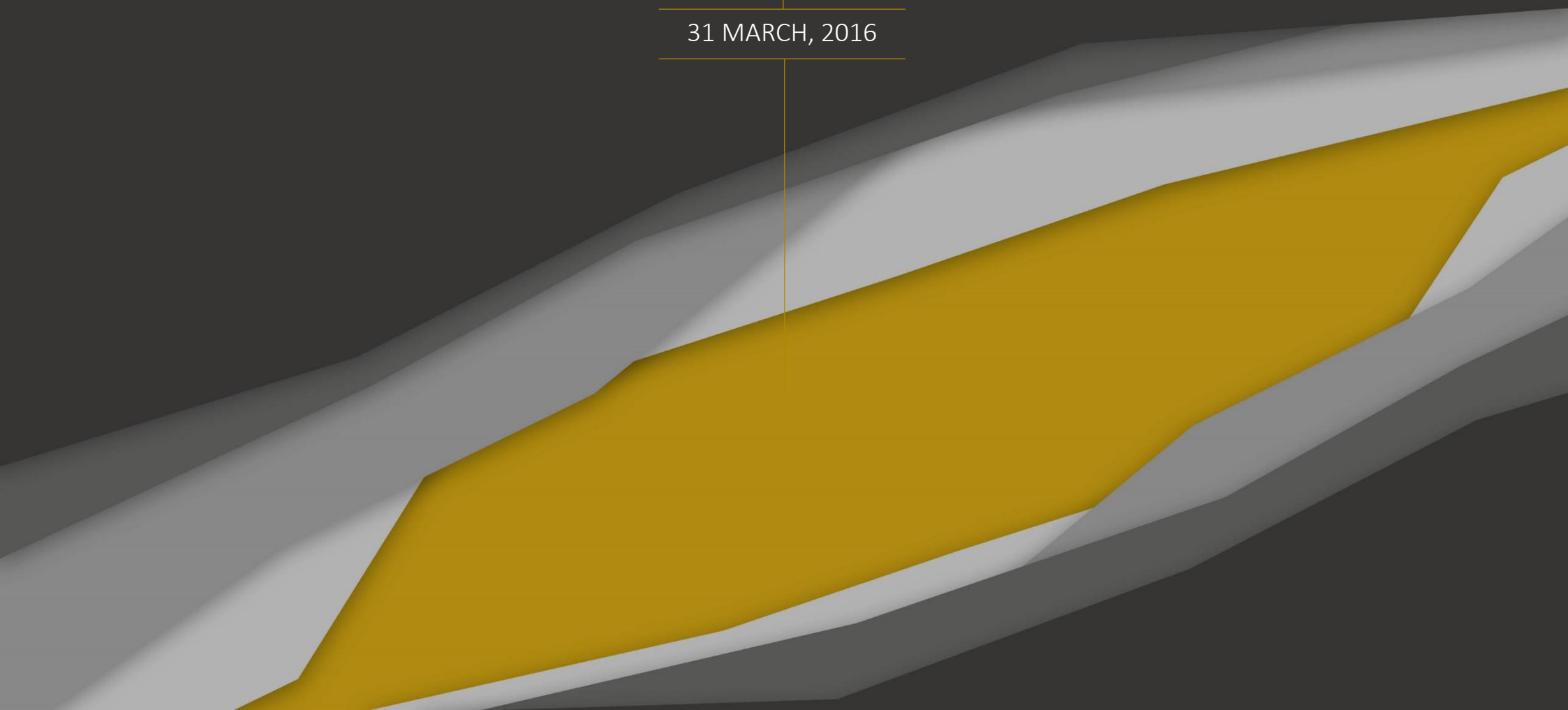




# Sierra Rutile Limited

## 2015 PRELIMINARY RESULTS PRESENTATION

31 MARCH, 2016



# DISCLAIMER

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## Forward-Looking Information

This document may contain forward-looking statements. These forward-looking statements are made as of the date of this document and Sierra Rutile Limited (the “Company”) does not intend, and does not assume any obligation, to update these forward-looking statements, whether as a result of new information, future events or otherwise, except as required under applicable securities legislation.

Forward-looking statements relate to future events or future performance and reflect the Company management’s expectations or beliefs regarding future events and future performance and include, but are not limited to, statements with respect to the estimation of mineral reserves and resources, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital expenditures, success of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage. In certain cases, forward-looking statements can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved” or the negative of these terms or comparable terminology. By their very nature forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward looking statements. Such factors include, among others, risks related to actual results of current exploration activities; changes in project parameters as plans continue to be refined; future prices of mineral resources; possible variations in ore reserves, grade or recovery rates; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; as well as those factors detailed from time to time in the Company’s interim and annual reports. These risks, uncertainties, assumptions and other factors could adversely affect the outcome and financial effects of the plans and events described herein.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward looking statements.

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No reliance may be placed for any purposes whatsoever on the information contained in this document or any other material discussed verbally or on its completeness, accuracy or fairness.

The mineral resource information in this document has been reviewed and approved for release by Mr Mark Button, NHDip, MMRM, Pr.Sci.Nat. who has 25 years’ experience in mineral commodities, of which 15 years is specific to mineral resource estimation, and is currently an independent contractor providing consulting services to Sierra Rutile Limited. Mr Button has sufficient experience in relation to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the 2012 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”. Mr Button has consented to inclusion of this mineral resource information in the form and context in which it appears. A ‘Mineral Resource’ is a concentration or occurrence of solid material of economic interest in or on the Earth’s crust in such form, grade (or quality), and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade (or quality), continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.

Note: All figures unless noted are in U.S. dollars.



# THE SIERRA RUTILE TEAM

*Experienced, committed and innovative*



**Robert Edwards**  
Chairman

- *Over 20 years experience in mining operations and the equity capital markets, with a particular focus on the natural resources sector*
- *Currently a Non-Executive Director of MMC Norilsk Nickel, GB Minerals and Highcross Resources*



**John Bonoh Sisay**  
Chief Executive Officer

- *Sierra Leone national with over 20 years experience in African mining sector, having worked in 10 African countries*
- *Formerly with De Beers and America Mineral Fields (now First Quantum)*
- *Has served as the President of the Chamber of Mines, Sierra Leone*
- *10 years at Sierra Rutile*



**Matthew Hird**  
Chief Financial Officer

- *Over 20 years experience in the mining sector and financial management including Kazakhmys plc, where he served as CFO*
- *Qualified chartered accountant with Deloitte*



**Wayne Venter**  
Chief Operating Officer

- *25 years of experience in mining operations internationally*
- *Formerly with Norilsk Nickel, where he served as CEO of the Australian Operations*
- *Previously held senior management positions at Anglo Platinum operations in Africa*



**Derek Folmer**  
Chief Marketing Officer

- *Over 20 years experience in the mining sector, including Rio Tinto*
- *Mineral sands background including global sales management, formulating marketing strategy, and business development*
- *Mining Engineering and MBA degrees from McGill University*



**Neil Gawthorpe**  
Marketing Director

- *Over 20 years experience in industrial minerals marketing with senior commercial roles at Frank and Schulte and Minelco Groups*
- *Part of the senior management team at Sierra Rutile since 2008*
- *Qualified Mineral Engineer from the University of Leeds*



# FY 2015 HIGHLIGHTS

*Record production<sup>(1)</sup>, guidance achieved and strong financial results in 2015*

## Operational Performance

- > Annual rutile production 126Kt – 10% increase YoY
- > Strong cost controls – 5% reduction in Production Cash Cost<sup>(2)</sup> YoY
- > Gangama Dry Mine project on-track and on-budget

## Financial Highlights

- > EBITDA \$16m – 9% increase YoY
- > Free Cash Flow \$17m – 158% increase YoY

## Strategic Roadmap Forward

- > Market-led business model
- > Flexible, long-life, multi-mine operation
- > Disciplined growth
- > Shareholder value creation

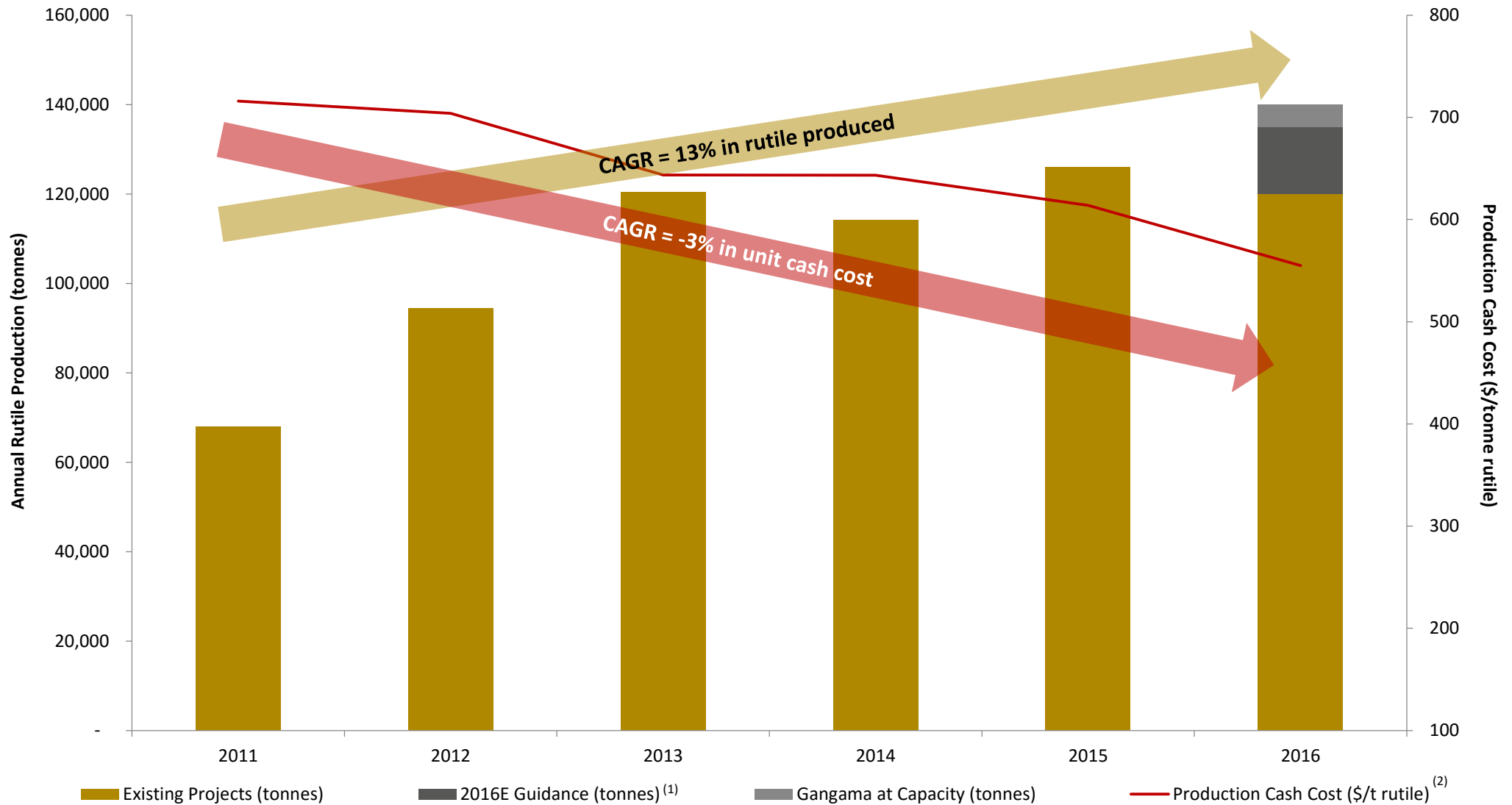
<sup>1</sup> Highest ever annual production since Sierra Rutile operations restarted in 2006.

