Sierra Rutile Limited

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Sierra Rutile to start Gangama Dry Mine Project

London, UK, 21 April 2015: Sierra Rutile Limited (AIM: SRX) (“Sierra Rutile”) is pleased to announce that it has commenced the construction of the Gangama Dry Mine (the “Project”). The Project will be developed in two phases, each a separate 500 tonne per hour (“tph”) operation. Sierra Rutile’s board of directors has approved the commencement, and associated expenditures, for the first phase of the Project.

Project Highlights

- **Low-risk expansion**: The Project will consist of two discrete 500 tph units, each similar to the Lanti Dry Mine that was commissioned in 2013 on time and within budget. DRA will be responsible for engineering, procurement and construction of the Project on a lump-sum turn-key basis, reducing the risk of cost-overruns to Sierra Rutile.

- **Low capex intensity**: Capex has been further optimised, with total Project capex reduced to $77m from $81m and Phase 1 capex reduced to $44m from $54m.

- **Lower unit costs**: Phase 1 of the Project is expected to reduce Sierra Rutile’s total operating cash costs\(^1\) to $595/t and all-in operating cash costs\(^2\) to $670/t on average over the first five years of the Project. With the Phase 2 expansion, costs would reduce further to $535/t and $600/t respectively over this period.

- **Strong project economics\(^3\)**: Phase 1 of the Project has an after-tax IRR of 81% and an NPV\(_{10\%}\) of $232m. The combined Phase 1 and 2 project has an after-tax IRR of 83% and an NPV\(_{10\%}\) of $351m.

- **Long-life project**: Over 20 year project life\(^4\).

- **Short lead-time to production**: Phase 1 of the Project will be constructed over a 12-month period, with first production targeted for late Q2 2016.

- **Minimal market disruption**: In its first three years, Phase 1 of the Project will only increase rutile production by an average of 21,000 tonnes over the volume sold by Sierra Rutile in 2014, ensuring the additional volumes can be easily absorbed by the market.

- **Fully-funded**: Phase 1 of the Project will be fully-funded through internally generated cash flows and a modest drawdown on the $30m Nedbank senior term loan facility. A $15m standby loan facility has also been entered into with
Pala Investments to ensure there is no risk of cash tightness during the construction period.

- **Phase 2 optionality:** Sierra Rutile has approved Phase 1 of the Project, with a decision with regards to the Phase 2 expansion to be undertaken at Sierra Rutile’s future option and subject to supportive market conditions.

1. Total operating cash cost (includes direct operating costs, general administrative costs and corporate costs but excludes depreciation) less by-product revenue divided by tonnes of rutile produced.
2. All-in operating cash cost (total operating cash cost plus stay-in-business capital cost, but excludes depreciation) less by-product revenue divided by tonnes of rutile produced.
3. Pricing assumptions based on broker consensus estimates. Includes MSP and overhead variable costs and excludes existing MSP and overhead fixed costs. Project economics assume Phase 2 construction commences in Q2 2016 with production by Q2 2017.
4. Concentrator unit constructed for Gangama Dry Mine will be moved to nearby deposits once the Gangama deposit is depleted.

**Commenting on the expansion, John Sisay, Sierra Rutile Chief Executive Officer, said:**

“We are very excited to be embarking upon the next phase of expansion. The Gangama Dry Mine is an extremely compelling project that will drive down unit production costs and cement Sierra Rutile as the premier low-cost producer of high-grade feedstocks across the cycle. Progressing the Project without the need of additional equity finance and without placing undue strain on our balance sheet is very important, and positions us well to fulfil our aspiration to become a mature, cash-generative company and, ultimately, a dividend-yielding company in the medium-term.”

“Sierra Rutile is a strong company with tier-one mining assets and a best-in-class operating team. Many other operators struggled to contain the impacts of Ebola, but we have worked tirelessly to mitigate these and emerge even stronger as an organization. Today's announcement of such a significant investment in our operations is a demonstration of our confidence in Sierra Rutile's long-term outlook and an important milestone in our history”, added Mr. Sisay.

