Sierra Rutile Holdings Limited

Preliminary Final Report for the year ended 31 December 2022

Appendix 4E (Under Listing Rule 4.3A)

(All comparisons to financial year ended 31 December 2021)

Results for announcement to the market

Statutory results		**2022 US$M**	**2021 US$M**
Revenue from ordinary activities	Increase of 38% to	$254.5	$184.2
Profit before income tax expense	Increase of 601% to	$76.9	$11.0
Profit from ordinary activities after tax attributable to shareholders	Increase of 902% to	$75.6	$7.5
Net Profit attributable to shareholders	Increase of 902% to	$75.6	$7.5

The accompanying FY22 Financial Report that follows gives commentary and further explanation of the FY22 results.

Sierra Rutile Holdings Limited was admitted to the Official List of ASX on 25 July 2022, following its demerger from Iluka Limited.

The reporting period is the financial year ended 31 December 2022 with the previous corresponding reporting period being for the financial year ended 31 December 2021.

Dividend Information

No dividend was declared for the financial year ended 31 December 2022 and Sierra Rutile does not propose to pay any dividend in respect of the financial year ended 31 December 2022.

Net tangible asset backing

	2022	**2021**
Net tangible asset backing per share	A$0.466	NMF[1]

1 At 31 December 2021 the Group did not exist in its current form and there was only 1 share on issue held by Iluka Resources Limited.

Audit

This Appendix 4E is based on the consolidated financial statements of Sierra Rutile Holdings Limited, which have been audited by PricewaterhouseCoopers ("PwC"). A copy of PwC's unqualified audit report can be found in the FY22 Financial Report that follows.

Annual General Meeting

The Annual General Meeting will be held on 18 May 2023 at 2.00pm (WST).

Other information

Disclosure requirements for ASX Listing Rule 4.3A not contained in this Appendix 4E are included in Sierra Rutile Holdings Limited's FY22 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
27 February 2023

About Sierra Rutile Holdings Limited

Sierra Rutile is the world's largest natural rutile producer, with an established operating history of more than 50 years from its operations in Sierra Leone.

The Company is well positioned to extend its operations through the proposed development of the nearby Sembehun deposits. Sembehun represents one of the largest and highest-grade natural rutile resources in the world, and its development would extend Sierra Rutile's mine life by at least 13 years.

Sierra Rutile is listed on the Australian Securities Exchange. Further details about Sierra Rutile are available at www.sierra-rutile.com

Sierra Rutile Holdings Limited
ABN 79 613 822 165
Level 8, 225 St Georges Terrace
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Sierra Rutile Holdings Limited

ABN: 79 613 822 165

Annual Financial Report

For the financial year ended 31 December 2022

CONTENTS

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 financial year ended 31 December 2022 (FY22).

All figures are in US Dollars unless otherwise stated.

OPERATING AND FINANCIAL REVIEW

COMPANY OVERVIEW

Sierra Rutile is an Australian company listed on the Australian Securities Exchange (ASX: SRX). Sierra Rutile's principal activities is in the operation of a multi-deposit mineral sands mining operation in southern Sierra Leone and is the largest producer of natural rutile in the world.

Rutile is the highest-grade naturally occurring TiO^2 feedstock used in the manufacture of pigment used in paints, laminates, plastic pipes and packaging, inks, clothing, sunscreen, toothpaste and in the cosmetic industry. Rutile is also used as welding electrode as well as being used to manufacture titanium metal which has the highest strength to weight ratio of all commercial metals and is used across a diverse range of applications including aeronautics, medical implants, defence and sporting goods.

Employing over 2,000 staff, the Company is one of the largest private employers in Sierra Leone.

The Company has an established operating history over more than 50 years and, if the proposed Sembehun Project proceeds, a future mine life of at least 15 years based on the Pre-Feasibility Study (PFS) completed during the year. The Company ships its standard grade rutile (SGR) product direct to major customers globally and stores industrial grade rutile (IGR) at its warehouse in Amsterdam for sale to a wide range of welding customers.

Area 1

Sierra Rutile's current mining and mineral processing operations extract and process ore from the Gangama, Taninahun, Gbeni and Lanti deposits. In future, it is intended that ore will also be mined from the Pejebu and Ndendemoia deposits. Operations include four wet concentrator plants (WCPs); a mineral separation plant (MSP) and associated infrastructure; residential camps for senior and management staff; and a dedicated port facility. These deposits and operations are collectively referred to as Area 1.

Sembehun

Sierra Rutile also holds one of the world's largest and highest quality known natural rutile deposits, the Sembehun Project.

Sembehun, located approximately 30 kilometres from the current Area 1 operations, presents an attractive development opportunity with long mine life, good grades, contiguous deposits, and additional exploration potential that can all leverage the extensive Area 1 infrastructure investment.

FINANCIAL PERFORMANCE

Sierra Rutile reported revenue of $254 million, up 38% over the prior year, driven by increased production levels and improving rutile prices. The average rutile price received in 2022 was $1,502/t, up 21% on the 2021 average and the Company finished the year with the fourth quarter recording the highest average pricing for the year at $1,544/t .

Reported Net Profit After Tax was $75.8 million (equating to US17.3 cents per share) after a $23.4 million write-back of previous asset impairments.

	2022	2021
Rutile sold (kt)	142	130
Ave. Rutile price ($/t)	1,502	1,241
Revenue (US$'000)	254,484	184,231
Cost of Sales (US$'000)	(188,600)	(175,453)
Gross Profit (US$'000)	65,884	8,778

This performance was a substantial improvement on the prior year's result despite ongoing COVID-19 operational challenges, a fire at our main consumable storage warehouse, the distractions of the demerger and extreme weather during the Sierra Leone wet season that significantly impacted production and costs in the September Quarter. The 2022 result was also net of a variety of corporate costs (audit, directors, insurance etc) that were either incurred directly for the first time or increased as a consequence of the Company's demerger from the Iluka group and separate listing on ASX during the year.

Capital expenditure of almost $30 million (accruals basis) was a major increase on the nil spend the previous year when ongoing operations were in doubt. In addition to previously deferred sustaining items and a number of one-off initiatives aimed at improving efficiency at Area 1 operations, capital expenditure included studies (both pre-feasibility and feasibility) on Sembehun.

Cash generation was strong with operating cashflow of $44.3 million in 2022 enabling repayment of loan balances due to Iluka prior to the demerger, increased capital expenditure as referred to above as well as a material improvement in balance sheet strength.

	2022 $'000	2021 $'000
Cash generated from operating activities	44,253	7,813
Investments in P,P&E and exploration	(19,846)	-
(Repayment of) borrowings	(11,632)	6,189
Other items	(909)	(3,803)
Net increase in cash and cash equivalents	11,866	10,199

The Company closed the year with no debt and cash of $37.7 million in addition to non-cash working capital (trade receivables and inventories net of trade payables) of $42.2 million These items alone, totalling $79.9 million, represent over A$0.27 per share and, at 31 December 2022, the Company's total audited net assets were $135 million, equivalent to A$0.47 per share.

