



Sierra Rutile

## ASX ANNOUNCEMENT

18 MAY 2023

### Sierra Rutile 2023 Annual General Meeting

Sierra Rutile Holdings Limited (ASX: SRX) (“Sierra Rutile” or the “Company”) today held its first Annual General Meeting of Shareholders.

Shareholders voted on three resolutions:

- Adoption of the Remuneration Report
- To Appoint PricewaterhouseCoopers as Auditors
- Re-Elect Greg Martin as Director

A transcript of the addresses delivered by the Chairman and the Managing Director & CEO is attached.

Ends

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

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**SIERRA RUTILE HOLDINGS LIMITED**  
**2023 ANNUAL GENERAL MEETING**  
**Thursday, 18 May 2023**  
**Chairman's and Managing Director & CEO's Addresses**

**Chairman's address**

It has been my pleasure and privilege to serve as Chair of Sierra Rutile over the past year. I must say 2022 was a period of change and progress for the business, marked by the successful demerger from Iluka Resources in August and the listing on the Australian Securities Exchange (ASX).

While we are a recent addition to the ASX, Sierra Rutile is the world's largest natural rutile producer, with a rich history spanning more than 50 years at the Area 1 operations in Sierra Leone. We also have a growth pathway through the proposed development of the adjacent Sembehun project. Sembehun represents one of the largest and highest quality known rutile deposits in the world, offering an attractive development opportunity, long mine life and additional exploration potential.

The demerger has positioned the business with a strong balance sheet and an experienced and dedicated Board and Management team focused on maximising value from the existing Area 1 operations and progressing the Sembehun project.

Pleasingly, the operational performance led to a strong financial result for 2022. We delivered a Net Profit after Tax (NPAT) of US\$75.6 million on revenue of US\$254 million, up 38% on the prior year. Production for the year was 136kt of rutile, an increase of almost 9kt, despite operations being hampered in Q3 by the highest quarterly rainfall ever recorded at site.

Importantly, we finished the year with a strong net cash position of US\$37.7 million in addition to the rehabilitation trust fund established by Iluka as part of the demerger, to support Area 1 rehabilitation obligations.

We also commenced the Definitive Feasibility Study or DFS for Sembehun in September with the appointment of consulting engineers Hatch to undertake the study work. The DFS is on track to be completed by late 2023, with a final investment decision on the project expected early in 2024.

Employing over 2,000 people, the health and safety of all employees, contractors and visitors is our top priority. The Lost time Injury Frequency Rate (LTIFR) at the end of 2022 was 0.40 and the Total Reported Injury Frequency Rate (TRIFR) was 1.3, with three LTI incidents reported during the year. These are good numbers for the industry but continuing to improve safety performance remains an operational priority.

As a large participant in the Sierra Leone economy, we are committed to being at the forefront of environmental management in the local mining industry. As part of this, a total of 150 hectares of previously disturbed land were rehabilitated during 2022, and plans are in place to rehabilitate 250 hectares during 2023.



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We are also proud of our long association with the local communities in which we operate, and we remain committed to promoting and supporting community projects that fall under our social investment support pillars of water, health, sanitation and education. This included commissioning two community health centres built within our operational areas and in communities where malaria and typhoid are endemic and where access to health facilities was very challenging.

Recently in May, we announced that the Government of Sierra Leone is seeking to renegotiate the terms of the Area 1 fiscal regime which are set out in the Third Amendment Agreement. The Third Amendment Agreement applies to the remaining production from the existing operations at Area 1. Although any changes to the fiscal arrangement require our agreement, we expect to enter a dialogue with the Government of Sierra Leone soon. We will keep our shareholders informed of further developments.

With the Sembehun DFS underway, we just announced the appointment of Cutfield Freeman & Co as the debt adviser for Sembehun. We also announced our intention to develop Sembehun as one development, replacing the originally planned phased approach for the project. The full development approach will maximise project value and debt funding capacity, without impacting the timetable for the DFS.

