (Himoina). This power will be provided by way of a 7MW power supply contract for additional power generation capacity over an 18-month term, with the option to extend.

Sierra Rutile completed the Sembehun Definitive Feasibility Study (DFS) in April 2024 and the Environmental Protection Agency in Sierra Leone also approved the Environmental, Social and Health Impact Assessment and associated Environmental, Social and Health Management Plan. The DFS demonstrated the significant strategic value of Sembehun, with an expected 14-year mine life. A final investment decision (FID) for Sembehun will be prioritised once long-term ownership of the Company is clearer.

Note 1 to these financial statements lists a number of factors that give rise to a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

Discussions with major Western pigment purchasers indicate that, while improved conditions are expected next year, 2024 pigment sales are projected to be little more than flat compared to 2023 year-on-year due to subdued housing markets. The Company has 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.

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

- Subsequent to the period end, the European Union has imposed provisional ant-dumping duty of 40% on Chinese pigment imports. Prior to the imposition of duties, Chinese imports represented about 40% of European consumption. As a result, European pigment prices are now predicted to rise.
- The possibility of falling inflation leading to interest rate reductions, which could help boost real estate and demand from other TiO₂ consuming sectors.
- Announcements of investments in Japan to support the growing demand for titanium metal in aerospace and novel applications.

Directors

The names of the directors of the Company during the entire reporting period and up to the date of this report are:

Current Directors

Greg Martin (Chairman)

Theuns de Bruyn (Managing Director and Chief Executive Officer)

Martin Alciaturi (Finance Director)

Graham Davidson (Non-Executive Director)

Patrick O'Connor (Non-Executive Director)

Jan Joubert (Non-Executive Director) – appointed 16 May 2024

Former Directors

Joanne Palmer (Non-Executive Director) – appointed 1 May 2022; resigned 24 April 2024

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 7.

Rounding of Amounts

The Company is of a kind referred to in "ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191", issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report and accompanying Financial Statements. Amounts in the Directors' Report have been rounded off in accordance with that Rounding Instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar, unless otherwise indicated.

Matters Subsequent to the End of the Reporting Period

The following events occurred subsequent to 30 June 2024:

- On 1 July 2024, Sierra Rutile (SRX) entered into a binding Bid Implementation Agreement with Gemcorp Commodities Assets Holding Limited (Gemcorp), under which Gemcorp would offer to acquire all of the issued and outstanding ordinary shares in SRX it does not already own at a price of A\$0.16 cash per share, with minimum 51% acceptance condition. Following the superior offer subsequently received from Leonoil Company Limited (Leonoil) this agreement was terminated on 29 July 2024 and SRX paid a US\$400,000 break fee to Gemcorp.
- On 15 July 2024, SRX received an unsolicited proposal from Leonoil advising that it intended to make a conditional off-market takeover bid for all of the issued and outstanding ordinary shares in SRX which Leonoil does not already own for a price of A\$0.18 cash per share, with no minimum acceptance condition.
- On 21 July 2024, SRX entered into a binding Bid Implementation Agreement with Leonoil requiring Leonoil to make the off-market takeover offer and, on 30 July 2024, Leonoil lodged its Bidders Statement. On 9 August 2024, SRX lodged its Target Statement.
- On 29 July 2024, Sierra Rutile received notice from Gemcorp terminating the Gemcorp Bid Implementation Agreement. Accordingly, Gemcorp was released from its contractual obligation to make a formal offer for all of the Sierra Rutile Shares it did not already own. Pursuant to the terms of the Gemcorp Bid Implementation Agreement, Sierra Rutile paid a US\$400,000 break fee to Gemcorp.

- On 31 July 2024, the earlier A\$0.095 cash per share PRM Offer expired.
- The Company has entered into an 18-month offtake agreement with a major pigment customer to supply a total of 75,000t of standard grade rutile.

Approval of Directors' Report

This Directors' Report is made in accordance with a resolution of the Board of Directors pursuant to section 298(2) of the Corporations Act 2001.



Greg Martin

Chairman

21 August 2024

Auditor's Independence Declaration



Auditor's Independence Declaration

As lead auditor for the review of Sierra Rutile Holdings Limited for the half-year ended 30 June 2024, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Sierra Rutile Holdings Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Ian Campbell', is written over a faint horizontal line.