OPERATING PERFORMANCE

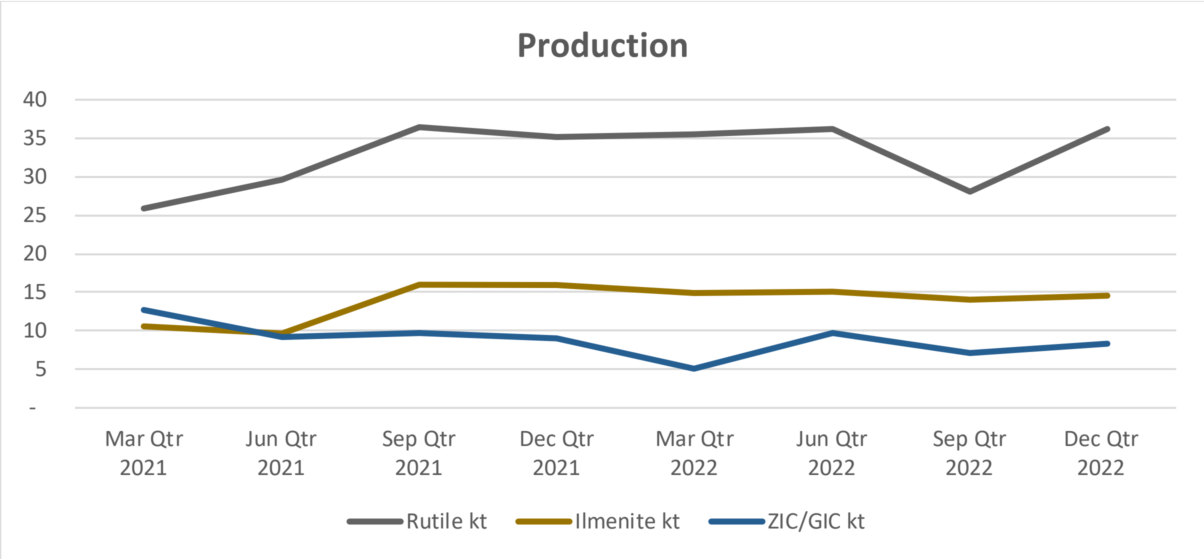
2022 saw a continuation of the improved production performance seen since mid-2021 as operations have continued to focus on a "back-to-basics" approach. A key element of this was the relocation of the DM1 and DM4 mining units and scrubbers to stationary positions resulting in both cost savings and improved runtimes and throughput.

Rutile production for the year was 136kt, an increase of almost 9kt despite operations during the third quarter being hampered by the highest quarterly rainfall ever recorded at site (a 39% increase over Q3 2021) and a lack of investment in ore stockpiling pre-wet season.

The wet conditions experienced during Q3, combined with low ore stockpiles, necessitated the mining of particularly low grade blocks at Taninahun, and the resultant reduced HMC supply rate led the Company to implement a process of adding higher grade tails as a supplementary feed for a period during the second half enabling overall production to be enhanced by ~2kt of rutile.

During the year, the Company also replaced the spirals at the Mineral Separation Plant (MSP) Feed Preparation Plant (FPP) eliminating excessive VHM (rutile, ilmenite and zircon) losses to tails and returning the MSP to its nameplate recovery and throughput performance of 92% rutile recovery and >65 tph head feed rate.

Operating costs increased during the year due to several factors both global and local. The rise in oil prices following Russia's invasion of Ukraine was felt by most mining companies but a 14% increase in the volume of ore mined (offsetting lower grade ores) combined with increased haulage distances were more specific to the Company's operations. Pleasingly, the increase in production allowed the fixed component of the Company's operating costs to be amortised over a larger volume leading to reasonably stable unit costs for the year.



A third barge, purchased during the second half, became available late in the year and enabled the Company to ship a record 50kt of combined rutile, ilmenite and concentrate product (including 17.5kt of standard grade rutile) during December.

OUTLOOK AND STRATEGY

The Company's revenues and cashflows are all derived from the sale of mineral sands products and, in particular, natural rutile. The largest market for the Company's products is the pigment industry which is currently experiencing challenging market conditions due to increased energy input costs and reduced end-user demand in an inflationary environment Fortunately, the limited supply of competing product and strong demand from titanium sponge manufacturers supplying the aerospace industry in particular are expected to limit the impact of any reduced pigment demand on Sierra Rutile.

Sierra Rutile is the largest supplier globally of natural rutile. The remaining reserves at the Company's existing Area 1 operations are comparatively limited. With substantial (but largely depreciated) investment in processing and export infrastructure the Company's strategy is to:

- Maximise cashflows from the remaining Area 1 operations through pursuit of efficiency gains and mine life extensions; and
- Development of the nearby Sembehun deposits so as to leverage invested capital, increase production, reduce unit costs and materially extend the overall life of operations.

PRINCIPAL RISKS AFFECTING THE GROUP

Sierra Rutile recognises that the identification and management of risk is an integral part of its business. Sierra Rutile is, therefore, committed to managing risk in a proactive and effective manner.

A comprehensive list of the risk factors associated with an investment in Sierra Rutile shares was set out in the Demerger Booklet dated 20 June 2022. The Demerger Booklet is available on the Sierra Rutile website at https://sierra-rutile.com/investors/#section-2.

Sierra Rutile has a dedicated risk function in Sierra Leone, which supports the Audit and Risk Committee and management in facilitating consistent risk management practices, and centralised reporting of risks to management and the Board. Support for Sustainability risks (including health and safety) is provided by the Sustainability, Health, Environment and Rehabilitation team subject to oversight from Sierra Rutile's Sustainability and Social Accountability Committee. Sierra Rutile also has an internal audit function based in Sierra Leone.

Set out below are the key risks that could have a material impact on Sierra Rutile and the Sierra Rutile Group. They are in no particular order and do not include generic risks affecting businesses, like Sierra Rutile or other entities operating in Sierra Leone. If any of Sierra Rutile's operations are affected by one or more of these risks, it could have a material adverse effect on its assets, as well, as Sierra Rutile's overall operating results, financial condition, and prospects. There may be other risks and uncertainties that Sierra Rutile is not aware of, or which are currently considered to be unlikely to have a material impact.

Health and safety risks.

Safety is a fundamental risk for any company, with respect to personal injury, damage to property and equipment and other losses. The health and safety of all employees, contractors and visitors is of critical importance to Sierra Rutile. As a result, Sierra Rutile places significant emphasis on ensuring strong systems, processes and culture to protect the health and safety of its workforce. Sierra Rutile has recorded a strong safety performance in recent years, attributable to the implementation of training programs, risk assessment and enhanced hazard identification.

Commodity Price Risk

Sierra Rutile's revenue is dependent on the market prices for the products that the Company produces from its mining operations. Market prices for rutile and by-products are subject to fluctuations due to a range of factors outside of Sierra Rutile's control including changes in their current and forecast supply and demand as well as the availability and cost of substitute products.

Future Capital Requirements

The development of Sembehun will be dependent on Sierra Rutile's ability to obtain finance on acceptable terms. Discussions with potential financiers have commenced in advance of any Final Investment Decision but are currently at a relatively early stage.

Operational Risk

Sierra Rutile's operations are, and will continue to be, subject to numerous risks, many of which are beyond Sierra Rutile's control. These include natural disasters, material disruption to logistics, critical plant failure or industrial action. Sierra Rutile undertakes regular reviews for mitigation of property and business continuity risks. Sierra Rutile also conducts planning and preparedness activities to ensure rapid and effective response in the event of a crisis. Sierra Rutile also maintains a prudent insurance program that may offset a portion of the financial impact of a major interruption risk.

Sovereign and Political Risk

Sierra Rutile's mining operations are located in Sierra Leone, and Sierra Rutile will be subject to the various political, economic, labour and other risks, and uncertainties associated with operating in that country. Any future material adverse changes in government policies or legislation in Sierra Leone that affects taxation, foreign ownership, Government of Sierra Leone ownership of or equity participation in mining projects, mineral exploration, development or mining activities, may affect the viability and profitability of Sierra Rutile. The legal system operating in Sierra Leone is also less developed than in more established countries, which may result in risks, such as difficulties in obtaining effective legal redress in the courts.

Cost Inflation

Operating costs are subject to variations due to a number of factors including changing ore characteristics, haulage distances and the level of sustaining capital invested to maintain operations. In addition, operating and capital costs are impacted by external economic conditions impacting the cost of commodity inputs consumed in mining and mineral processing.