**Project Overview**

The Gangama Dry Mine is an open pit, dry mining operation comprised of two independent 500 tph units. Construction of Phase 1 is scheduled to commence in Q2 2015 over a 12-month period targeting first production by late Q2 2016. Flexibility remains over the commencement of Phase 2, with a construction decision subject to review by the board of directors and market conditions.
### Project Funding

Phase 1 of the Gangama Dry Mine capex is fully funded. Careful consideration and emphasis has been placed on securing a responsible funding package. Internally generated cash flow has been prioritised and will make up 70% of the funding required. A portion of the funding will consist of the proceeds released due to the deferral of repayments on the loan from the Government of Sierra Leone, as announced on 12 January 2015.

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A detailed overview of the Project is available in Sierra Rutile’s latest corporate presentation, which can be found on Sierra Rutile’s homepage at [www.sierra-rutile.com](http://www.sierra-rutile.com).

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<tr>
<th></th>
<th>Gangama Dry Mine Phase 1</th>
<th>Gangama Dry Mine Phase 1 &amp; 2</th>
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</thead>
<tbody>
<tr>
<td>Avg. annual ore production rate</td>
<td>3.5 mtpa</td>
<td>7.0 mtpa</td>
</tr>
<tr>
<td>Avg. annual rutile production</td>
<td>46 ktpa</td>
<td>93 ktpa</td>
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<tr>
<td>Avg. total operating cash cost (first 5 years)</td>
<td>$295/t</td>
<td>$290/t</td>
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**Impact on Sierra Rutile’s Operating Costs:**

- Avg. total operating cash cost (first 5 years): $595/t ($670/t)
- Avg. all-in operating cash cost (first 5 years): $535/t ($600/t)

**Project life:** 20+ years

**Development capital:** $43.7m ($76.8m)

**Construction period:** 12 months (12 months+)

**Project economics – consensus pricing:**

- After-tax NPV$_{10\%}$: $232$m ($351$m)
- After-tax IRR: 81% (83%)
- Payback period: 1.1 years (1.3 years)

**Project economics – flat pricing ($800/t rutile):**

- After-tax NPV$_{10\%}$: $118$m ($164$m)
- After-tax IRR: 52% (50%)

**Gangama Deposit Resources:**

| Contained | Rutile | 888 kt |
|           | Ilmenite | 244 kt |
|           | Zircon | 59 kt |

| Grade | Rutile | 1.19% |
|       | Ilmenite | 0.60% |
|       | Zircon | 0.14% |

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5 Gangama deposit only.
6 Includes MSP and overhead variable costs and excludes existing MSP and overhead fixed costs.
7 Concentrator unit constructed for Gangama Dry Mine will be moved to nearby deposits once the Gangama deposit is depleted.
8 Construction period to depend on start month.
9 Includes MSP and overhead variable costs and excludes existing MSP and overhead fixed costs. Project economics assume Phase 2 construction commences in Q2 2016 with production by Q2 2017. Consensus pricing based on broker estimates.
10 Resources as at September 30, 2014.
Sierra Rutile has secured a $30m senior loan facility from Nedbank as previously announced on 16 December 2013 which has remained undrawn. In order to maintain financial prudence and an optimal financing structure, Sierra Rutile only intends to draw upon approximately $15m of this available funding for Phase 1 of the Project.

Sierra Rutile has also secured a standby loan facility of up to $15m from its majority shareholder, Pala Investments. This provides further contingency financing and ensures that the company is not at risk, should there be any short-term cash shortfall in the unexpected event of a capital cost overrun or lower than projected operating cash flows during the construction phase.

The standby facility has a tenor of 18 months, carries an interest rate of LIBOR plus 5.25%, has no associated arrangement or commitment fees and is subject to satisfaction of conditions customary for a financing of this type. Under the AIM Rules, the standby facility is classified as a related party transaction. The directors of Sierra Rutile (with the exception of Michael Barton, Michael Brown and Stephen Gill, employees of Pala Investments), having consulted with its nominated adviser, RBC Europe Limited, consider that the terms of the standby facility are fair and reasonable insofar as the company's shareholders are concerned.

ENDS

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Notes to Editors

About Sierra Rutile Limited

Sierra Rutile produces titanium feedstock industrial minerals (primarily rutile, with some associated ilmenite), as well as smaller quantities of zircon. Sierra Rutile’s mine, located in the south west of Sierra Leone, is one of the largest natural rutile deposits in the world, with a JORC-Compliant Mineral Resource for measured, indicated and inferred resources for the Sierra Rutile mine of over 895 million tonnes (as at 30 September 2014).

www.sierra-rutile.com