In conclusion, on behalf of the Board, I would like to extend my gratitude to senior management and all our people in Sierra Leone, Australia and elsewhere for their dedication and contributions during the year.

I would also like to extend my thanks to you, our shareholders, for your patience and support through the demerger process and welcome those that have joined us in our new phase as a stand-alone listed resource company. We are advancing our strategy to deliver long term value for our shareholders.

### **Managing Director & CEO's address**

Thank you, Chair and welcome to all our shareholders and guests joining us online. As Greg mentioned earlier, this has been a year of significant corporate change at Sierra Rutile, but also business as usual as we continue the production at Area 1, and progress the development of Sembehun.

### *Strategy*

By way of background, Sierra Rutile is the world's largest supplier of natural rutile. We supply 20 to 25% of the world's supply of this titanium mineral used for pigment, sponge/metal and welding markets.

The Company straddles the Bonthe and Moyamba districts in southern Sierra Leone. With over 50+ years in operation at Area 1 and a workforce of over 2,000 employees, we are one of the largest private employers in Sierra Leone.



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Our strategy in 2022 was focused on maximising cashflows from Area 1 operations by pursuing efficiency gains; as well as developing the nearby Sembehun project to increase production and materially extend the overall life of operations. This strategy has led to improved operating performance at Area 1.

As Greg mentioned, our solid operating performance drove increases in Revenue, EBITDA and NPAT for 2022. We are pleased by our performance, considering the results were delivered during ongoing COVID-19 challenges, the demerger and the extreme wet weather in the third quarter of 2022.

Looking ahead, we have an attractive pathway through our Sembehun project, home to some of the largest and highest-grade natural rutile deposits in the world. The Company will make material capital investments in 2023, both in completing the Sembehun DFS and maximising the efficiency of Area 1 operations.

As the world's leading natural rutile producer, we also have a long-standing commitment to implementing effective sustainability practices and being at the forefront of environmental management in the Sierra Leone mining industry. As part of this, we have an Environmental, Social and Health Impact Assessment (ESHIA) plan for Area 1, while an ESHIA plan for Sembehun is currently underway and is estimated to be completed by the end of 2023.

Our roots in Sierra Leone run deep, and we take pride in our social investments that support the country's growth and employment. Moreover, the health and safety of our employees, contractors, and visitors are our top priority, and we are continuously working to improve our safety performance.

### *Market Outlook*

Looking at the current industry outlook, the largest market for our products, the pigment market, is facing challenging macro conditions due to increased input costs and reduced demand from end-users in an inflationary environment. Looking at the recent 1Q 2023 earnings from leading US-based pigment producers, TiO<sub>2</sub> sales volumes were down approximately 30% YoY as a result of softer market demand in key regions, surging interest rates, and the effects of inflation on higher production costs, primarily raw material and energy. A gradual TiO<sub>2</sub> demand improvement is anticipated through 2023, albeit at slower pace than envisaged earlier this year.

As our customers are operating at reduced production rates, this is impacting our 1H 2023 results. However, we expect customer demand to gradually return later in the year with our annual production somewhat back-weighted towards the second half.

On the back of the slower demand recovery and higher production costs, we envisage production and capex for 2023 to be at the lower end of guidance, reflecting in unit costs likely being at the top of the guidance range and cashflow being weak for the current quarter.



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We will continue to monitor current near-term customer demand levels, but we believe the long-term outlook for our industry and our Company remains solid. Overall, we have maintained our full year guidance for 2023, Sembehun remains on track, and we are taking steps to preserve our competitive position.

*Conclusion*

In conclusion, I would like to thank you, our shareholders for your continued support, our team for their dedication and support of each other and of our communities, our Board for their considered guidance, and our leadership team for their tireless commitment.

Together, we have achieved a considerable amount and we are looking forward to delivering future value to our shareholders.