<sup>2</sup> Production Cash Cost calculated as total direct costs of sales less depreciation, amortisation, inventory write-offs, freight costs and change in value of finished goods inventory divided by tonnes of rutile produced. Historic production cash costs have been restated from prior years, principally to reflect their calculation gross of by-product credits, consistent with the peer group (see slide 38).



# PRODUCTION PROFILE AND CASH COSTS

*Production from Gangama Dry Mine raises production capacity in H2 2016*



<sup>1</sup> See slide 28 for 2016 guidance.

<sup>2</sup> Production Cash Cost calculated as total direct costs of sales less depreciation, amortisation, inventory write-offs, freight costs and change in value of finished goods inventory divided by tonnes of rutile produced. Historic production cash costs have been restated from prior years, principally to reflect their calculation gross of by-product credits, consistent with the peer group (see slide 38). Assuming the implementation of further cost saving initiatives, production cash cost is expected to be between \$540/t and \$590/t.



# THE SIERRA RUTILE STORY

## Company Highlights

**High grade**  
94% Titanium feedstock

PLANT CAPACITY  
INFRASTRUCTURE TO  
PRODUCE  
**200Kt**

5 YR PRODUCTION  
CAGR  
**13%**

2<sup>ND</sup> BIGGEST RUTILE  
RESOURCE WORLDWIDE  
**8.2Mt**  
In-situ Contained Rutile

NUMBER OF STAFF  
95% FROM SIERRA LEONE  
**1,481**

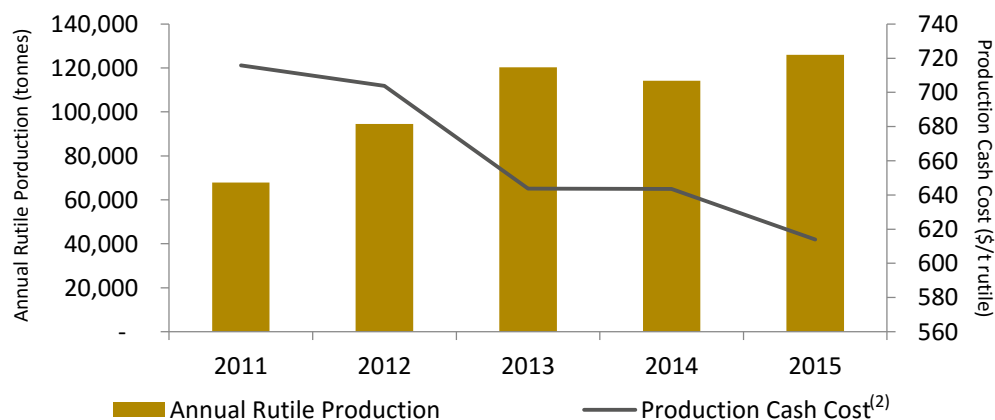
5 YR PRODUCTION CASH COST<sup>(2)</sup>  
CAGR  
**-3%**

RESOURCE MINE LIFE  
**50+ yrs**

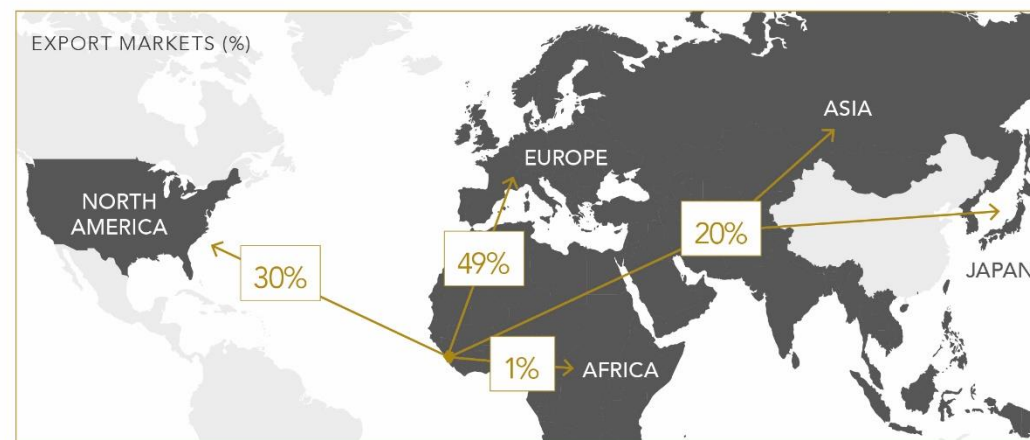
ESTABLISHED HISTORY  
OF OPERATIONS  
**49 yrs**

CONTRIBUTION TO SIERRA  
LEONE'S GDP<sup>(4)</sup>  
**2.4%**

## Historical Production



## Geographic Segmentation<sup>(3)</sup>

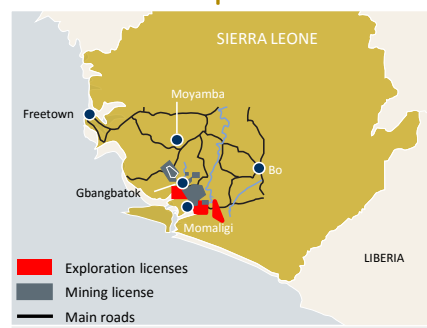


NORTH AMERICAN AND  
EUROPEAN EXPORTS  
**79%**

AVERAGE CUSTOMER PURCHASE  
TENURE<sup>(1)</sup> OF  
**8yrs**

OUR LONGEST STANDING  
CLIENT<sup>(1)</sup> HAS BEEN A CUSTOMER  
FOR OVER **10yrs**

## Location Of Operations



## Key Customers



1 Since operations restarted in 2006.

2 Production Cash Cost calculated as total direct costs of sales less depreciation, amortisation, inventory write-offs, freight costs and change in value of finished goods inventory divided by tonnes of rutile produced. Historic production cash costs have been restated from prior years, principally to reflect their calculation gross of by-product credits, consistent with the peer group (see slide 38).

3 Segmentation of 2015 revenue by region shipped.

4 Calculation based on 2014 World Bank Statistics (<http://data.worldbank.org/country/sierra-leone>).





**2015 PRELIMINARY RESULTS**  
OPERATIONS AND GANGAMA PROJECT

WAYNE VENTER



# OPERATIONAL PERFORMANCE

*Achieved upper end of production targets in 2015*

## 2015 Highlights

- > Record production and guidance achieved
- > Solid performance from all mining units
  - Dredge produced 155kt HMC
  - Lanti Dry Mining production increased 28% YoY to 139kt HMC
- > Planned dip in average grade mined

Actual	2015	2014	% change / bps
Ore mined (Kt)	7,984	7,584	5.3
Average grade (%)	1.60	1.69	(0.09)
HMC processed (Kt)	524	344	52.3

## 2016 Trends

- > Commissioning of Gangama Dry Mine
  - On-track and on-budget for Q2 2016
  - Overall grade profile to improve with Gangama
- > Improvements in utilisation and recovery rates expected
  - Completion of debottlenecking initiatives

Production	2015 Guidance	2015 Actual	2016 Guidance
Rutile (Kt)	120 – 130	126	120 – 135





# HEALTH & SAFETY

*Continued strong commitment to improved health & safety performance across the organization and community*

## 2015 Highlights

- > LTIFR<sup>(1)</sup> YoY reduction of 26%
- > Re-launched HSE program across the organisation
- > Completed safety re-induction of all employees and contractors
- > Stringent health monitoring and support for health initiatives within our local communities
- > One fatality in 2015

YoY reduction  
in LTIFR of

26%

2015A

LTIFR of  
0.14

## 2016 Initiatives

- > Continuous improvement
- > Safety officers business partnering
- > CSR initiative – new local community program in addition to previous initiatives

In line with

INDUSTRY  
BENCHMARKS

3-YR reduction  
in LTIFR of

33%



# COMMUNITY

*Significant contribution made in 2015 to the local community*

## 2015 Highlights

- > Significant contribution
- > Constructed a primary school for the local community
- > Significant ongoing support towards Sierra Leone's efforts pre and post Ebola
- > Local technical college, sponsored by Sierra Rutile, provides education to over 300 students
- > Sierra Rutile's medical facility treated over 1,700 people
  - Significant donations of equipment to local research and education centres

## 2016 Trends

- > Community focus continues into 2016
- > African Lion agriculture partnership between Sierra Rutile and Carmanor to accelerate the development of palm oil, rubber and cacao plantations



# GANGAMA CONSTRUCTION UPDATE

*Gangama project progressing on time and on-budget*

- > Gangama Dry Mine construction remains on-schedule and on-budget:
  - As of March 28, 2016, \$26m of project expenditure incurred with 88% of construction complete



- > Significant project milestones achieved to date, include:
  - ✓ completion of contractor camp construction
  - ✓ terrace bulk earthworks complete
  - ✓ completion of concentrator plant fabrication
  - ✓ motor control center construction complete
  - ✓ scrubber construction complete
  - ✓ construction on dam wall commenced

	Q1 2016	Q2 2016	Q3 2016
<b>Gangama Dry Mine</b>			
Construction			
Plant handover			
Commissioning			
Commercial Production			
Ramp-up			



An aerial photograph of an industrial facility, possibly a power plant or refinery, featuring a large white dome structure on the left, several cylindrical storage tanks in the center, and a body of water in the foreground. The background shows a forested area and distant mountains. The image is overlaid with a dark grey semi-transparent layer, and a yellow and white abstract graphic element is visible on the left side.