Ian Campbell
Partner
PricewaterhouseCoopers

Perth
21 August 2024

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Condensed Consolidated Statement of Profit or Loss

For the half year ended 30 June 2024

	Notes	Half Year 2024 US\$'000	Half Year 2023 US\$'000
Revenue from contracts with customers	3	54,490	108,253
Cost of sales	4	(57,329)	(77,780)
Gross profit from operation		(2,839)	30,473
Other income		587	637
Standby costs during suspension of operations		(8,132)	-
Provision for slow and obsolete inventories	6	(8,923)	-
Impairment expenses	9	(3,075)	(28,808)
Other expenses		(2,930)	(5,389)
Net foreign exchange gains		1	579
Interest and finance charges		402	92
Remeasurement (loss)/gain – financial instruments		1,034	2,319
Loss before income tax		(23,875)	(97)
Income tax expense	5	(876)	(541)
Net loss for the half-year		(24,751)	(638)
Attributable to:			
Owners of Sierra Rutile Holdings Limited		(24,751)	(638)
Net loss per share			
Basic loss per share for loss attributable to owners of Sierra Rutile Holdings Limited		Cents (0.0616)	Cents (0.0037)
Diluted loss per share for loss attributable to owners of Sierra Rutile Holdings Limited		(0.0616)	(0.0037)

The above condensed Consolidated Statement of Profit or Loss should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Other Comprehensive Income

For the half year ended 30 June 2024

Notes	Half Year 2024 US\$'000	Half Year 2023 US\$'000
Net loss for the half-year	(24,751)	(638)
Other comprehensive income, net of tax		
Items that will not be reclassified to profit or loss		
Net exchange differences on translation of foreign operations	(1,364)	(941)
Other comprehensive loss for the half-year, net of tax	(1,364)	(941)
Total comprehensive loss for the half-year	(26,115)	(1,579)
Attributable to:		
Owners of Sierra Rutile Holdings Limited	(26,115)	(1,579)

The above condensed Consolidated Statement of Other Comprehensive Income should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Financial Position

As at 30 June 2024

	Notes	30 June 2024 US\$'000	31 Dec 2023 US\$'000
ASSETS			
Current assets			
Cash and cash equivalents		11,234	7,845
Trade and other receivables	7	16,904	46,599
Prepayments		6,642	6,483
Inventories	6	46,070	61,752
Current tax assets		260	764
Other financial assets	13	-	3,409
Total current assets		81,110	126,852
Non-current assets			
Prepayments		1,857	936
Property, plant and equipment	9	4,206	2,275
Exploration and evaluation assets	8	41,127	39,481
Right of use asset		87	107
Deferred tax assets		6	6
Other financial assets	13	41,046	40,113
Total non-current assets		88,329	82,918
TOTAL ASSETS		169,439	209,770
LIABILITIES			
Current liabilities			
Trade and other payables		24,520	32,800
Right of use lease liability		91	116
Current tax liability		326	-
Provisions	10	5,259	6,775
Total current liabilities		30,196	39,691
Non-current liabilities			
Provisions	10	49,541	54,569
Total non-current liabilities		49,541	54,569
TOTAL LIABILITIES		79,737	94,260
NET ASSETS		89,702	115,510
Equity			
Share capital	11	546,515	546,515
Other reserves		(2,572)	(1,515)
Accumulated losses		(454,241)	(429,490)
Total equity attributable to equity holders		89,702	115,510

The above condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Cash Flows

As at 30 June 2024

	Half Year 2024 US\$'000	Half Year 2023 US\$'000
Cash flows from operating activities		
Receipts from customers	90,901	106,882
Payments to suppliers and employees	(81,844)	(99,757)
Cash generated from operating activities	9,057	7,125
Interest received	68	847
Income taxes paid	(457)	(961)
Net cash inflow from operating activities	8,668	7,011
Cash flows from investing activities		
Distribution from rehabilitation trust	3,409	2,500
Payments for property, plant and equipment	(7,675)	(8,866)
Payments for exploration activities	(1,877)	(5,675)
Proceeds from sales of property, plant and equipment	864	-
Net cash outflow from investing activities	(5,279)	(12,041)
Cash flows from financing activities		
	-	-
Net increase / (decrease) in cash and cash equivalents	3,389	(5,030)
Cash and cash equivalents at the beginning of the reporting period	7,845	37,714
Cash and cash equivalents at end of the year	11,234	32,684

The above condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Changes in Equity