Community and Social Risks

Sierra Rutile's ability to operate and expand its mining activities will depend, in part, on its ability to maintain good relations with the local communities. Although Sierra Rutile believes that the local communities generally welcome its mining activities and perceive they will bring benefits to them, no assurance can be given that any negotiation with local communities about the benefit they will derive from the mining activities, will be successful.

Sierra Rutile expects that the development of Sembehun will create significant social and economic benefits for the local communities, including employment opportunities, but acknowledges that some local residents may be directly or indirectly affected by the development of Sembehun and associated operations.

Sierra Rutile engages with local communities in a structured and inclusive manner and is proud of its long association with those communities. Sierra Rutile makes a significant contribution to the communities through wages, local sourcing and suppliers, social investment and numerous other commitments in addition to the statutory rents and taxes that it pays to the Government of Sierra Leone.

Environment

Sierra Rutile is committed to managing its environmental performance to ensure that it complies with its obligations under all environmental legislation and is at the forefront of environmental management in the Sierra Leone mining industry.

Sierra Rutile has an ESHIA and management plan in place to ensure compliance and manage its obligations in regard to all aspects of environmental management, including water, biodiversity, rehabilitation and waste management for Area 1. An ESHIA for Sembehun is required to be submitted and approved ahead of commencing development of the project and is expected to be complete by end of Q3 2023..

Reliance on Key Personnel

The success of Sierra Rutile and its business is highly dependent on the expertise and experience of the Sierra Rutile executive leadership team. The loss of any key personnel could harm the business or cause delays in the implementation of Sierra Rutile's plans, while management time is directed to finding suitable replacements.

Sierra Rutile believes the terms of employment including remuneration levels for its directors, executives, management and personnel are market competitive, fair and equitable so as to attract, motivate and retain high quality personnel.

Anti- Bribery and Corruption Risk

Sierra Rutile's business activities and operations are located in Sierra Leone, which has a relatively high inherent risk with regards to bribery and corruption. This exposes Sierra Rutile to the risk of unauthorised payments or offers of payments to or by employees, agents or distributors that could be in violation of applicable anti-corruption laws.

Sierra Rutile has a clear Anti-bribery and Corruption Policy and internal controls and procedures to protect against such risks. These include training and compliance programs for its employees, agents and distributors. However, there is no assurance that such controls, policies, procedures and programs will protect Sierra Rutile from potentially improper or criminal acts. A copy of the Company's Anti-bribery and Corruption Policy is available on the Sierra Rutile website at https://sierra-rutile.com/our-company/corporate-governance/.

DIRECTORS

The names and particulars of the directors of the Company during the financial year are:

Current Directors

- Gregory Martin (Chairman) (appointed 14 April 2022)
- Theuns de Bruyn (Managing Director and CEO) (appointed 26 July 2022)
- Martin Alciaturi (Finance Director) (appointed 26 July 2022)
- Joanne Palmer (appointed 1 May 2022)
- Graham Davidson (appointed 1 May 2022)

Former Directors

- Thomas O'Leary (appointed 16 December 2016 and resigned 29 May 2022)
- Adele Stratton (appointed 30 May 2019 and resigned 29 May 2022)
- Nigel Tinley (appointed 31 March 2017 and resigned 28 June 2022)

DIRECTORS' PROFILES

Name:	**Gregory Martin**
Qualifications:	BEc, LLB, MAICD
Age:	63
Appointed:	14 April 2022
Role:	Non-Executive Director, Chairman
Independent:	Yes
Committee Membership:	• Board (Chairman) • People and Nominations Committee (Chair) • Audit and Risk Committee • Sustainability and Social Accountability Committee
Relevant skills and experience	Mr Martin contributes 40 years' experience in the mining, utilities, financial services, energy and energy related infrastructure sectors in Australia, New Zealand and internationally. In addition to the listed directorships below, Mr Martin currently serves as non-executive Chairman of Hunter Water Corporation, non-executive Director and Deputy Chair of The Electricity Networks Corporation (trading as Western Power), non-executive Chair of Mawson Infrastructure Group and as a non-executive Director of Power & Water Corporation. Mr Martin holds a Bachelor of Economics from the University of Sydney and a Bachelor of Laws from Western Sydney University. He is also a Fellow of the Australian Institute of Management and a Member of the Australian Institute of Company Directors.
Other Directorships and Offices (current and recent)	• Provaris Energy Ltd - Non-Executive Chairman (appointed February 2022) • Iluka Resources Limited- Non-Executive Chairman (retired April 2022) • Spark Infrastructure - Non-Executive Director (retired December 2021)

Name:	**Theuns de Bruyn**
Qualifications:	BEng (Chemical), MBA
Age:	54
Appointed:	26 July 2022
Role:	Managing Director and Chief Executive Officer
Independent:	No
Committee Membership:	• Sustainability and Social Accountability Committee
Relevant skills and experience	Mr de Bruyn joined Sierra Rutile in August 2019, as the Chief Operating Officer and was appointed Chief Executive Officer in January 2021. He has over 25 years' experience in the mineral sector, starting his career with BHP where he worked across various commodities and departments including Operations and Business Development. Mr de Bruyn has held a range of senior positions including Executive Vice President of Processing with Lonmin Platinum and as Chief Operating Officer for Metorex. Mr de Bruyn holds a Bachelor of Engineering in Chemical Engineering from the University of Pretoria and a Master of Business Administration from Heriot Watt University.
Other Directorships and Offices (current and recent)	• None

Name:	**Martin Alciaturi**
Qualifications:	BSc (Eng) (Hons), Grad Dip (Applied Finance), FCA (Aus & NZ), MAICD
Age:	61
Appointed:	26 July 2022
Role:	Finance Director
Independent:	No
Committee Membership:	• Sustainability and Social Accountability Committee
Relevant skills and experience	Mr Alciaturi has more than 40 years' experience across investment banking, corporate finance, and as a mining executive. Prior to his current role, Mr Alciaturi was Finance Director of Aquila Resources a major ASX listed iron ore and coal producer/developer which was taken over in 2014. His responsibilities included business development, investor relations, finance and administration. Mr Alciaturi's previous roles included Partner in Charge of Corporate Finance at Ernst & Young Perth for 10 years and 4 years as Head of Corporate Finance (Perth) at Macquarie Capital. Mr Alciaturi holds a Bachelor of Science (with honours) in Mechanical Engineering from University College London, and a Graduate Diploma in Applied Finance and Investment from the Financial Services Institute of Australia. He is a Fellow of Chartered Accountants Australia and New Zealand, and a member of the Australian Institute of Company Directors.
Other Directorships and Offices (current and recent)	• 29Metals Limited - Non-executive Director (appointed 27 May 2021)

Name:	**Joanne Palmer**
Qualifications:	BSc (Hons), FCA (Aus & NZ), FICA (England & Wales), GAICD, Reg Company Auditor (ASIC)
Age:	47
Appointed:	1 May 2022
Role:	Non-Executive Director
Independent:	Yes
Committee Membership:	• People and Nominations Committee • Audit and Risk Committee (Chair) • Sustainability and Social Accountability Committee
Relevant skills and experience	Ms Palmer has over 26 years' of industry experience providing audit and assurance services on company listings, mergers, acquisitions and takeovers and significant experience in auditing international mining companies. Ms Palmer is currently a Non-Executive Director of Paladin Energy, a Non-Executive Director of NextOre, a company operating in the mining technology field, and a Councillor at the Association of Australian Mining and Exploration Companies (AMEC). Prior to her existing roles, Ms Palmer was an Executive Director at Pitcher Partners (until November 2022) and an equity Partner at EY in the Assurance Practice. She led EY's Financial Accounting Advisory Services team in Perth for three years prior to her departure. Ms Palmer holders a Bachelor of Science (with honours) in Mathematics and Statistics from the University of Birmingham. She is a fellow of both the Chartered Accountants Australia and New Zealand and Institute of Chartered Accountants in England & Wales. She also holds a graduate diploma from the Australian Institute of Company Directors and is a Registered Company Auditor with the Australian Securities and Investments Commission.
Other Directorships and Offices (current and recent)	• Paladin Energy Limited – Non-Executive Director (appointed 13 May 2021) • NextOre Limited – Non-Executive Director (appointed 15 October 2021)