**2015 PRELIMINARY RESULTS**  
SALES AND MARKETING UPDATE

NEIL GAWTHORPE

# SALES PERFORMANCE

*Deep customer relationships with value placed on premium product*

## 2015

- Record production volumes sold to long-standing customers
- Average realised price YoY decrease of 3%
- Focus put on maximising profitability, rather than maximising volumes

## 2016 Outlook

- In excess of 90% of 2016 maximum targeted volumes committed
- Supply chain destocking in both pigment and titanium metal
- On track to becoming the largest rutile producer in 2016
- Collaborative long-term rutile demand planning with customers

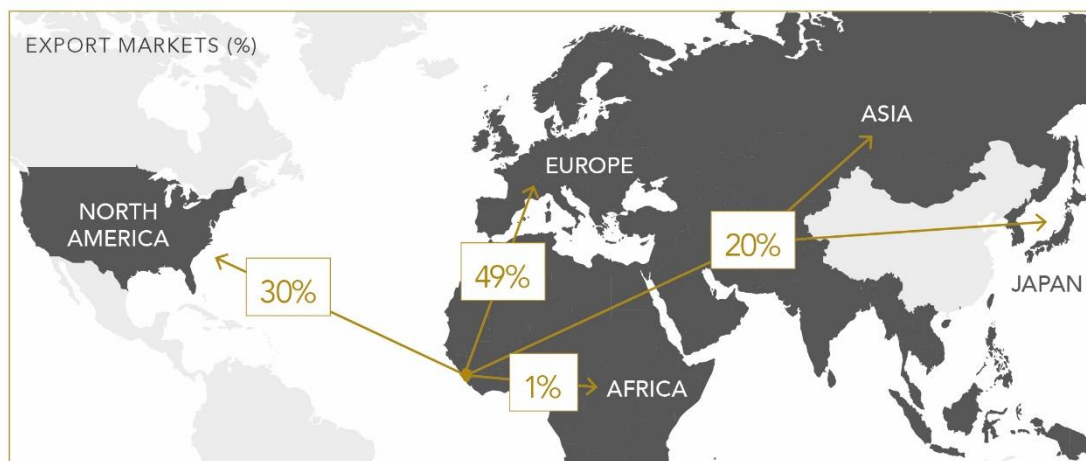




# MARKET UPDATE

*Deep customer relationships with value placed on premium product*

## Geographic Sales Breakdown<sup>(1)</sup>



## Demand Outlook for Sierra Rutile's Product

- Sierra Rutile provides a premium product which it believes enables the company to withstand the challenging market conditions
- Sierra Rutile supplies product to all consuming sectors, being pigment, metal and welding

## Key Customers



ONE OF TWO COMPANIES WITH THE CAPACITY TO SUPPLY

**100,000t**

OF RUTILE PER ANNUM

TZMI LONG-TERM RUTILE PRICE ABOVE

**\$1,000/t**

NORTH AMERICAN AND EUROPEAN EXPORTS

**79%**

OF SIERRA RUTILE SALES

**0%** OF SALES TO CHINA (lowest margin market)





2015 PRELIMINARY RESULTS

FINANCIAL UPDATE

MATTHEW HIRD



# FINANCIAL HIGHLIGHTS

## Resilient financial performance

- > EBITDA margin increased to 15.2%
- > Strong FCF generation demonstrates cash conversion ability
- > Lower sales volumes to protect margins
- > Successful cost control across business
- > Active management of working capital
- > Free cash flow and debt draw down to fund Gangama Dry Mine project

KPI's		2015	2014	% change / bps
Revenue	\$m	105.8	117.8	(10.2)
<b>EBITDA<sup>(1)</sup></b>	<b>\$m</b>	<b>16.1</b>	<b>14.8</b>	<b>8.8</b>
<b>EBITDA Margin</b>	<b>%</b>	<b>15.2</b>	<b>12.6</b>	<b>2.6</b>
Production Cash Cost <sup>(2)</sup>	\$/t	614	643	(4.5)
<b>Free Cash Flow<sup>(3)</sup></b>	<b>\$m</b>	<b>17.3</b>	<b>6.7</b>	<b>158.2</b>
Net Debt <sup>(4)</sup>	\$m	46.4	36.4	27.5

1 EBITDA is defined as earnings/(loss) before finance income/(costs), tax, depreciation, amortisation, share based payments, impairment charges and inventory write-offs.

2 Production Cash Cost calculated as total direct costs of sales less depreciation, amortisation, inventory write-offs, freight costs and change in value of finished goods inventory divided by tonnes of rutile produced. Historic production cash costs have been restated from prior years, principally to reflect their calculation gross of by-product credits, consistent with the peer group (see slide 38).

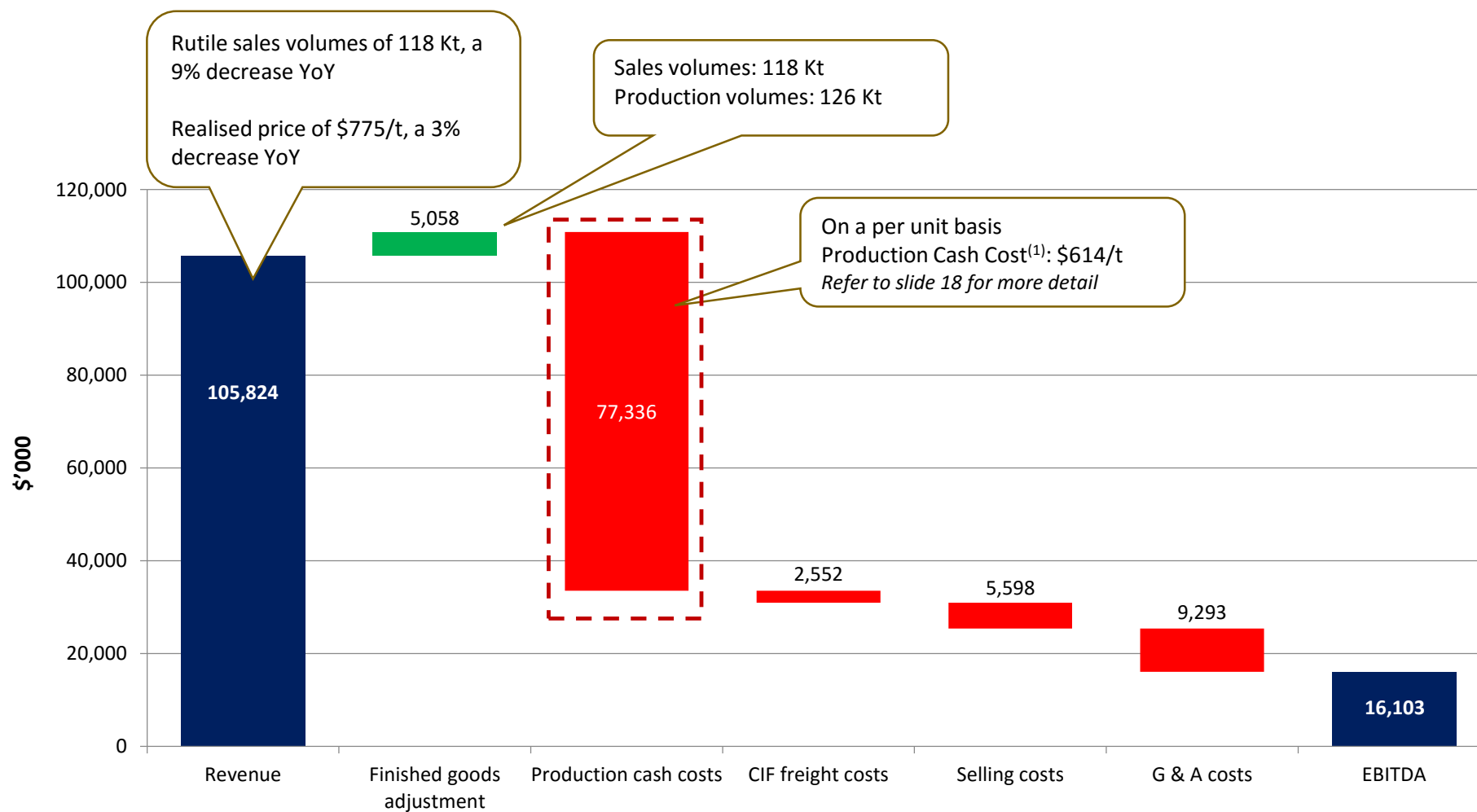
3 Free Cash Flow is defined as EBITDA less stay-in-business capital expenditure, tax payments and working capital movements.

4 Net Debt is defined as total borrowings less cash and cash equivalents.



# REVENUE TO EBITDA

*Generated EBITDA of \$16.1 million despite lower prices and sales volumes*

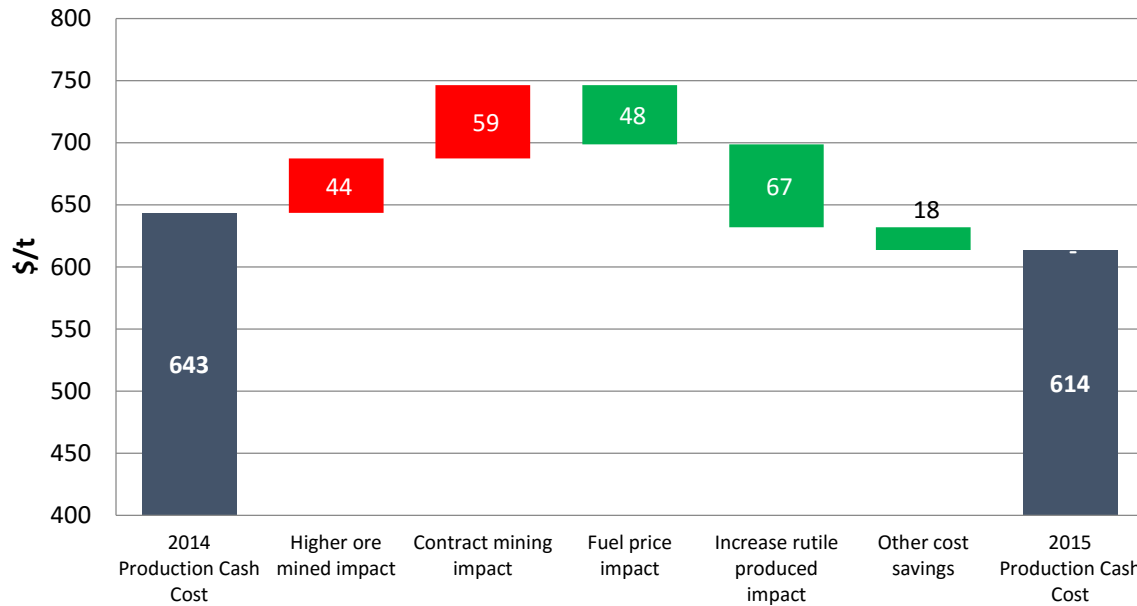


<sup>1</sup> Production Cash Cost calculated as total direct costs of sales less depreciation, amortisation, inventory write-offs, freight costs and change in value of finished goods inventory divided by tonnes of rutile produced. Historic production cash costs have been restated from prior years, principally to reflect their calculation gross of by-product credits, consistent with the peer group (see slide 38).