For the half year ended 30 June 2024

	Equity contribution US\$'000	Other reserves US\$'000	Accumulated losses US\$'000	Non-controlling interests US\$'000	Total equity US\$'000
At 1 January 2023	546,515	(2,096)	(409,383)	-	135,036
Loss for the half- year	-	-	(638)	-	(638)
Other comprehensive loss	-	(941)	-	-	(941)
Total comprehensive loss for the half-year	-	(941)	(638)	-	(1,579)
Transactions with owners in capacity as owners:					
Share-based payments	-	398	-	-	398
At 30 June 2023	546,515	(2,639)	(410,021)	-	133,855
As at 1 January 2024					
As at 1 January 2024	546,515	(1,515)	(429,490)	-	115,510
Loss for the half-year	-	-	(24,751)	-	(24,751)
Other comprehensive loss	-	(1,364)	-	-	(1,364)
Total comprehensive loss for the half-year	-	(1,364)	(24,751)	-	(26,115)
Transactions with owners in capacity as owners:					
Share-based payments	-	307	-	-	307
At 30 June 2024	546,515	(2,572)	(454,241)	-	89,702

The above condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

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1. Corporate Information and Basis of Preparation

Reporting Entity

Sierra Rutile Holdings Limited (Sierra Rutile or the Company) is incorporated and domiciled in Australia. Sierra Rutile's principal activities is in the operation of a multi-deposit mineral sands mining operation in southern Sierra Leone. The condensed consolidated financial statements comprise Sierra Rutile and its controlled entities (the "Group").

Basis of Preparation

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2024 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2023 and any public announcements made by Sierra Rutile Holdings Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001 and ASX listing rules.

The consolidated interim financial report was approved by the Board of Directors on 21 August 2024.

Going Concern

For the reporting period ended 30 June 2024, the Group incurred a net loss after tax attributable to owners of Sierra Rutile Holdings Limited of \$(24,751,000) [30 June 2022: \$638,000 loss].

There has been little substantive communication from the Government of Sierra Leone (GoSL) regarding the terms of the Third Amendment Agreement (TAA) since their letter of January 2024 suggesting that the TAA would no longer apply. Nevertheless, it remains the Company's opinion that any material adverse change to the TAA, which was ratified by the parliament of Sierra Leone in December 2021 and provides a number of concessions to Sierra Rutile including reduced royalty and minimum corporate tax rates, would render Area 1 uneconomic.

The Company continues to have a significant positive working capital position of \$44m (excluding consumables) as at 30 June 2024 but, following the suspension of operations at Area 1 between mid-March and mid-May 2024, the Company's working capital position has been impacted leading to reduced cash and receivables which, in conjunction with ongoing subdued market conditions, means the Company is not currently in a position to invest capital to extend mine life beyond early 2026.

As a result of the factors above, there is a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The continuing viability of the Group and its ability to continue as a going concern and meet its debts and commitments as they fall due are dependent upon a number of factors, including some or all of the following:

- Continued application of the TAA;
- No or limited interruption of power supply to Area 1 operations pending commissioning of new power units in September 2024;
- Achieving production volumes and costs in line with current budgets;
- Temporary support from suppliers in the form of deferred payment terms;
- Accessing finance in the form of debt or equity funds; and
- No further decline in market prices or conditions impacting the Group's ability to achieve forecast sales volumes and prices.

The Directors have reviewed the business outlook, cashflow forecasts and immediate capital requirements, taking into consideration the factors noted above and are of the opinion that the use of the going concern basis of accounting is appropriate and that the Group will have sufficient cash available to continue as a going concern for the 12 months from the date of this report.

The interim financial report does not include any adjustment relating to the recoverability or classification of recorded asset amounts or to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

Accounting Policies

The accounting policies adopted and applied by the group are consistent with those applied by the Group in its annual financial report for the year ended 31 December 2023.

A number of new and amended accounting standards have become applicable for the current reporting period. The Group does not expect any impact on the Interim Financial Report as result of adopting these new and amended accounting standards.

Significant accounting estimates and judgements

The preparation of the consolidated interim financial report requires management to make judgements, estimates and assumptions. The application of judgements and estimates can have a significant impact on the carrying amounts of the Group's assets and liabilities and financial results.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, and future period affected.

Areas of significant estimation and judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are outlined and discussed in the notes indicated below:

- Recognition of deferred taxes (note 5)
- Net realisable value of inventory (note 6)
- Impairment testing of exploration and evaluation assets (note 8)
- Restoration, rehabilitation and mine closure provision (note 10)

Rounding of Amounts

In accordance with ASIC Corporations Instrument 2016/191, the amounts in the consolidated financial statements have been rounded to the nearest one thousand dollars, except as indicated.