Name:	**Graham Davidson**
Qualifications:	BEng (Mechanical), Dip Maintenance Management, MIOD (UK), MAICD, MIEng Aus
Age:	64
Appointed:	1 May 2022
Role:	Non-Executive Director
Independent:	Yes
Committee Membership:	• People and Nominations Committee • Audit and Risk Committee • Sustainability and Social Accountability Committee (Chair)
Relevant skills and experience	Mr Davidson has over 30 years' professional experience of executive and board positions with a track record of leading large multicultural teams on natural resource projects, across three continents. Mr Davidson is currently Managing Director at Millstream Consultants (since January 2018). He has held a range of senior positions including Managing Director of Rio Tinto's Simandou project, Chief Executive Officer (appointed by Rio Tinto) Port Waratah Coal Services and General Manager of Operations at Rossing Uranium, Rio Tinto's Uranium project in Namibia. Mr Davidson has also served on several non-profit and governing boards. Mr Davidson holds a Bachelor of Engineering in Mechanical Engineering from Newcastle University and a Diploma of Maintenance Management from Central Queensland University. He is also a member of the UK Institute of Directors, member of the Australian Institute of Company Directors and the Institute of Engineers Australia and various associations within.
Other Directorships and Offices (current and recent)	• None

MEETINGS OF DIRECTORS

During the financial year ended 31 December 2022 the Board formally met on 11 occasions. The Non-Executive Directors periodically met independent of management to discuss relevant issues. Directors' attendance at Board and committee meetings during the financial year ended 31 December 2022 is detailed below.

Director	Board		Audit and Risk Committee		People and Nominations Committee		Sustainability and Social Accountability Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Executive								
T de Bruyn	11	11	1	1[5]	1	1[5]	1	1[5]
M Alciaturi	11	11	1	1[5]	1	1[5]	1	1[5]
Non-Executive								
G Martin	11 (Chairman)	10	1	1	1 (Chairman)	1	1	-
J Palmer	11	11	1 (Chairman)	1	1	1	1	1
G Davidson	11	11	1	1	1	1	1 (Chairman)	1
Total Meetings	11		1		1		1	

Chairman   Member

1. "Held" indicates the number of meetings held during the period of each director's tenure.
2. "Attended" indicates the number of meetings attended by each director.
3. Mr de Bruyn was formally appointed to the board on 26 July 2022 but attended all Board meetings held prior to this date.
4. Mr Alciaturi was formally appointed to the board on 26 July 2022 but attended all Board meetings held prior to this date.
5. Attended meeting as an invitee.

DIRECTORS' RELEVANT INTEREST IN SECTURIES

Directors' relevant interests in shares and other securities of the Company are set out in the Remuneration Report under "Executive KMP – Shareholder" and Non-Executive Directors Shareholdings".

EXECUTIVE TEAM PROFILES

Name:	**Theuns de Bruyn**
Qualifications:	BEng (Chemical) (University of Pretoria), MBA (Heriot-Watt)
Role:	Managing Director and Chief Executive Officer
Relevant skills and experience	Mr de Bruyn is Managing Director and Chief Executive Officer for Sierra Rutile. See his profile in the Directors Profile section.

Name:	**Martin Alciaturi**
Qualifications:	BSc (Eng) (Hons), Grad Dip (Applied Finance), FCA MAICD
Role:	Finance Director
Relevant skills and experience	Mr Alciaturi is Finance Director for Sierra Rutile. See his profile in the Directors Profile section.

Name:	**Eben Lombard**
Qualifications:	BSc (Metallurgy) (University of Pretoria), MBA (University of Free State), Cert in Fundaments of Financial Management
Role:	Chief Operating Officer
Relevant skills and experience	Mr Lombard joined Sierra Rutile in August 2020 and served as the General Manager Services. He was appointed as Chief Operating Officer in December 2021. He has 22 years' experience in metals and minerals processing in various commodities including steel, chrome, platinum, copper, cobalt and lead and worked for Arcelor Mittal Steel in his early career. Mr Lombard held senior positions including Head of Processing/Production in Arcelor Mittal Steel, Samancor Chrome, Lonmin Platinum, Metorex and ERG Africa as well as General Manager in the ZIMCO and the Welding Alloys Groups.

Name:	**Maurice Cole**
Qualifications:	FCCA
Role:	Chief Financial Officer
Relevant skills and experience	Mr Cole joined Sierra Rutile in October 2017 as Finance Manager and was promoted in September 2019 to the position of Chief Finance Officer. He has over 30 years' experience in the Accounting and Auditing. He started his career with KPMG and has worked in various sectors including Energy, Banking, Petroleum and mining. Mr Cole previously held a number of senior positions including Financial Controller, Chief Finance Officer and Managing Director of the biggest Petroleum Company in Sierra Leone (NP(SL)LTD) before joining Sierra Rutile. Mr Cole holds qualifications from the Association of Chartered Certified Accountants of England and Wales and the Association of Accounting Technicians of England. He is also a Fellow of the Association of Chartered Accountants of England and Wales and a Fellow of the Association of Chartered Accountants of Sierra Leone.

Name: **Derek Folmer**

Qualifications: BEng (Mining) (McGill), MBA Finance (McGill), Member of Quebec Order of Engineers

Role: General Manager Marketing

Relevant skills and experience Mr Folmer joined Sierra Rutile in April 2013 and transitioned to be Vice President TiO^2 Sales for the Americas and Europe for Iluka in 2017. He was reappointed as General Manager Marketing by Sierra Rutile post Demerger.

Mr Folmer has over 25 years of commercial experience in the mineral sands sector, including 9 years of active involvement with Sierra Rutile, where he was Chief Marketing Officer and also a director of the company's in-country board. He has also held previous senior positions including General Manager Sales and Marketing for Rutile and Zircon at Rio Tinto.

Name: **Sue Wilson**

Qualifications: Hon DUniv (Curtin), LLB (UWA), BJuris (UWA), FAICD, FGIA, FCG

Role: General Counsel and Company Secretary

Relevant skills and experience Ms Wilson is an experienced General Counsel and senior executive. She was previously General Counsel and Company Secretary of Iluka until September 2021. She was previously the Head of Company Secretariat at South32 following the demerger from BHP Billiton. She was also General Counsel and Company Secretary and a member of the executive team at Bankwest and HBOS Australia. Prior to joining Bankwest, Ms Wilson was a partner of law firm Parker & Parker (now part of Herbert Smith Freehills).

Ms Wilson is currently the Chair of aged care provider, Amana Living and a member of the WA Council of the Australian Institute of Company Directors. She was previously the Pro Chancellor and a member of the Council at Curtin University, Chairman of the WA State Council of the Governance Institute of Australia and is a former non-executive director of Western Power.

Name: **Barry Honnah**

Qualifications: BA Politics and Sociology(Hons) (University of York), MSC, Industrial Relations and Personnel Management (London School of Economics)

Role: Human Resources Manager

Relevant skills and experience Mr Honnah joined Sierra Rutile in August 2019 as the Human Resources Manager. He has over 20 years experience in Human Resource Management having worked in various positions in both the UK and Sierra Leone. Prior to his appointment at Sierra Rutile, he served as the General Manager of Human Resources for African Minerals Limited. He has also held roles as the General Manager for Human Resources and Community Relations at London Mining and as Director of Human Resources and Rebranding at Orange Sierra Leone.