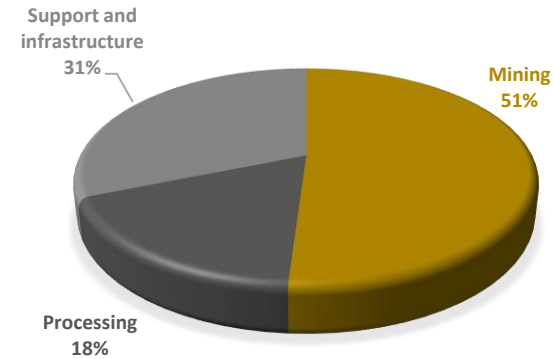


# PRODUCTION CASH COSTS

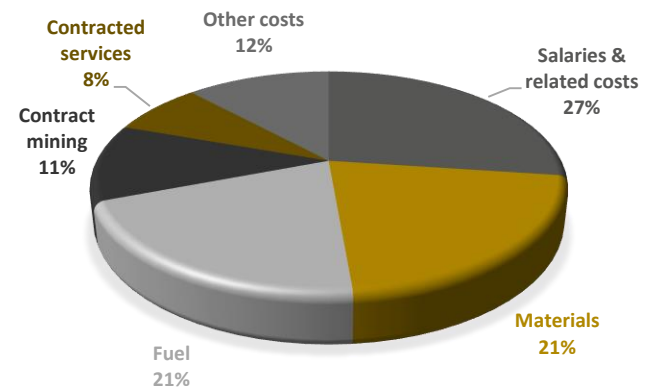
*Reduction in costs remains key focus*



## Production Cash Costs 2015<sup>(1)</sup>



50% Fixed  
50% Variable



- > Additional ore volumes at Lanti dry mine
- > Contract mining of historic tailings

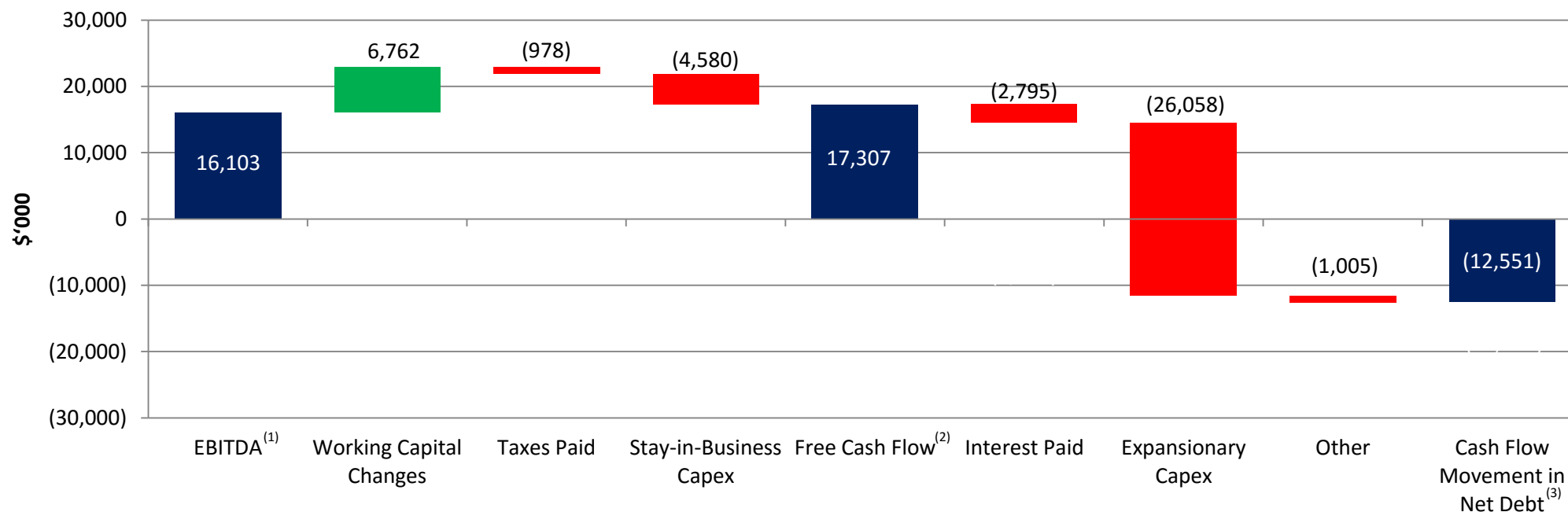
- > Decrease in fuel prices
- > Increased production dilute fixed costs
- > Implementation of cost saving initiatives
- > Improved supplier pricing

<sup>1</sup> Production Cash Cost calculated as total direct costs of sales less depreciation, amortisation, inventory write-offs, freight costs and change in value of finished goods inventory divided by tonnes of rutile produced. Historic production cash costs have been restated from prior years, principally to reflect their calculation gross of by-product credits, consistent with the peer group (see slide 38).



# EBITDA TO FREE CASH FLOW TO MOVEMENT IN NET DEBT

*Cash flow conversion increased through robust working capital management*



> Tight control over working capital

- Improved payment terms with suppliers and customers
- Investment into critical spares

> Stay-in-business capex

- De-bottlenecking and planned maintenance

1 EBITDA is defined as earnings/(loss) before finance income/(costs), tax, depreciation, amortisation, share based payments, impairment charges and inventory write-offs.

2 Free Cash Flow is defined as EBITDA less stay-in-business capital expenditure, tax payments and working capital movements.

3 Net Debt is defined as total borrowings less cash and cash equivalents. Additional detail is provided on page 39.



# 2016 FINANCIAL OUTLOOK

*Low-cost base and improved financing arrangements create a platform for growth*

## Costs:

- > Production cash costs<sup>(1)</sup>:  
\$540/t to \$590/t
  - Benefit of Gangama Dry Mine
  - Cost saving initiatives

## Capex:

- > Stay-in-business: \$5m to \$7m
- > Expansionary: \$20m to \$22m
  - Gangama dry mine: ~ \$19m to \$21m
  - Feasibility studies: ~ \$1m

## Financing:

- > Gangama Senior Loan Facility
  - First quarterly repayment in November 2016
- > GoSL Loan
  - Additional six month deferral to December 2016 granted
- > Standby Facility
  - Access to \$15m of liquidity
  - Use widened for general corporate purposes
  - Extension to May 2017
- > Working Capital Facility
  - Extension to May 2017





2015 PRELIMINARY RESULTS  
GROWTH PLANS

JOHN SISAY / WAYNE VENTER

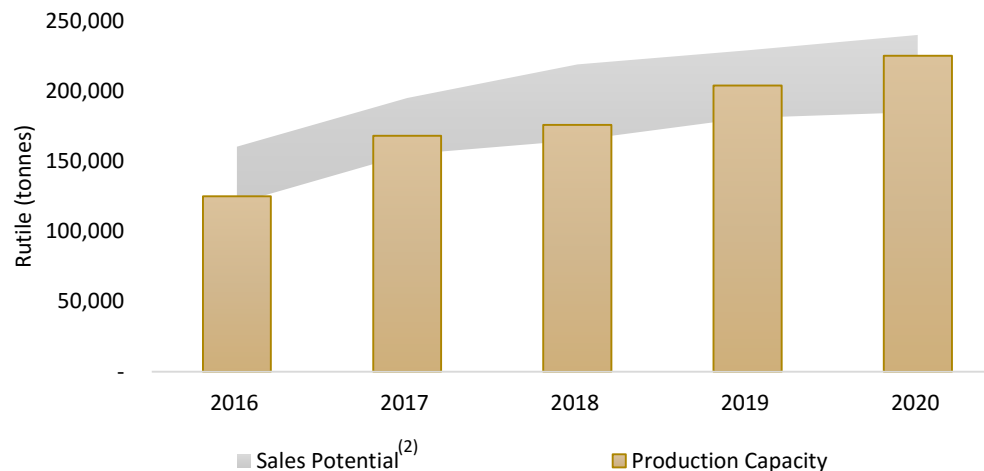
# MARKET-LED FLEXIBILITY

*Long-term mine plan with flexibility to adapt to customer demand*

## Positioning the Business Into 2016

- > Sierra Rutile expects to become world's largest primary producer of natural rutile in 2016
- > Market-led production model
- > Flexible, long-term mine plan adaptable to customer demand

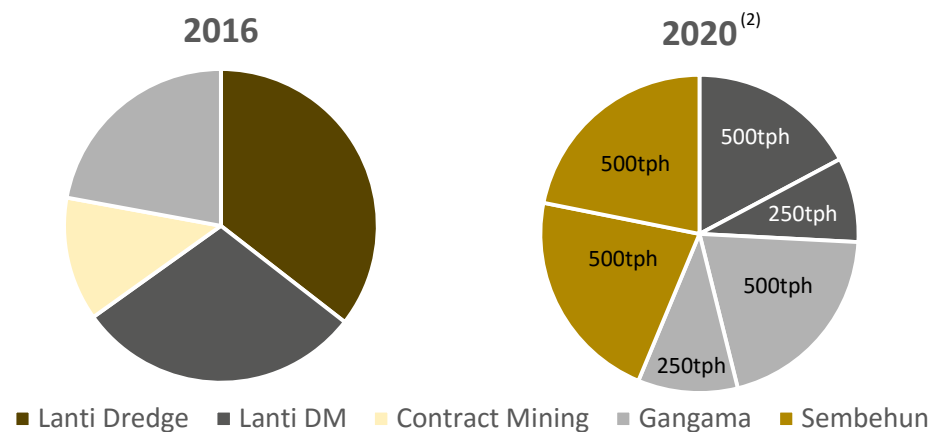
## Market-Led Production Forecast<sup>(1)</sup>



## Strategic Pillars

<p><b>Market led</b></p> <p>Long-term customer partnerships.</p> <p><b>Alignment</b> of production to customer demand.</p>	<p><b>Flexible</b></p> <p>Developed flexible <b>Brownfield</b> expansion plans.</p> <p>Gangama Dry Mine 2 replaced with lower cost, lower risk projects.</p>	<p><b>Disciplined</b></p> <p>Cost control.</p> <p>Supply discipline.</p> <p>Sembehun two-phase PFS released.</p>	<p><b>Value Creative</b></p> <p>Lower upfront capex and staged expansion plans.</p> <p>Community focused.</p>	<p><b>Innovative</b></p> <p>Evaluating process innovation.</p> <p>Concept study being developed to increase plant mobility and flexibility.</p>
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## Rutile Production (tonnes)





# OPTIMISED LONG-TERM MINE PLAN

*Refinement of expansion projects delivering enhanced returns and greater flexibility*

## Gangama Dry Mine

- > Previously planned second 500tph unit replaced with a 250tph bolt-on brownfield plant expansion
  - Would generate production capacity of up to 750tph

## Lanti Dry Mine

- > New 250tph bolt-on brownfield plant expansion being evaluated
  - Would generate production capacity of up to 750tph