2. Segment information

The Group has only one operating location and one primary mining product being rutile, with ilmenite, zircon and other concentrate also being produced as part of the integrated mineral sand production process. Accordingly, the Group has one operating segment: the production, refining and sale of mineral sands.

	Half Year 2024 US\$'000	Half Year 2023 US\$'000
Segment revenue by location of customer facilities		
Asia	7,155	53,128
Europe	34,475	49,575
America	12,548	5,550
Africa	312	-
Total segment revenue	54,490	108,253

Revenue of \$35,639,000 were derived from two customers of the group, which individually accounted for more than 10% of total segment revenue during the half year ended 30 June 2024. (Half year 2023: \$57,766,000 from two customers)

3. Sales revenue

	Half Year 2024 US\$'000	Half Year 2023 US\$'000
Revenue from contracts with customers		
Rutile revenue	39,935	83,962
Ilmenite, zircon and other concentrates revenue	13,549	20,891
Freight revenue	1,006	3,400
Total revenue from contracts with customers	54,490	108,253

4. Cost of sales

	Half Year 2024 US\$'000	Half Year 2023 US\$'000
Labour	11,405	16,240
Repair and maintenance	4,819	13,191
Fuel	9,105	22,099
Contracted services	22,646	32,570
Other costs	1,580	1,833
Production cash costs	49,555	85,933
Change in inventory	6,222	(13,395)
Depreciation and amortisation	450	3,522
Other costs	1,102	1,720
Total cost of sales	57,329	77,780

5. Income tax

	Half Year 2024 US\$'000	Half Year 2023 US\$'000
Current tax expense	876	541
Income tax expense	876	541

The Group's primary operating subsidiary, Sierra Rutile Limited (SRL) is taxed under the provisions of the *Sierra Rutile Agreement (Rectification) Act 2001*. SRL's income tax payable was determined with respect to the applicable minimum turnover tax rates (0.5%). Income tax expense also includes tax payable on assessed incomes in subsidiaries with no operations.

Deferred tax

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. No deferred tax assets were recognised as at 30 June 2024 (2023: nil).

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group has a history of tax losses in Sierra Leone. In addition, the Group's forecasts are sensitive to changes in market demand, commodity prices and production volumes. Pending the results of the Area 1 life of mine extension program and any FID for Sembahun, Sierra Rutile has concluded that there is not yet convincing evidence that future taxable profit would arise against which existing deferred tax assets could be utilised. As required by accounting standards, no deferred tax assets have therefore been recognised at 30 June 2024. (2023: nil)

6. Inventories

	30 June 2024 US\$'000	31 Dec 2023 US\$'000
Ore stockpiles	6,292	3,999
Heavy mineral concentrate stockpiles	863	2,245
Finished goods stockpiles	25,064	31,716
Consumables	13,851	23,792
Total inventories	46,070	61,752

Standard grade rutile, Ilmenite and Zircon in concentrate finished goods (total \$15,902,000, 31 December 2023: 13,050,000) are held at net realisable value and other product inventories (Ore, heavy mineral concentrates and other finished goods products) are at cost.

A loss of \$2,004,000 has been recognised during the reporting period due to a decrease in the net realisable value of the finished goods inventory. (30 June 2023: \$297,000). Consumables are valued net of an increase to the provision for slow and obsolete consumable inventories of \$8,923,000 (30 June 2023: Nil) to reflect reduced usage rates and current expected Area 1 mine life.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Recoverability of consumables inventory

Consumables includes a range of spare parts and consumables needed to enable the efficient operation of the Area 1 operations, with the quantities held reflective of the remote location. These inventories are carried at cost where usage rates indicate they will be needed to support the current expected mine life. Where amounts on hand are estimated to be in excess of current estimated requirements, they are carried at realisable value reflective of expected recoverable amounts through resale or scrap.

Consistent with the requirements of accounting standards, these estimates were made using expectations of future mining at 30 June 2024.

7. Trade and other receivables

	30 June 2024 US\$'000	31 Dec 2023 US\$'000
Trade receivables	7,882	40,909
Other receivables	9,022	5,690
Total trade and other receivables	16,904	46,599

8. Exploration and evaluation assets

	30 June 2024 US\$'000	31 Dec 2023 US\$'000
Carrying amount at 1 January	39,481	29,434
Additions	1,646	10,047
Carrying amount at end of period	41,127	39,481

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group assesses exploration and evaluation assets for impairment if facts or circumstances suggest the carrying amount exceeds the recoverable amount.