Prior to working in Sierra Leone, Mr Honnah also held various consultancy roles providing recruitment and human resource solutions to public sector organisations in the UK.

Name:	**Osman Lahai**
Qualifications:	BSc (Geography) (University of Sierra Leone), Grad Dip (Humanitarian Law) (University of Helsinki)
Role:	Community Relations and Social Development Manager
Relevant skills and experience	Mr Lahai joined Sierra Rutile Limited in May 2017, as the Community Relations and Social Development Manager. He has over 20 years of experience in community relations and public affairs, and started his career at the United Nations Department of Peacekeeping Operations (DPKO) in Sierra Leone, Liberia, Ethiopia, Eritrea and Sudan, where he worked across various departments including Civil Affairs, Human Rights and Public Information. Mr Lahai has also held a range of senior positions including Head of Media Relations and Communications with London Mining Company and as Editor for The Democrat Newspaper in Sierra Leone.

Name:	**Aminata Kamara**
Qualifications:	MA (London Metropolitan University), FCIPD, FILM
Role:	Corporate Affairs and Government Relations Director
Relevant skills and experience	Ms Kamara joined Sierra Rutile Limited in December 2015. She is the Corporate Affairs and Government Relations Director, a position she has held since January 2019. She was previously the Human Resources and Corporate Affairs Director. Ms Kamara has held various executive roles both in the UK and Sierra Leone. Prior to Sierra Rutile, she was the Human Resources and Corporate Affairs Director at the Sierra Leone Commercial Bank, a government owned bank. Ms Kamara holds a Master's Degree in Human Resources Management & Employment Studies from the University of North London (now London Metropolitan University). She's a Fellow of the Chartered Institute of Personnel and Development (CIPD) and a Fellow of the Institute of Leadership and Management (ILM). She is the current Chair of the Institute of Human Resources Sierra Leone (iHRSL); Board Chair, Bloom Bank Africa Sierra Leone; Board Member of the British Chamber of Commerce, Sierra Leone (BCCSL) and a Board Member of the Sierra Leone Employer Federation (SLEF).

COMPANY SECRETARY

Ms Wilson is the Company Secretary for Sierra Rutile. See her profile in the Executive Team Profiles section.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Sierra Rutile indemnifies all directors of Sierra Rutile named in this report and other officers of the Group against all liabilities to persons (other than Sierra Rutile or related body corporates) which arise out of the performance of their normal duties as director or executive officer unless the liability relates to conduct involving bad faith. Sierra Rutile also indemnifies the directors and officers against all costs and expenses incurred in defending an action that falls within the scope of the indemnity and any resulting payments.

During the year Sierra Rutile has paid a premium in respect of directors' and officers' insurance. The contract contains a prohibition on disclosure of the amount of the premium and the nature of the liabilities under the policy.

ENVIRONMENTAL REGULATION

The Group is not subject to environmental regulation under either any Commonwealth or State or territory legislation.

Sierra Rutile's operating subsidiary, Sierra Rutile Limited is subject to environmental regulation in Sierra Leone.

EXTERNAL AUDITORS

Sierra Rutile's auditor is PricewaterhouseCoopers (**PwC**). The terms of engagement of PwC includes an indemnity in favour of the external auditor. This indemnity is in accordance with PwC's standard terms of business and is conditional upon PwC acting as external auditor. No payment has been made to PwC by Sierra Rutile pursuant to this indemnity, either during or since the end of the financial year. Sierra Rutile has not otherwise indemnified or agreed to indemnify PwC at any time during the financial year.

NON-AUDIT SERVICES

The Group has a Non-audit Services Policy which contemplates the Group may, from time to time, employ the external auditor, PwC, on assignments additional to their statutory audit duties where PwC's expertise and experience with the Group are important. There were no non-audit services during the financial year.

A copy of PwC's independence declaration as required under section 307C of the Corporations Act is set out on page 27.

OTHER MATTERS

Group Licences

So far as the directors are aware, there have been no material breaches of the Group's licences and all mining and exploration activities have been undertaken materially in compliance with the relevant environmental regulations.

Sierra Leone environmental class action

On 22 January 2019, Sierra Rutile Limited (**SRL**) was served with a writ and statement of claim in respect of an action filed in the High Court of Sierra Leone Commercial and Admiralty Division against both SRL and The Environmental Protection Agency.

The proceedings have been brought by a group of landowner representatives (Representatives) who allege that they suffered loss as a result of SRL's mining operations. The claims primarily relate to environmental matters. The Representatives allege, in part, that SRL engaged in improper mining practices resulting in environmental degradation and contamination, did not meet certain rehabilitation obligations and violated local mining laws. SRL denies liability in respect of the allegations and is defending the claims. SRL filed its defence in March 2019 and also applied to the Court for an order requiring the Representatives to provide further detail on their claims.

As at 31 December 2022, the status of the proceedings has still not reached a stage where SRL is able to reliably estimate the quantum of liability, if any, that SRL may incur in respect of the class action.

Transcend Proceedings

On 3 April 2018, Transcend International Resources Limited (**Transcend**) initiated proceedings in the High Court of Sierra Leone against SRL. Transcend alleged that SRL had handled its equipment illegally or wrongfully and damaged the equipment. On 19 August 2021, the High Court of Sierra Leone delivered judgement in favour of Transcend for approximately US$3.2 million plus interest at the rate of 25% until full payment. A provision of US$3.2 million was provided in Sierra Rutile's 2021 accounts. The legal process is ongoing but if not resolved successfully, the amount at issue including costs and interest is likely to be approximately US$4.3 million (inclusive of the US$3.2 million provided (of which US$1.6 million has already been paid to Transcend)).

Separately on 17 April 2018, Transcend initiated proceedings in the High Court of Sierra Leone against SRL. Transcend's claim is for US$815,500 in relation to the supply and delivering delivery of zircon middling to Transcend, plus general damages, interest and costs. The trial of the matter has ended, and the judge has reserved the matter for judgement.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

At the time of reporting, the directors are not aware of any matter or circumstance that has or may significantly affect the operations of the Group, the results of its operation or the state of affairs of the Group in subsequent financial years.

DIVIDEND

No dividend was declared for the financial year ended 31 December 2022.

CHANGES IN STATE OF AFFAIRS

During the financial year, the Company was subject to a demerger from its parent entity, Iluka, which was approved by shareholders on 22 July 2022. Following the completion of the demerger, the Company was admitted to the Official List of the Australian Securities Exchange (ASX).

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

In the opinion of the directors, likely developments in and expected results of the operations of the Group have been disclosed in the Operating and Financial Review section pages 2 to 6 of the Directors' Report. Disclosure of any further material relating to those matters could result in unreasonable prejudice to the interests of the Group.

CORPORATE GOVERNANCE STATEMENT

The ASX Corporate Governance Council sets out best practice recommendations, including corporate governance practices and suggested disclosures (**ASX Recommendations**). In accordance with ASX Listing Rule 4.7 and 4.10.3, Sierra Rutile will disclose a copy of its corporate governance statement and a completed Appendix 4G disclosing the extent to which Sierra Rutile has complied with the ASX Recommendations and any reasons for not following them, when Sierra Rutile releases its annual report for the financial year ended 31 December 2022.

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 Report. Amounts in the Directors' Report have been rounded off in accordance with that Rounding Instrument to the nearest hundred thousand dollars, or in certain cases, to the nearest dollar, unless otherwise indicated.