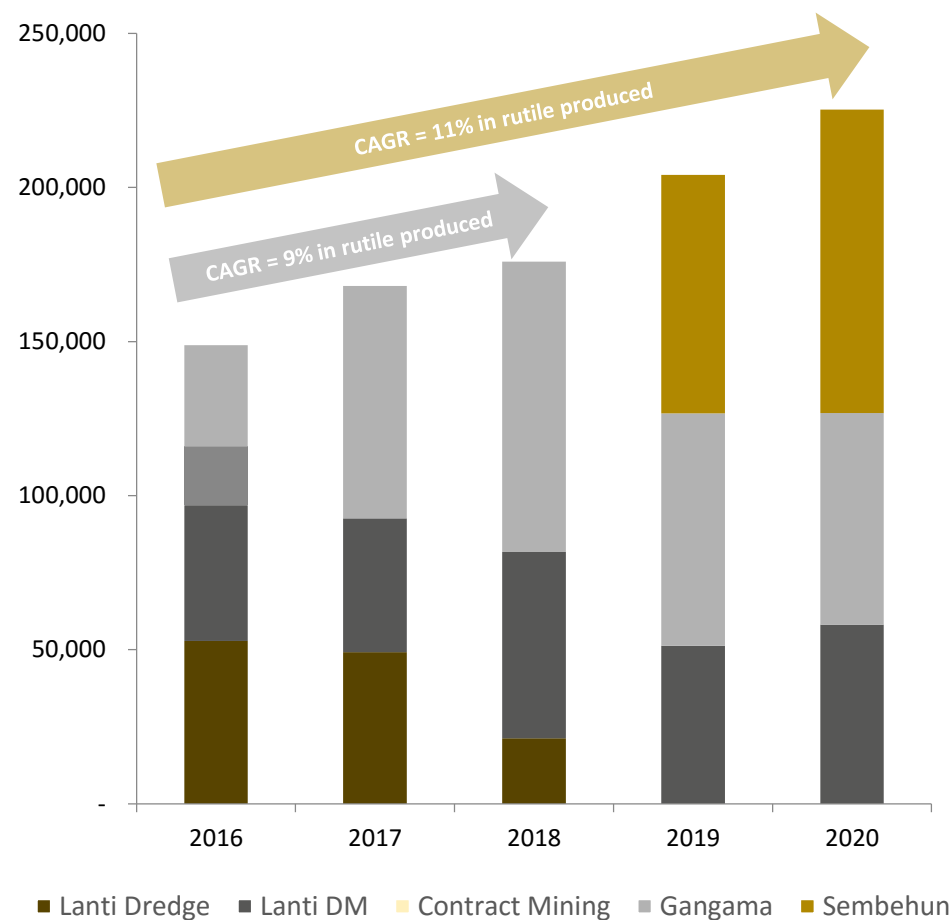
## Sembehun Dry Mine

- > Third party PFS by DRA Projects (Pty) completed
- > Revised from single 1,000tph plant to two 500tph plants for improved flexibility
- > Investigating further plant flexibility options including 250tph units

## Lanti Dredge

- > Planned decommissioning in 2018
- > Follows transition to dry mining

## Production Forecast<sup>(1)</sup>



# GANGAMA DRY MINE AND LANTI DRY MINE

*Bolt-on expansions provide throughput flexibility and allow for staged capital*

## Revised Near-Term Dry Mining Expansion Plans

- > Internal feasibility studies completed
- > Two 250tph bolt-on units (one at Lanti and one at Gangama) to supplement the newly built 500tph Gangama plant
  - Replaces the second 500tph Gangama plant (as initially planned)
  - Low risk projects utilizing existing infrastructure
- > Capital cost for each 250tph bolt-on unit of \$12m
- > Key merits of the revised near-term expansion plan:
  - Staged Phase 2 capital spend
  - Greater flexibility through multi-mine expansions
  - Reduced capital intensity
    - 14% reduction in total capex
    - 32% reduction in Phase 2 incremental capex

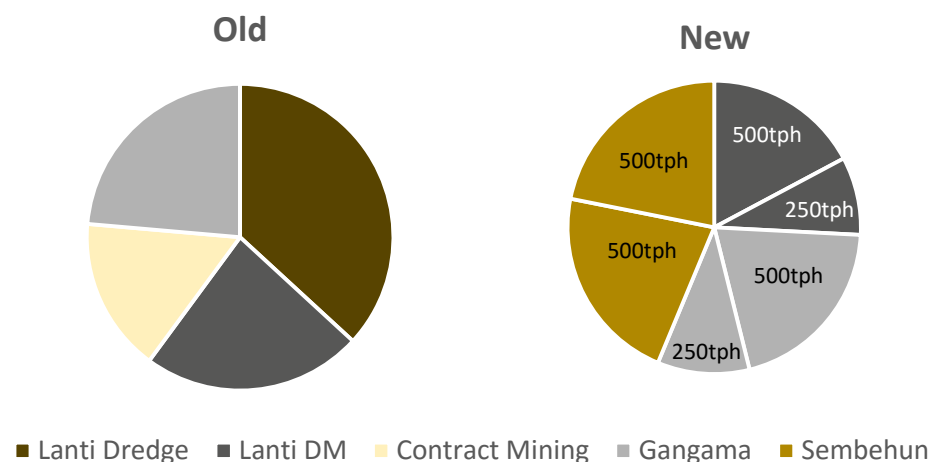
## Next Steps

- > Process optimisation
- > Value engineering
- > Market evaluation
- > Board decision

## Gangama + Lanti Bolt-On Expansions vs. Original Gangama

	New <sup>(1)</sup>	Old <sup>(2)</sup>	% change
Throughput	1,000tph (500tph + 2x250tph)	1,000tph (2 x 500tph)	0%
Total Development Capex	\$66m <sup>(3)</sup>	\$77m	(14%)
Phase 2 Development Capex	\$23m	\$34m <sup>(4)</sup>	(32%)

## Dry Mining Throughput Flexibility



<sup>1</sup> The New data relates to the 1,000tph project comprising the existing 500tph Gangama operations, the 250tph bolt-on Gangama unit and the 250tph bolt-on Lanti unit.

<sup>2</sup> The Old data relates to the 1,000tph Gangama project as released to the market in April 2015.

<sup>3</sup> \$66m includes a \$43m total spend for Gangama 1 including contingency, and \$12m for each Gangama and Lanti bolt-on expansion plants. As of March 28, 2016, \$26m of project expenditure for Gangama 1 has been incurred.

<sup>4</sup> Excludes \$43m total spend for Gangama 1 including contingency.



# SEMBEHUN DRY MINE

## Significant improvement of the Sembehun project

- > Finalised third party PFS by DRA projects (Pty)
- > Improved flexibility, enabling operation at 500tph or 1,000tph depending on market dynamics
- > Lower capital intensity
  - Initial capex for first 500tph unit: \$72m
  - Initial capex for total 1,000tph operation: \$99m, a 22% decrease vs. the scoping study estimate<sup>(1)</sup>
- > Improved economics
  - After-tax NPV (10%) of \$224m, a 47% increase vs. the scoping study estimate<sup>(1)</sup>
  - After-tax IRR of 66% vs. the scoping study estimate<sup>(1)</sup> of 33%

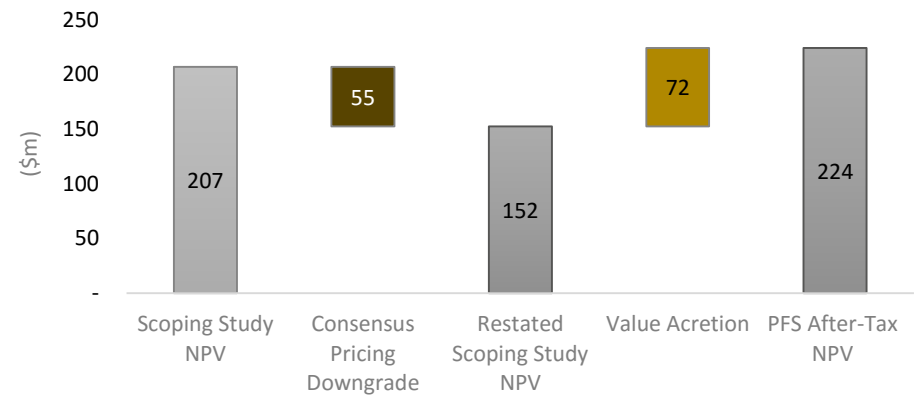
### Next Steps

- > Process optimisation
- > Value engineering
- > Definitive feasibility study
- > Market evaluation
- > Board decision

### Sembehun Dry Mine – PFS vs. Scoping Study<sup>(1)</sup>

	PFS	Scoping Study <sup>(1)</sup>	% change
Throughput	1,000tph (2 x 500tph)	1,000tph	0%
Development Capex	\$99m	\$126m	(22%)
Mine Life	21	19	11%
Average Annual Rutile Production	71Ktpa	74Ktpa	(4%)

### Significant Value Accretion Achieved





**2015 PRELIMINARY RESULTS**

GUIDANCE AND OUTLOOK

JOHN SISAY

# A STRONG TRACK RECORD OF DELIVERY

*Sierra Rutile has continued to deliver and develop the business despite broader market challenges*

Deliverable	Status	When
Lanti dry mine constructed on time and on budget	✓	Q3 2012
Mineral Separation Plant capacity increased to 200ktpa	✓	2014
Gangama Dry Mine financed and construction started	✓	Q2 2015
Record annual production and cash costs achieved	✓	Q4 2015
Appointment of Robert Edwards as Independent Chairman	✓	Q1 2016
Gangama Dry Mine first production	[✓]	Q2 2016
Gangama Dry Mine and Lanti 250tph bolt-on expansions <sup>(1)</sup>	➔	2017
Sembehun Dry Mine first expansion <sup>(1)</sup>	➔	2018



# GUIDANCE AND OUTLOOK

*Gangama Dry Mine production start in Q2 2016 to provide for an inflection point for Sierra Rutile*

## 2016 Guidance

- > Market-led business model
  - Focusing on maximising profitability of sales
  - Align production to customer demand
- > Greater than 90% targeted sales volumes contracted (100% for volume, >90% for price)
- > Production guidance
  - 120Kt to 135Kt rutile
  - H2 weighted with commissioning of Gangama
- > Cost guidance
  - Production Cash Costs<sup>(1)</sup>: \$540/t rutile to \$590/t rutile

## Outlook

- > Optimisation of brownfield expansion projects
  - 250 tph bolt-on expansion at Gangama Dry Mine and Lanti Dry Mine
- > Definitive feasibility study for Sembehun Dry Mine
- > Evaluating mobile plants for future expansion
  - Reduce capital expenditure
  - Increase operational flexibility
  - Reduce operating expenditures (eg. trucking distances)
- > Supply chain de-stocking gives confidence for rutile pricing by Q4 2016



An aerial photograph of an industrial facility, possibly a power plant or refinery, featuring a large white dome structure on the left, several cylindrical storage tanks in the center, and a body of water in the foreground. The scene is set against a backdrop of dense green forest and distant mountains. The image is overlaid with a dark grey semi-transparent layer, and the text 'ADDITIONAL INFORMATION' is centered in white. The left edge of the image is framed by a yellow and white torn-paper effect.