No impairment indicators were identified for the Sembehun Project as the definitive feasibility study (DFS) was completed and released during the period. The DFS confirmed the significant value of Sembehun which is significantly greater than its carrying value. Funding of the Project will be progressed once the longer-term ownership of the Group is clarified, as referred in Note 16.

9. Property, plant and equipment

	Infrastructure US\$'000	Plant, machinery & equipment US\$'000	Mine development US\$'000	Asset under construction US\$'000	Total US\$'000
Cost	94,955	323,758	95,325	18,464	556,423
Accumulated depreciation	(88,898)	(317,474)	(83,993)	-	(514,285)
Impairment	(6,057)	(3,576)	(11,332)	(16,966)	(37,931)
Net carrying amount – 30 June 2024	-	2,708	-	1,498	4,206

Reconciliation of the carrying amount

At 1 January 2024	-	2,275	-	-	2,275
Additions	-	-	-	5,584	5,584
Transfers	118	946	-	(1,064)	-
Disposals	-	-	-	(48)	(48)
Depreciation charge for the period	(17)	(513)	-	-	(530)
Impairment charge	(101)	-	-	(2,974)	(3,075)
At 30 June 2024	-	2,708	-	1,498	4,206

9. Property, plant and equipment (continued)

Impairment

The Group's property, plant and equipment (PPE) are assessed as belonging to the Area 1 cash generating unit (CGU).

Impairment indicators were identified in 2023 as the carrying amount of the Group's net assets exceeded its market capitalisation, along with subdued market conditions and uncertainty regarding the continuation of the fiscal regime applied to Area 1 operations. An impairment expense of \$35,312,000 was recognised against PPE during 2023.

At 30 June 2024, the circumstances that led to the 2023 impairment have not reversed. Pigment market conditions continue to be challenging and the fiscal regime applicable to Area 1 remains uncertain. Furthermore, as Area 1 approaches the end of its mine life as a higher-cost operation in weakened pigment market conditions, the estimated recoverable amount of the Area 1 CGU, determined based on recoverable value estimates using cash flow projections, has further declined.

As the recoverable amount is expected to be below the CGU's carrying amount, a further impairment of \$3,075,000 has been recognised against PPE relating to capital expenditure in the first half of 2024.

The remaining carrying value of the PPE as of 30 June 2024 is \$4,206,000 (31 December 2023: \$2,274,000) being the fair value of certain items of PPE belonging to the Area 1 CGU which could be individually recovered through their sale less cost of disposal.

10. Provisions

	30 June 2024 US\$'000	31 Dec 2023 US\$'000
Current		
Rehabilitation and mine closure	5,259	5,140
Other provisions	-	1,635
	5,259	6,775
Non-current		
Defined benefit liability	8,917	10,914
Rehabilitation and mine closure	40,624	43,656
	49,541	54,569
Total provisions	54,800	61,345

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company has an obligation under the Sierra Rutile Agreement (Ratification) Act 2002, Mines and Minerals Act 2009, its Environmental Impact Assessment License and its mining concession lease to rehabilitate the areas that are disturbed during mining operations.

Restoration and mine closure costs are estimated using the work of external consultants as well as internal experts. Significant estimates and assumptions are made in determining the provision for mine rehabilitation and closure as there are numerous factors that will affect the ultimate amount payable over the life of the mine.

Restoration and mine closure costs are provided at the present value of the expenditures expected to settle the obligation, using estimated cash flows based on current costs over the assumed life of the mine. The provision at the reporting date represents Sierra Rutile's best estimate of the present value of the future rehabilitation costs required based on comprehensive rehabilitation plans detailing rehabilitation methodology, earthwork volumes, tender rates, headcounts of rehabilitation team, salary rates, footprint disturbances, infrastructure demolition, vegetation rate, and surface rent.

The present value of the restoration and mine closure provision is calculated based on a risk-free rate of US government bond at the end of the reporting period. A 0.5% change in discount rate would increase/decrease the provision by \$1,020,000.

11. Issued capital

	30 June 2024 US\$'000	31 Dec 2023 US\$'000
424,236,447 fully paid ordinary shares (31 Dec 23: 424,236,447)	546,515	546,515

12. Share based payments

No performance rights were issued under Sierra Rutile's Long Term Incentive Plan (LTIP) during the reporting period ended 30 June 2024.