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 (Cth).

G. Martin

Gregory Martin
Chairman
27 February 2023

REMUNERATION REPORT

The directors present the remuneration report for the financial year ended 31 December 2022, which details the remuneration arrangements for the Group's Key management personnel, non-executive directors and executive directors.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group.

The remuneration report forms part of the directors' report and has been prepared and audited in accordance with the requirements of the *Corporations Act 2001 (Cth).*

DIRECTORS AND KEY MANAGEMENT PERSONNEL

The names and details of the key management personnel covered by the remuneration report are as follows:

Non-executive directors

Name	Position held
G Martin	Independent Non-Executive Chair (appointed 14 April 2022)
G Davidson	Independent Non-Executive Director (appointed 1 May 2022)
J Palmer	Independent Non-Executive Director (appointed 1 May 2022)

Executive directors

Name	Position held
T de Bruyn	Managing Director and Chief Executive Officer (appointed 26 July 2022)
M Alciaturi	Finance Director (appointed 26 July 2022)

The People and Nominations Committee conducted an assessment of the roles of the Executive Management Team to determine which roles and individuals would be considered to be KMP. It was determined that there were no other individuals other than those listed above who meet the criteria of being KMP.

REMUNERATION GOVERNANCE

People and Nominations Committee

The People and Nominations Committee ("PNC" or "the Committee") provides advice and recommendations to the Board regarding remuneration matters.

A copy of the charter of the Committee is available on Sierra Rutile's website in the Corporate Governance section https://www.sierra-rutile.com/our-company/corporate-governance.

Members of the Committee during the financial year ended 31 December 2022 were:

- G Martin – Independent Non-Executive Director and Board Chair and Chair of the People and Nominations Committee;
- G Davidson – Independent Non-Executive Director and Chair of the Sustainability and Social Accountability Committee; and
- J Palmer – Independent Non-Executive Director and Chair of the Audit and Risk Committee.

At the Committee's invitation, the Managing Director, the Finance Director and other relevant managers attend meetings in an advisory capacity and coordinate the work of external, independent advisors as requested. All executives are excluded from any discussions impacting their remuneration.

Under its charter, which was adopted by the Board with effect from 27 July 2022, the Committee intends to meet at least twice each full year. During the financial year ended 31 December 2022, the Committee formally met once.

Securities Dealing Policy

The Company's Securities Dealing Policy applies to all Non-executive Directors and Executives. The policy prohibits employees from dealing in Sierra Rutile securities while in possession of material non-public information relevant to the Company.

A copy of the Securities Dealing Policy is available on Sierra Rutile's website in the Corporate Governance section https://www.sierra-rutile.com/our-company/corporate-governance.

Executives must not enter into any hedging arrangements over Company securities acquired under the Company's equity incentive plans. Breach of this policy may lead to disciplinary action and potential dismissal.

REMUNERATION STRATEGY

The principles and objectives of Sierra Rutile's approach to remuneration policy are to:

- Attract, retain and motivate the talented people with the necessary skills to create value for shareholders;
- Reward executives and other employees fairly and responsibly, having regard for the performance of Sierra Rutile, the competitive environment and the individual performance of each employee;
- Ensure alignment of executive interests with shareholders;
- Provide a clear link between company performance and remuneration outcomes;
- Ensure remuneration outcomes are consistent with Sierra Rutile's short-term and long-term strategic objectives and the delivery of long-term shareholder wealth creation; and
- Comply with all relevant legal and regulatory provisions.

As a newly listed entity Sierra Rutile is continuing to develop remuneration strategies and policy in 2023.

EXECUTIVE REMUNERATION

Fixed Remuneration	Variable, at risk, pay
Fixed Remuneration (FR) comprises cash salary, cash allowances, and employer contributions to superannuation (as applicable). Approach: FR is reviewed annually by the Board to ensure it remains competitive in the market for which the Company seeks executives. In setting the FR, the Board has regard for the size and complexity of the position, the skills and experience required for success, and individual qualifications. No change in FR was made following the initial setting of FR for the demerger of Sierra Rutile in 2022.	**Short Term Incentive (STI)** Purpose: To reward Executive KMP for achievement of strategic objectives over an annual performance period that will contribute to increasing shareholder value. Approach: The annual STI reflects the variable remuneration awarded to Executive KMP based on the performance against an annual scorecard of financial and strategic measures. The Board assesses scorecard performance at the end of the year with the resulting award paid in cash. **Long Term Incentive (LTI)** Purpose: To align executive accountability and remuneration with the long-term interests of shareholders by rewarding the delivery of sustained performance. Approach: The LTI is provided in the form of performance rights and is subject to a three-year performance period. The initial LTI award has a performance period commencing on 1 January 2023 and ending 31 December 2025.

Initial Equity Grant (IEG)

A once-off transitional award was made to the Managing Director & Chief Executive Officer and the Finance Director to align the executive incentives with the long-term interests of the shareholders. The IEG was awarded in December 2022 in the form of performance rights in three tranches subject to performance conditions. The details of the IEG are outlined below under the heading "Initial Equity Grant"

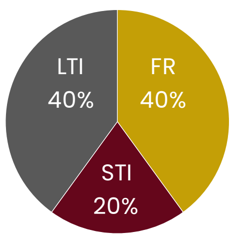
Executive remuneration structure and mix

As outlined above the standard elements of the remuneration structure for the Executive KMP are:

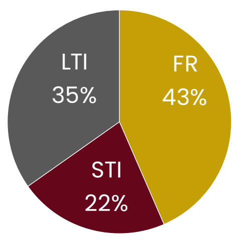
- Fixed Remuneration (FR);
- Short Term Incentive (STI); and
- Long Term Incentive (LTI).

The following diagram sets out the mix for FR and "at risk" remuneration including STI and LTI, assuming at target outcomes for Executive KMP:

MD & CEO Remuneration Mix



Finance Director Remuneration Mix



The one-off Initial Equity Grant has not been included in the above depiction of the standard remuneration package applicable to the executive KMP.

Short-term incentive (STI)

<table>
<tr><td>Purpose</td><td>To reward Executive KMP for achievement of strategic objectives over an annual performance period that contribute to increasing shareholder value.</td></tr>
<tr><td>Participants</td><td>• Managing Director & Chief Executive Officer (MD & CEO)
• Finance Director</td></tr>
<tr><td>Delivery</td><td>The STI award is paid in cash.</td></tr>
<tr><td>Maximum opportunity</td><td>• 100% of FR for the MD & CEO
• 100% of FR for the Finance Director</td></tr>
<tr><td>Performance period</td><td>4 August 2022 to 31 December 2022.</td></tr>
<tr><td>Performance measurement date</td><td>Following finalisation of the FY22 financial results.</td></tr>
<tr><td>Performance conditions</td><td>Annual Executive KMP performance is set and assessed by the Board through a balanced scorecard and assessment of individual strategic objectives.

The scorecard includes a range of key financial and non financial measures that directly affect shareholder value. Each scorecard measure is weighted according to its importance, is measurable and is assessed quantitatively and qualitatively. The scorecard is weighted at 75% of the total STI opportunity.

Assessment of each individual’s performance is also conducted against individual strategic objectives. The individual strategic objectives are weighted at 25% of the total STI opportunity.