## ADDITIONAL INFORMATION



# INVESTOR HIGHLIGHTS

---



> **Tier I natural rutile deposit supporting established mining operations**



> **Low cost producer generating healthy cash flows**



> **Transitioning to a highly flexible and capital-efficient operation through dry mining expansions**



> **Unlocking value through the construction of Gangama Dry Mine and advancing a portfolio of growth projects at Lanti, Gangama and Sembehun Dry Mines**



> **Company believes that it is well positioned to responsibly fund growth with potential to be a future dividend payer**



> **Unique market dynamics with forecasted scarcity of supply for natural rutile**



# SEMBEHUN DRY MINE PRE-FEASIBILITY STUDY

*Sembehun Dry Mine will have throughput flexibility and staged capital*

## Pre Feasibility Study (PFS) Results

- > PFS conducted by DRA Projects (Pty)
- > 1,000tph open pit, dry mining operation to be developed as 2 x 500tph concentrator plants:
  - Improved production flexibility enabling operation at various throughput options
  - Operation contributes on average 71,000t of rutile over 21 years
  - Ramp-up can be accelerated by constructing the two units concurrently, gaining further capital efficiencies
- > Substantially de-risked construction and commissioning:
  - Similar design and configuration to existing dry mining plants
  - Experience building and operating Gangama Dry Mine and Lanti Dry Mine
- > Construction expected to commence in Q1 2018, with first production in Q1 2019
- > Next steps include completing a Definitive Feasibility Study, market evaluation and board approval

## Key Project Highlights

Sembehun Dry Mine Summary		1,000tph	500tph
Avg. annual ore production rate (LOM)	mtpa	7.4	3.8
Avg. grade mined (LOM)	%	1.19%	1.19%
Avg. annual rutile production (LOM)	ktpa	71	36
Avg. mining cash cost (first five years) <sup>1</sup>	\$/tonne rutile	285	269
Avg. mining cash cost (LOM) <sup>1</sup>	\$/tonne rutile	343	358
Project life	years	21	41
Development capital	\$m	99	72
Pre-production construction period <sup>2</sup>	months	12	12

### Project economics<sup>3</sup>

Post-tax NPV (10%)	\$m	224	130
Post-tax IRR	%	66%	43%
Post-tax payback period	years	1.5	2.0

### Sembehun Deposit Mineral Resources<sup>4</sup>

Contained			
Rutile	kt	3,602	
Ilmenite	kt	1,006	
Grade			
Rutile	%	0.98%	
Ilmenite	%	0.27%	

<sup>1</sup> Mining cash costs are calculated as all mining costs from extraction, primary processing and delivery costs of HMC to the MSP divided by tonnes of rutile produced

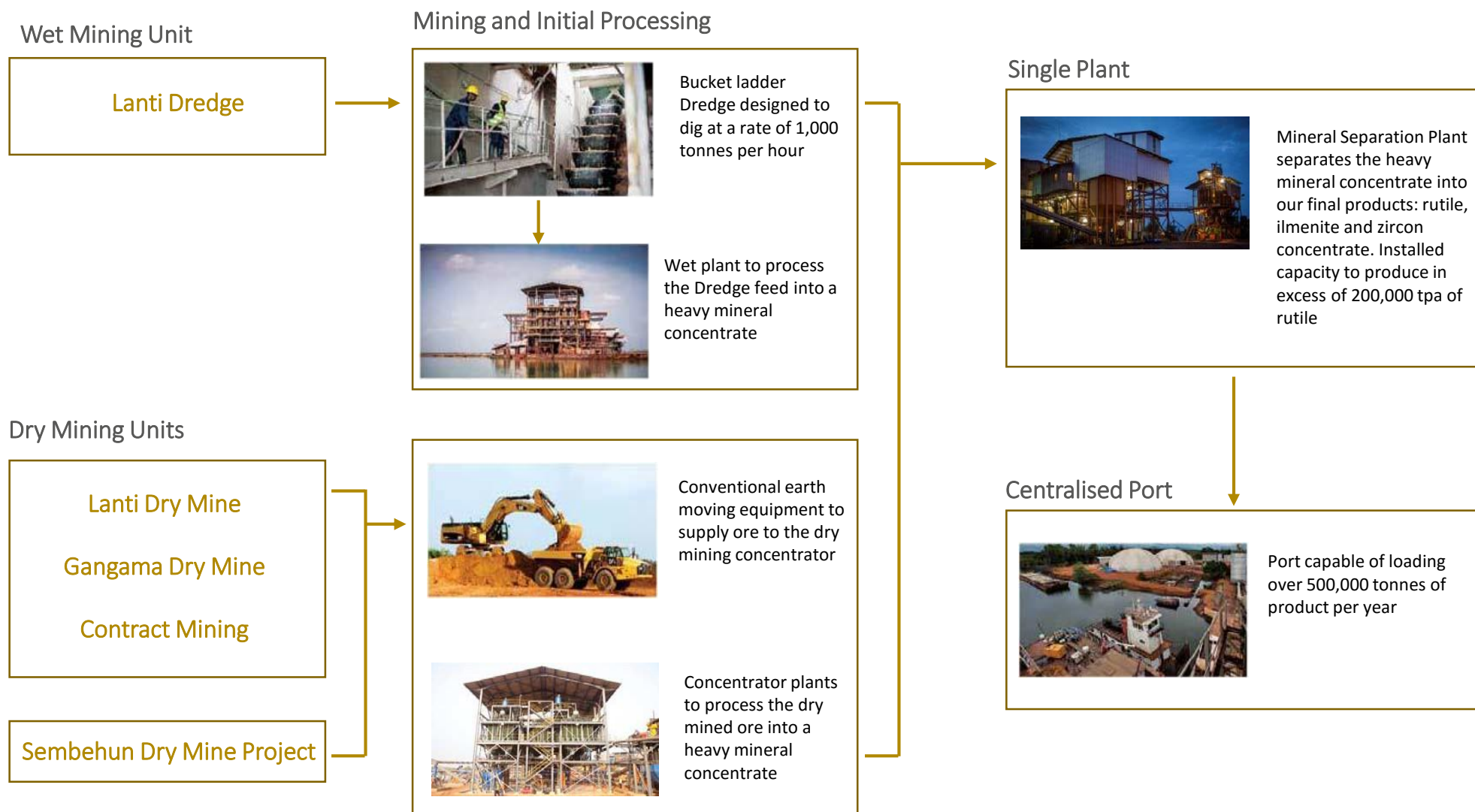
<sup>2</sup> Construction period depends on start month.

<sup>3</sup> Pre-feasibility study economics evaluated using current consensus pricing based on broker estimates as at March 2016. Excludes fixed costs and maintenance capital expenditure associated with the MSP and overheads. NPV assumes that Sembehun is constructed in 2018 with production coming on line in 2019. Taxes are calculated as 3.5% of revenues.

<sup>4</sup> Resources as at 30 September 2015.



# OPERATIONAL OVERVIEW



# WHY RUTILE?

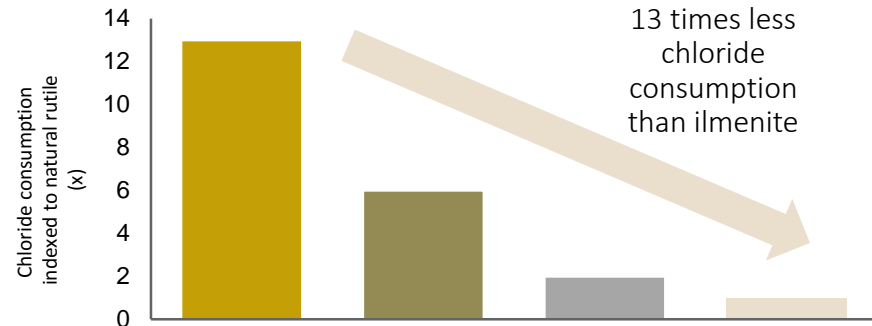
## Unmatched Quality

- > Highest grade feedstock at 94% TiO<sub>2</sub>
- > Low contaminants and material consistency
- > Promotes high value-in-use, essential to the manufacture of high-quality final pigment products