The share-based payment expense recognised for the half year ended 30 June 2024 is \$316,000 (30 June 2023: \$398,000)

13. Other financial assets

	30 June 2024 US\$'000	31 Dec 2023 US\$'000
Current		
Security deposits and restricted cash	-	3,409
	-	3,409
Non-current		
Security deposits and restricted cash	1,780	1,262
Managed investment funds – at fair value through profit or loss	39,266	38,851
	41,046	40,113
Total other financial assets	41,046	43,522

14. Fair value measurement financial instruments

The Group's Level 1 financial assets represent listed securities within the managed equity funds in the Rehab trust, the fair value of which are based on their quoted market prices at the end of the reporting period. The investments in other unlisted unit trusts are classified as Level 2 financial assets and are recorded at the redemption value per unit as reported by the investment managers of such funds.

	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
30 June 2024				
Financial asset – Managed investments in rehab trust	18,036	21,230	-	39,266
31 December 2023				
Financial asset – Managed investments in rehab trust	18,447	20,404	-	38,851

15. Commitments

Capital expenditure commitments

Capital expenditure contracted for and payable, but not recognised as liabilities is \$3,566,000 (2023: \$17,202,000). All of the commitments related to the purchase of property, plant and equipment for Area 1 mining operation (\$3,152,000) and the Sembehun DFS (\$414,000). The total amount is expected to be paid within one year of the reporting date.

16. Events that occurred after the reporting period

The following events occurred subsequent to 30 June 2024:

- On 1 July 2024, Sierra Rutile (SRX) entered into a binding Bid Implementation Agreement with Gemcorp Commodities Assets Holding Limited (Gemcorp), under which Gemcorp would offer to acquire all of the issued and outstanding ordinary shares in SRX it does not already own at a price of A\$0.16 cash per share, with minimum 51% acceptance condition.
- On 15 July 2024, Sierra Rutile received an unsolicited proposal from Leonoil Company Limited (Leonoil) advising that it intends to make a conditional off-market takeover bid for all of the issued and outstanding ordinary shares in SRX which Leonoil does not already own for a price of A\$0.18 cash per share, with no minimum acceptance condition.
- On 21 July 2024, Sierra Rutile entered into a binding Bid Implementation Agreement with Leonoil requiring Leonoil to make the off-market takeover offer and, on 30 July 2024 Leonoil lodged its Bidders Statement. On 9 August 2024, SRX lodged its Target Statement.
- On 29 July 2024, Sierra Rutile received notice from Gemcorp terminating the Gemcorp Bid Implementation Agreement. Accordingly, Gemcorp was released from its contractual obligation to make a formal offer for all of the Sierra Rutile Shares it did not already own. Pursuant to the terms of the Gemcorp Bid Implementation Agreement, Sierra Rutile paid a US\$400,000 break fee to Gemcorp.
- On 31 July 2024, the earlier A\$0.095 cash per share PRM Offer expired.
- The Company has entered into an 18-month offtake agreement with a major pigment customer to supply a total of 75,000t of standard grade rutile.

The directors declare that:

1. In the directors' opinion, the consolidated financial statements and notes thereto, as set out on pages 8 to 21 are in accordance with the Corporations Act 2001, including:
 - (a) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
 - (b) giving a true and fair view of the financial position of the Group as at 30 June 2024 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds, at the date of this declaration, to believe that Sierra Rutile Holdings Limited will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made by the Managing Director and Chief Executive Officer and the Finance Director to the directors in accordance with section 295A of the Corporations Act 2001 for the half-year ended 30 June 2024.

This declaration is made in accordance with a resolution of the directors.



Greg Martin

Chairman

21 August 2024

Independent Auditors Report



Independent auditor's review report to the members of Sierra Rutile Holdings Limited

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Sierra Rutile Holdings Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the condensed consolidated statement of financial position as at 30 June 2024, the condensed consolidated statement of other comprehensive income, condensed consolidated statement of profit or loss, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Sierra Rutile Holdings Limited does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 30 June 2024 and of its performance for the half-year ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty relating to going concern

We draw attention to Note 1 in the half-year financial report, which indicates that the Group incurred a net loss after tax of \$24,751,000 during the half year ended 30 June 2024. Note 1 comments on the impact of current market conditions on the Group's financial performance and the potential impact of any material adverse changes to the fiscal arrangements to the Group's Area 1 mining operations. These conditions, along with other matters set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

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Responsibilities of the directors for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2024 and of its performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers', written in a cursive style.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Ian Campbell', written in a cursive style.

Ian Campbell
Partner

Perth
21 August 2024