For the FY22 performance period, performance measures are detailed in “Remuneration Outcomes 2022”.</td></tr>
<tr><td>Scorecard operation</td><td>The scorecard outcomes, for executive KMP, are calculated based on the following schedule. Awards from 25% to 100% of the maximum opportunity are on a linear basis consistent with the level of performance attained.
<table>
<tr><th>Performance Level</th><th>STI outcome (of maximum STI opportunity)</th></tr>
<tr><td>Threshold (minimum expectations)</td><td>25%</td></tr>
<tr><td>Target (meets expectations)</td><td>50%</td></tr>
<tr><td>Exceed expectations</td><td>51% to 100%</td></tr>
</table></td></tr>
<tr><td>Award timing</td><td>The cash payment is made as soon as practicable after the end of the performance period and no later than three months after that date.</td></tr>
<tr><td>Malus and/or clawback</td><td>The Sierra Rutile Board may apply malus to incentives that have yet to vest and even clawback incentives that have already vested where:
• The executive acts fraudulently or dishonestly; or
• There is material misstatement or omission in the accounts of Sierra Rutile; or
• The award has resulted in an inappropriate benefit being awarded.</td></tr>
<tr><td>Treatment on termination</td><td>Unless the Sierra Rutile Board determines otherwise, where a participant resigns (other than by mutual agreement) or is terminated for cause, their unpaid STI will lapse.

If a participant ceases employment for other reasons (including by mutual agreement) unless the Sierra Rutile Board determines otherwise, their unpaid STI will generally remain on foot and vest on a pro-rata basis subject to the original terms and performance hurdles in the ordinary course.</td></tr>
<tr><td>Board discretion</td><td>The Board has discretion to vary STI outcomes having regard for the circumstances at the time (including in the event the STI outcome would result in an inappropriate outcome).</td></tr>
<tr><td>Change of control</td><td>The Board has discretion, taking into account performance to the date of change in control.</td></tr>
</table>

Long-term incentives (LTI)

<table>
<tr><td>Purpose</td><td>To align executive accountability and remuneration with the long-term interests of shareholders by rewarding the delivery of sustained performance.</td></tr>
<tr><td>Participants</td><td>Managing Director & Chief Executive Officer (MD & CEO)
Finance Director</td></tr>
<tr><td>Date of grant</td><td>It is proposed that the grant will be made in March 2023.</td></tr>
<tr><td>Delivery</td><td>Performance rights ("PRs") which are rights to acquire ordinary shares in the Company for nil consideration (or, at the Sierra Rutile Board's discretion, a cash equivalent payment), conditional on the achievement of specified performance and vesting conditions. No consideration is payable upon grant or vesting of the PRs under the LTI.</td></tr>
<tr><td>Maximum opportunity</td><td>100% of FR for the MD & CEO
80% of FR for the Finance Director</td></tr>
<tr><td>Quantum</td><td>PRs are allocated at face value using the five-day VWAP of Sierra Rutile shares commencing on 3 January 2023, which was AU$0.22.</td></tr>
<tr><td>Performance period</td><td>1 January 2023 to 31 December 2025.</td></tr>
<tr><td>Performance measurement date</td><td>Following completion of the performance period.</td></tr>
<tr><td>Vesting of PRs</td><td>As soon as practicable after testing at the end of the performance period.</td></tr>
<tr><td>Performance conditions</td><td> The PRs are subject to Sierra Rutile relative total shareholder return ("RTSR") performance compared to a peer group of other companies as determined by the Sierra Rutile Board (Comparator Group). The Comparator Group determined for the LTI is: Astron Corporation; Base Resources; Diatreme Resources; Image Resources; Minerals Commodities Limited; Sheffield Resources; Strandline Resources; and Sovereign Metals. RTSR was selected as the performance metric as an appropriate measure of Sierra Rutile's relative performance as a stand-alone entity. The Comparator Group was selected from Australian listed companies operating in the mineral sands sector who represent peers of Sierra Rutile with similar complexity and challenges. Vesting will be determined based on Sierra Rutile's performance compared to the Comparator Group with the following vesting schedule:
<table>
<tr><th>Performance level to be achieved</th><th>Percentage vesting</th></tr>
<tr><td>Below 50th percentile</td><td>0%</td></tr>
<tr><td>50th percentile</td><td>50%</td></tr>
<tr><td>Between 50th and 75th percentile</td><td>Sliding scale vesting</td></tr>
<tr><td>75th percentile</td><td>100%</td></tr>
</table></td></tr>
<tr><td>Voting and dividend entitlements</td><td> No dividends will be paid on PRs. Shares allocated to participants on vesting of awards carry the same voting rights as other Sierra Rutile Shares. </td></tr>
<tr><td>Disposal restrictions</td><td>Any dealing (transfer, sale, disposal or hedging) of a PR is prohibited. Following vesting of PRs, no disposal restrictions will apply to the resulting Sierra Rutile Shares (except for Sierra Rutile's Securities Dealing Policy).</td></tr>
<tr><td>Acquisition of PRs and shares</td><td> PRs are granted by the Company and held by the participant subject to the satisfaction of the vesting conditions. The number of rights held may be adjusted pro rata, consistent with ASX adjustment factors for any capital restructure. Shares to satisfy the exercise of vested PRs may be issued by the Company or acquired on market. </td></tr>
<tr><td>Cessation of employment</td><td> Unless the Sierra Rutile Board determines otherwise, where a participant resigns (other than by mutual agreement) or is terminated for cause, their unvested PRs will lapse. If a participant ceases employment for other reasons (including by mutual agreement) unless the Sierra Rutile Board determines otherwise, their unvested PRs will generally remain on foot subject to the original terms of the grant and be performance tested in the ordinary course. </td></tr>
<tr><td>Change of control</td><td>The Sierra Rutile Board has discretion to determine the level of vesting (if any) on a change of control, having regard to shareholder outcomes realised, performance to date against any of the applicable performance conditions, the portion of the performance period elapsed and any other factors it considers appropriate.</td></tr>
<tr><td>Clawback and preventing inappropriate benefits</td><td> Under the LTI the Sierra Rutile Board can lapse or clawback incentives (including incentives that have vested) in certain circumstances, including: Where the participant acts fraudulently or dishonestly; or
If there is a material misstatement or omission in the accounts of the Sierra Rutile Group company.</td></tr>
</table>

Initial Equity Grant (IEG)

Purpose	To align executives with the interests of shareholders by rewarding the achievement of key strategic outcomes in the initial years of Sierra Rutile's operations.
Eligibility	Managing Director & Chief Executive Officer and Finance Director.
Date of grant	4 December 2022.
Delivery	The Equity Offer is a grant of performance rights (PRs), each being a conditional right to acquire one fully paid ordinary share in Sierra Rutile (or at the Sierra Rutile Board's discretion, a cash equivalent payment), subject to meeting the specified performance and vesting conditions. No consideration is payable upon grant or vesting of the PRs under the Equity Offer.
Quantum of grants	• MD & CEO A$1,800,000 • Finance Director A$960,000 PRs are allocated at face value using the five-day VWAP of Sierra Rutile shares immediately following listing. The MD & CEO was granted 5,294,118 PRs and the Finance Director was granted 2,823,529 PRs.
Performance conditions and vesting schedule	The PRs were awarded in three tranches, with specific performance objectives set for each tranche. • Tranche 1 (25% of the total award): Vesting to occur upon Sierra Rutile Board approval and market disclosure of a final investment decision for the two phased development of Sembehun. • Tranche 2 (25% of the total award): Vesting subject to completion of a plan for ongoing operations at Area 1 through to 2027 underpinned by JORC compliant Ore Reserves signed by a competent person. • Tranche 3 (50% of the total award): Vesting will occur upon successful commissioning of Sembehun Phase 1 (as defined in the final investment decision) which is planned to be completed by the end of November 2025. The performance measures were selected as they are critical delivery milestones in the strategic development of Sierra Rutile.
Additional terms	The Equity Offer is subject to the same restrictions on dealing, treatment on cessation of employment, treatment on change of control of Sierra Rutile and clawback provisions as the LTI Offer outlined above. PRs and Sierra Rutile Shares allocated to participants under the Equity Offer will also carry the same voting, dividend entitlements as the LTI Offer outlined above. Any unvested PRs will lapse after five years from the date of the award grant.