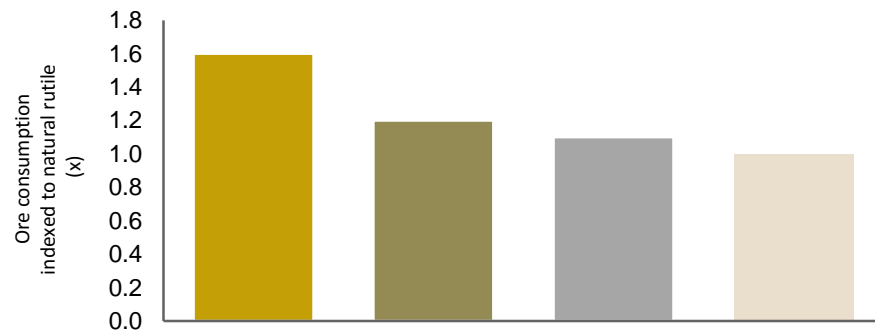
## Preferred Feedstock

- > Only feedstock that does not require upgrading in the Chloride process

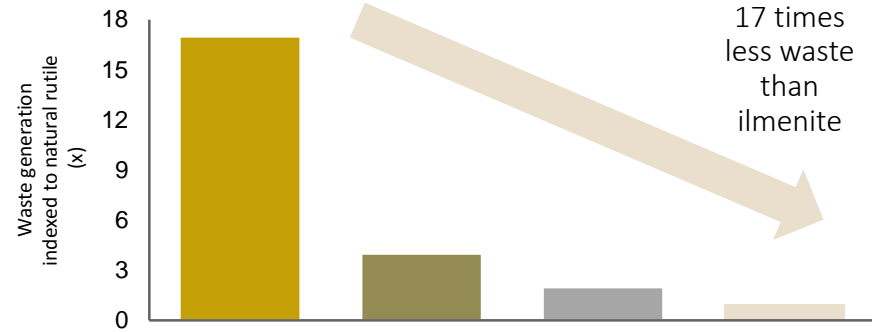
## Chloride Consumption



## Ore Consumption



## Waste Generation



Ilmenite Slag Synthetic Rutile Natural Rutile



# DEPOSIT AND PEER COMPARISON

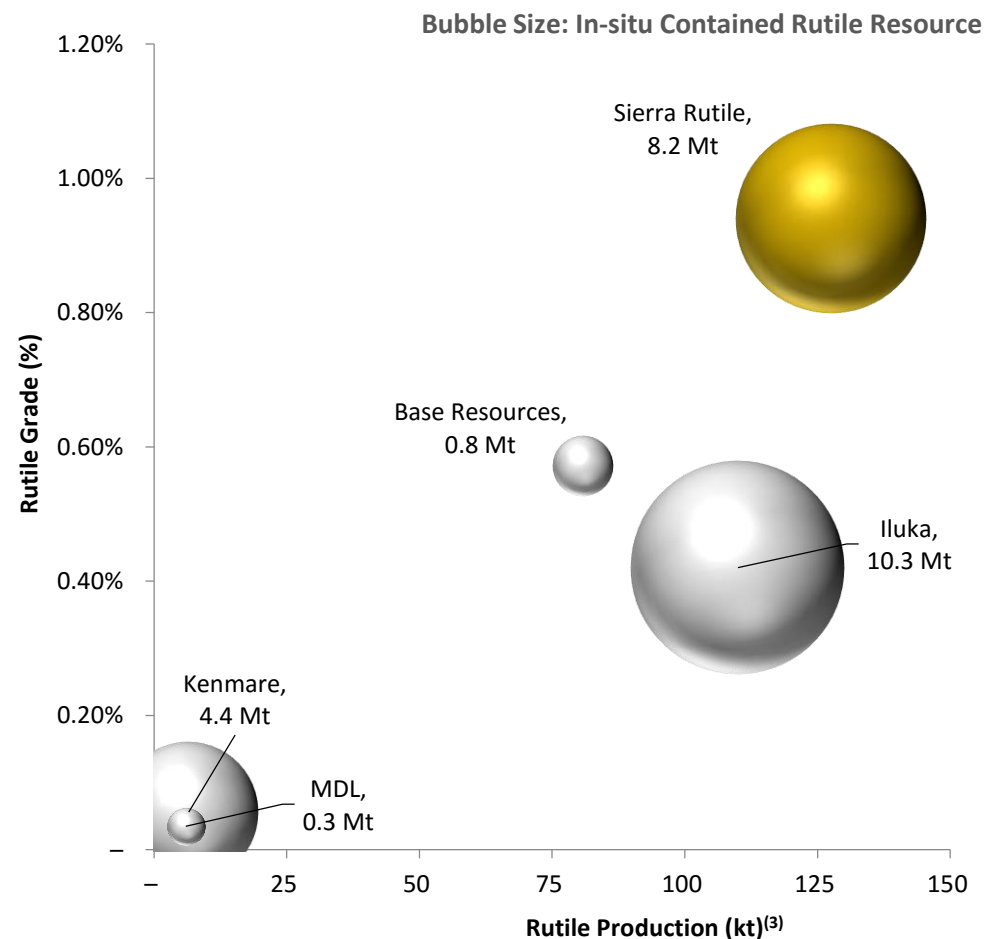
## Large, High-Quality Deposit

- > One of the world's largest natural rutile deposit
  - Mining leases over a land area of 560km
  - JORC-compliant resource of approximately 867 Mt of ore grading 0.94% rutile<sup>(1)</sup>
- > Second largest producer of rutile in the world
- > Resource has potential to support a mine life of over 50+ years at current production rates

Category	Ore (Mt)	Grade (%)			Contained Tonnes (kt)		
	Mt	Rutile	Ilmenite	Zircon	Rutile	Ilmenite	Zircon
Total Resource	866.9	0.94%	0.20%	0.08%	8,163	1,118	355

Note: as at September 2015

## Well-Positioned Against Peers<sup>(2)</sup>



<sup>1</sup> As at September 2015 and as presented in the Company's 2015 annual report. Measured and Indicated resource of 732.9 Mt, at a grade of 0.93% rutile, 0.24% Ilmenite and 0.08% Zircon. Inferred resource of 134.0 Mt at a grade of 1.01% rutile, 0.02% Ilmenite and 0.07% Zircon.

<sup>2</sup> 2016E rutile production, as per company guidance for Sierra Rutile and Iluka and broker consensus for Kenmare, Mineral Deposits Limited (MDL) and Base Resources. Based on attributable production and resources.



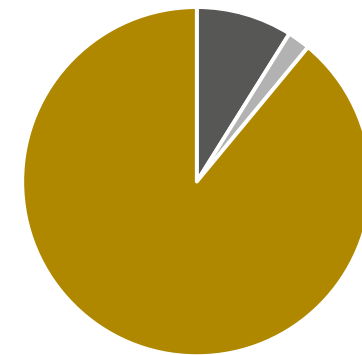
# REVENUE CONTRIBUTION AND PEER COMPARISON

## Unmatched Quality

- > “SRL’s high quality rutile product places the company at the forefront to benefit from any demand-led recovery in the TiO<sub>2</sub> sector. SRL has the greatest exposure to rutile amongst the mineral sands peers.”
- > “SRL benefits from limited exposure to ilmenite and the low-grade feedstock market. Whilst not immune to the wider market that is driven by TiO<sub>2</sub> demand, rutile exposure should play to SRL’s benefit in a rising market.”

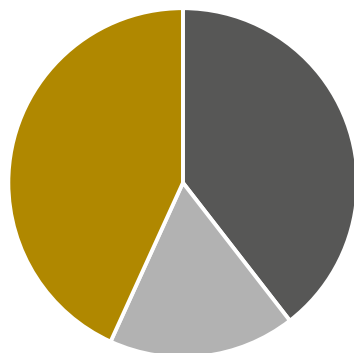
*Numis, 29<sup>th</sup> January 2016*

SRL Revenue Split



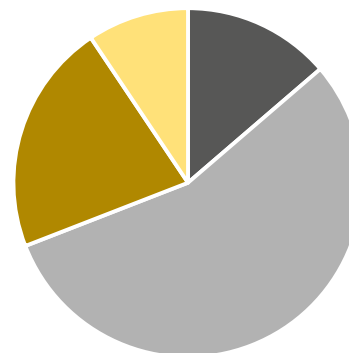
■ Ilmenite ■ Zircon ■ Rutile

Base Revenue Split



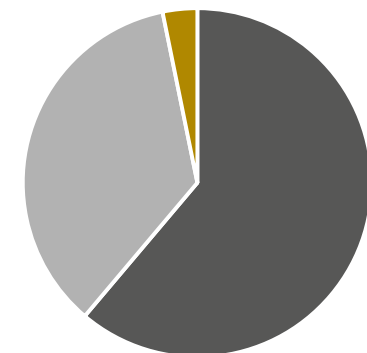
■ Ilmenite ■ Zircon ■ Rutile

Iluka Revenue Split



■ Ilmenite ■ Zircon ■ Rutile ■ Synthetic Rutile

Kenmare Revenue Split



■ Ilmenite ■ Zircon ■ Rutile



# END MARKETS

*Natural rutile is the preferred feedstock for titanium pigment and metal*

## Titanium Pigment (TiO<sub>2</sub>)

- > TiO<sub>2</sub> creates the purest, brightest and most durable form of white pigment available for the production of paints, plastics and paper
- > As developing nations mature and personal incomes rise, growth of high quality paints will grow into all regions of the world

## Considerations

- > Accounts for the majority of rutile demand today
- > Stable growth outlook
- > New applications in development



**Roof Coating**



**Paints/Coatings**

## Titanium Metal

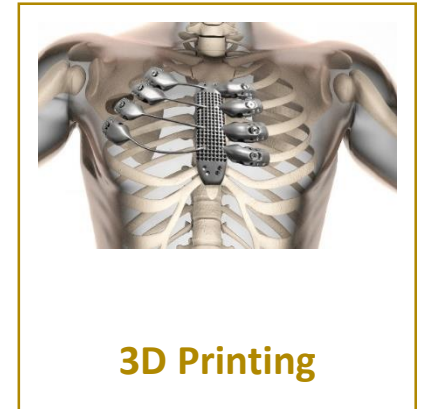
- > Titanium is valued for its light weight, chemical inertness and durability
- > Provides unmatched performance and durability in aerospace, automotive, medical and technological uses
- > Process technologies, such as 3D printing, provide an avenue for titanium to be consumed in new markets and new applications

## Considerations

- > Accounts for the minority of rutile demand today
- > Strong growth outlook



**Aerospace**



**3D Printing**





# SUMMARY INCOME STATEMENT

Income Statement (\$'000)	2015	2014
<b>Gross revenue</b>	105,760	117,759
<i>Rutile</i>	91,165	103,576
<i>By-products &amp; freight costs</i>	14,595	14,183
<b>Cost of sales</b>	(99,890)	(112,760)
<b>Gross profit</b>	<b>5,870</b>	<b>4,999</b>
Selling costs	(5,598)	(1,817)
General and administrative costs	(9,293)	(9,862)
Other income	64	327
Share of results of joint venture	(141)	-
<b>Operating loss</b>	<b>(9,098)</b>	<b>(6,353)</b>
Impairment charges	(415)	(473)
Share option expense	(765)	(777)
<b>Loss before interest and tax</b>	<b>(10,278)</b>	<b>(7,603)</b>
Net finance costs	825	(1,260)
<b>Loss before tax</b>	<b>(9,453)</b>	<b>(8,863)</b>
Taxes	(3,746)	(603)
<b>Loss after tax</b>	<b>(13,199)</b>	<b>(9,466)</b>

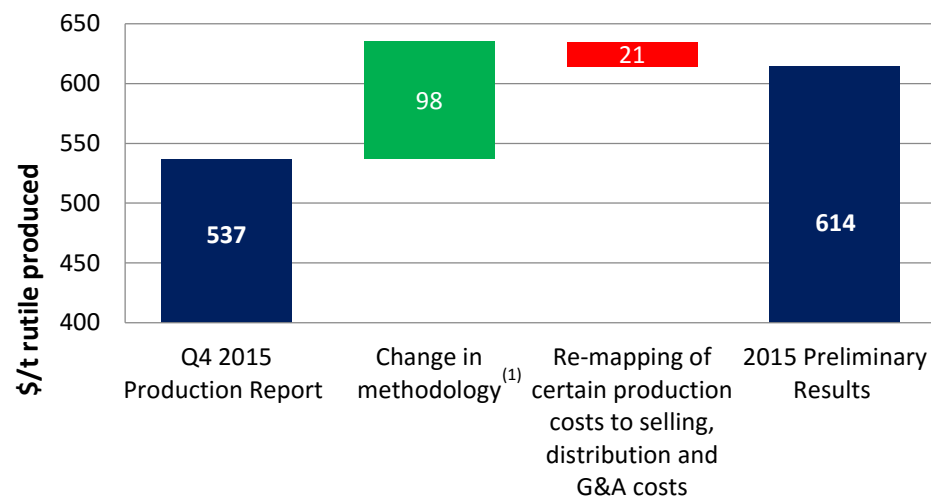
Gross revenue (\$'000)	2015	2014
Rutile	91,165	103,576
Ilmenite	5,236	6,781
Zircon and other concentrates	6,807	3,436
Freight costs	2,552	3,966
<b>Total gross revenue</b>	<b>105,760</b>	<b>117,759</b>

EBITDA (\$'000)	2015	2014
<b>Operating loss</b>	<b>(9,098)</b>	<b>(6,353)</b>
Depreciation and amortisation	20,860	21,144
Provision for obsolete inventory	4,200	-
Share of results of joint venture	141	-
<b>EBITDA</b>	<b>16,103</b>	<b>14,791</b>

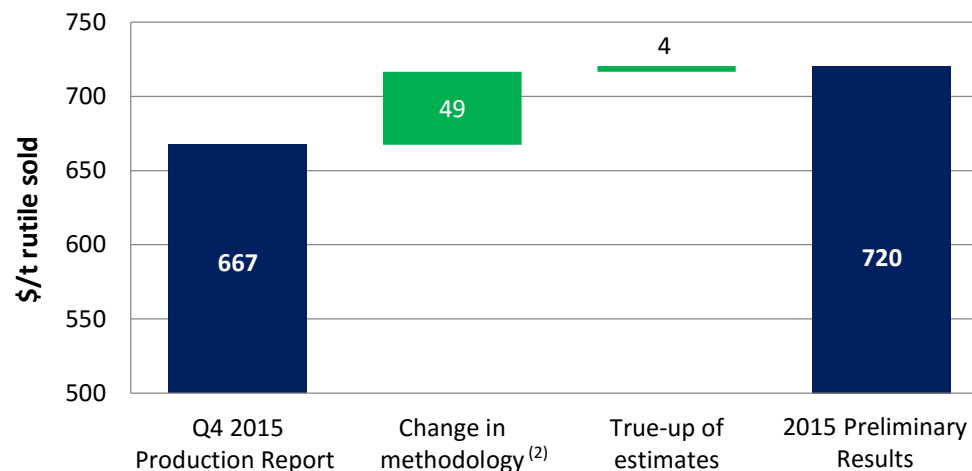


# RECONCILIATION OF CASH COSTS

### Production Cash Costs - Reconciliation



### All-in Cash Costs - Reconciliation



Production Cash Cost (\$/t rutile produced)	2015
<b>Cost of sales</b>	<b>(99,890)</b>
Add: Depreciation and amortisation	20,860
Add: Provision for obsolete inventory	4,200
Add: Freight costs	2,552
Deduct: Finished goods inventory movement	(5,058)
<b>Production cash costs (\$000)</b>	<b>(77,336)</b>
<b>Rutile produced (tonnes)</b>	<b>126,021</b>
<b>Production Cash Cost (\$/t)</b>	<b>614</b>

All-in Cash Cost (\$/t rutile sold)	2015
Production cash costs	(77,336)
Selling and distribution expenses	(5,598)
General and administrative expenses	(9,293)
Sustaining capital expenditure	(4,580)
Deduct: By-product revenue	12,043
<b>All-in cash costs (\$000)</b>	<b>(84,764)</b>
<b>Rutile sold (tonnes)</b>	<b>117,654</b>
<b>All-in Cash Cost (\$/t)</b>	<b>720</b>

1 Previously, Production Cash Cost was calculated net of by-product credits. Consistent with the mineral sands peer group, Production Cash Cost is now calculated gross of by-product credits.

2 Previously, All-in Cash Cost was calculated by dividing by tonnes of rutile produced. All-in Cash Cost is now calculated by dividing by tonnes of rutile sold.



# SUMMARY CASH FLOW STATEMENT

Summarised Cash Flow (\$'000)	2015	2014
<b>EBITDA <sup>1</sup> (refer to slide 37)</b>	<b>16,103</b>	<b>14,791</b>
Working capital movements:		
(Increase)/decrease in inventories	(8,728)	11,240
(Increase)/decrease in trade and other receivables	11,141	(15,260)
Increase/(decrease) in trade and other payables	3,929	1,346
Increase/(decrease) in provisions	420	(899)
Income taxes paid	(978)	(601)
<b>Net cash flows from operating activities before capital expenditure</b>	<b>21,887</b>	<b>10,617</b>
Stay-in-business capital expenditure	(4,580)	(3,900)
<b>Free cash flow</b>	<b>17,307</b>	<b>6,717</b>
Expansionary and other capital expenditure	(26,058)	(12,800)
Interest paid	(2,795)	(2,000)
Other movements	(1,005)	(3,171)
<b>Cash flow movement in Net Debt</b>	<b>(12,551)</b>	<b>(11,254)</b>

Movement in Net Debt (\$'000)	At 1 January 2015	Cash flow movements	Other movements <sup>2</sup>	At 31 December 2015
Cash and cash equivalents	6,564	(3,357)	1,810	5,017
Borrowings	(43,000)	(9,194)	739	(51,455)
<b>Total</b>	<b>(36,436)</b>	<b>(12,551)</b>	<b>2,549</b>	<b>(46,438)</b>



# SUMMARY BALANCE SHEET

Assets (\$'000)	2015	2014
Non-current assets	188,449	175,827
Cash and cash equivalents	5,017	6,564
Other current assets	<u>62,440</u>	<u>70,235</u>
<b>Total</b>	<b><u>255,906</u></b>	<b><u>252,626</u></b>

Non-current assets (\$'000)	2015	2014
Intangible assets	11,494	11,624
Tangible assets	171,825	159,276
Investment in joint venture	5,130	-
Biological assets	<u>-</u>	<u>4,927</u>
<b>Total</b>	<b><u>188,449</u></b>	<b><u>175,827</u></b>

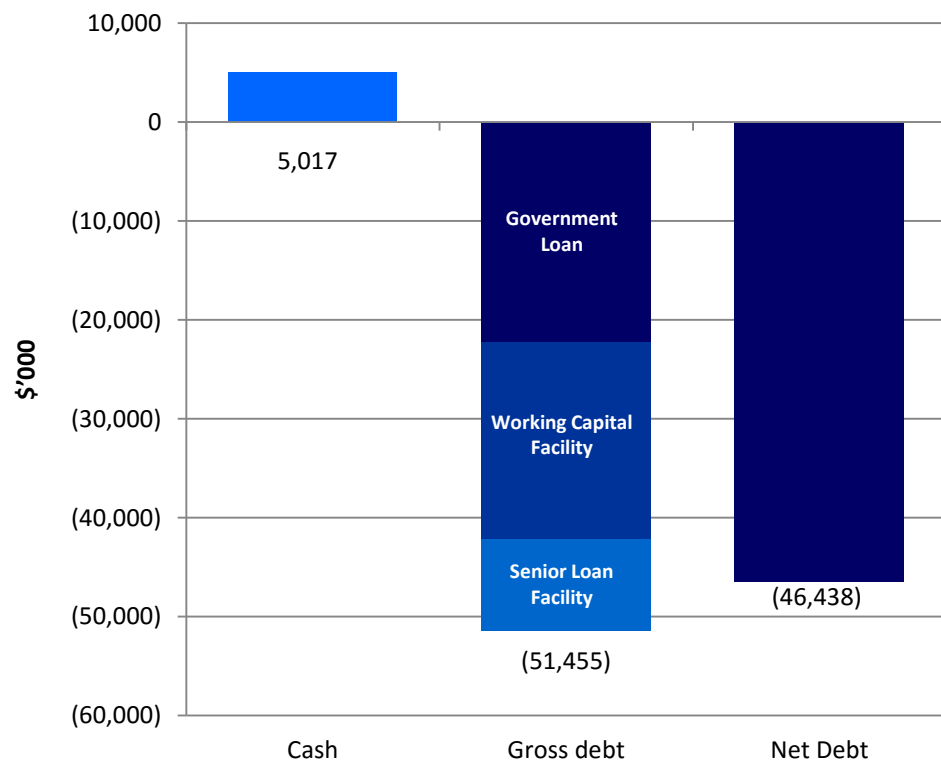
Equity & Liabilities (\$'000)	2015	2014
Equity	175,560	188,041
Borrowings	51,455	43,000
Other liabilities	<u>28,891</u>	<u>21,585</u>
<b>Total</b>	<b><u>255,906</u></b>	<b><u>252,626</u></b>

Net Debt (\$'000)	2015	2014
Cash and cash equivalents	5,017	6,564
Borrowings	(51,455)	(43,000)
<i>Short-term</i>	<i>(21,334)</i>	<i>(20,046)</i>
<i>Long-term</i>	<i>(30,121)</i>	<i>(22,954)</i>
<b>Total</b>	<b><u>(46,438)</u></b>	<b><u>(36,436)</u></b>

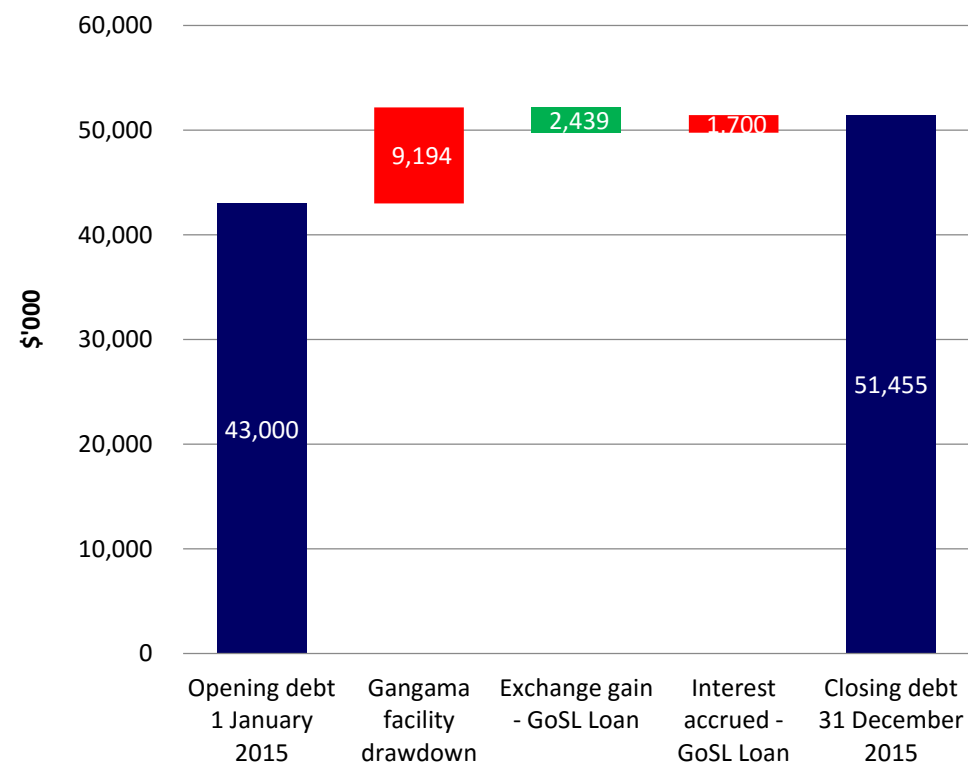


# DEBT MANAGEMENT

## Net Debt



## Movement in Gross Debt



An aerial photograph of an industrial facility, likely a rutile plant, set against a backdrop of dense forest and mountains. The facility includes a large, prominent white dome structure on the left, several cylindrical storage tanks in the center, and various industrial buildings and cranes on the right. A body of water in the foreground reflects the structures. The image is framed by a white, torn-paper-like border on the left and right sides, with a yellow and white graphic element on the far left.

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