Iluka Legacy Award Replacement Awards for the Managing Director and Chief Executive Officer

The Sierra Rutile Managing Director and Chief Executive Officer was eligible to receive a number of 'replacement' awards in the form of Sierra Rutile restricted rights or performance rights ("**Replacement Awards**"). The Replacement Awards are being granted to replace Iluka awards or entitlements under the Executive Incentive Plan ("EIP") held by Mr de Bruyn prior to the demerger of Sierra Rutile.

The Replacement Awards comprise:

- Performance Rights ("PRs") which are rights to acquire ordinary shares in the Company for nil consideration (or at the Sierra Rutile Board's discretion, a cash equivalent payment), conditional on the achievement of specific performance conditions as described in regard to the LTI award performance conditions; and
- Restricted Rights ("RRs") which are rights to acquire ordinary shares in the Company (or at the Sierra Rutile Board's discretion, a cash equivalent payment), subject to continued service.

The number of PRs and RRs to be awarded was calculated using the following formula:

> Number of Iluka Rights held before demerger x (Sierra Rutile five-day VWAP + Iluka five-day VWAP)/ Sierra Rutile five-day VWAP.

It is proposed that the Replacement Awards will be granted in March 2023.

Replacement Award for the 2020 Iluka Resources EIP

Maximum value of equity granted	PRs A$55,088 The MD & CEO will be granted 162,023 PRs.	RRs A$48,975 The MD & CEO will be granted 144,043 RRs.
Performance period	PRs: will vest based on performance over the performance period from the grant date to 31 December 2024.	
Restricted rights vesting	RRs: Restricted rights will vest, subject to continued employment in the following tranches: • Tranche 1 (72,007) on 1 March 2024; and • Tranche 2 (72,036) on 1 March 2025.	

Replacement Award for the 2021 Iluka Resources EIP

Maximum value of equity granted	PRs $203,155 The MD & CEO will be granted 597,516 PRs.	RRs $148,354 The MD & CEO will be granted 436,334 RRs.
Performance period	PRs: will vest based on performance over the performance period from the grant date to 31 December 2025.	
Restricted rights vesting	RRs: Restricted rights will vest, subject to continued employment, in the following tranches: • Tranche 1 (145,464) on 1 March 2024; • Tranche 2 (145,435) on 1 March 2025; and • Tranche 3 (145,435) on 1 March 2026.	

REMUNERATION OUTCOMES FOR 2022

The table below summarises key indicators of the performance of Sierra Rutile and relevant shareholder returns over FY22.

As Sierra Rutile only listed on the ASX on 27 July 2022, it is not possible to address the statutory requirement that Sierra Rutile provides a five-year discussion of the link between performance and remuneration. This table will be expanded in future years to provide comparative metrics for the financial years in which Sierra Rutile is listed.

2022 Company Performance

Revenue	US$254,484,000
Net profit/(loss) after tax	US$75,599,000
Earnings per share	US$0.1740
Closing share price (31 December)[1]	A$0.225

[1]The opening share price on listing on the ASX on 27 July 2022 was A$0.43.

2022 Short Term Incentive (STI)

The STI for 2022 operated from the 4 August 2022 to 31 December 2022. The STI consists of a scorecard weighted at 75% of the STI opportunity and assessment of individual strategic objectives weighted at 25%.

2022 STI Scorecard and Outcomes Achieved

	Scorecard measure	Weight	Summary of achievement
Financial Metrics total weight 50%	Free Cash Flow	20%	Target
	Net Profit After Tax	15%	Target
	All in Unit Cash Cost of Production $/t	15%	Between Threshold and Target
Production weight 10%	Rutile produced	10%	Between Threshold and Target. The full year result was impacted by unusually heavy rain in the third quarter.
Sustainability Metrics – weight 15%	SRL TRIFR	5%	The TRIFR at the end of the year was 1.3 which was below threshold.
	Reduction in SRL Environmental level 3 incidents	5%	There were three Level 3 and above environmental incidents reported down from seven in 2021.
	Completion of actions within agreed timeframes (5)	5%	97% of actions identified through incident investigations, planned workplace inspections and safety visits) were closed out by the initial due date.
SCORECARD TOTAL		**75%**	**The STIP Scorecard outcome for the Executive KMP was 73.4%, which is 49% of the maximum achievable.**

Executive KMP Individual Objectives

Individual strategic objectives were set based on individual KMP accountabilities. The individual strategic objectives are weighted at 25% of the annual incentive opportunity with 75% weighting on the STI Scorecard discussed above.

The strategic objectives for Mr de Bruyn , included delivery of operational measures involving the implementation of reset initiatives and financial metrics collectively weighted at 10% and completion of the demerger of Sierra Rutile weighted at 15%.

The Strategic objectives for Mr Alciaturi related to the demerger of Sierra Rutile and the establishment of corporate capability in Australia weighted at 15% and progressing actions to enable the financing for Sembehun weighted at 10%.

Executive KMP Overall STI Outcome

Executive KMP	Scorecard outcome (weight 75%)	Individual outcome (weight 25%)	Total outcome	
T de Bruyn	73.4%	25%	**98.4%**	The outcome represented 49% of the maximum STI opportunity
M Alciaturi	73.4%	25%	**98.4%**	The outcome represented 49% of the maximum STI opportunity

The following table presents the outcomes of the STI award attributed to the performance period commencing from the effective date of demerger of the company, being 4 August 2022, and ended at 31 December 2022:

Executive KMP	Maximum STI opportunity[1]	% of maximum STI earned	% of maximum STI forfeited	STI cash outcome
T de Bruyn	$246,575	49%	51%	US$82,243
M Alciaturi	$164,384	49%	51%	US$54,829

EXECUTIVE KMP STATUTORY REMUNERATION DISCLOSURES

Details of the remuneration of the KMP, prepared in accordance with the requirements of the *Corporations Act 2001* (Cth) and the relevant Australian Accounting Standards, are set out in the following tables.

Name	Short-term benefits				Post-employment benefits	Long-term benefits	Share based payments US$[8,9]	Termination US$	Total US$	Performance related %
	Base salary/ fees US$	Annual cash incentive US$[4]	Non-monetary benefits US$[5]	Other benefits US$[6]	Super-annuation US$	Accrued annual leave and long service leave US$[7]				
T de Bruyn[1,2]	170,262	82,243	0	156,190	0	16,214	154,652	0	579,562	38%
M Alciaturi[1,3]	102,818	54,829	3,542	0	8,442	3,688	67,549	0	240,868	51%
Total	273,080	137,072	3,542	156,190	8,442	19,902	222,201	0	820,430	44%

1 Mr de Bruyn and Mr Alciaturi became KMP on 26 July 2022. The reported remuneration package relates to the proportion of the financial year they were KMP.

2 For Mr de Bruyn the total remuneration is denominated in Australian dollars (A$) and paid monthly in South African Rand (ZAR) and converted to US dollars (US$) for reporting purposes using the average exchange rate for the period from 1 August to 31 December of ZAR1=US$0.058.

3 For Mr Alciaturi the total remuneration is denominated in Australian dollars (A$) and converted to US dollars (US$) for reporting purposes using the average exchange rate for the period from 1 August 2022 to 31 December 2022 of A$1=US$0.668.

4 Current year STI awards are accrued in the financial year to which the performance relates for the period from the demerger implementation date of 4 August 2022 to 31 December 2022. Payments will be made in March 2023.

5 Non-monetary benefits for Mr Alciaturi include car parking.

6 Other benefits for Mr de Bruyn are non-pensionable and include international assignment benefits comprising tax equalisation and related compliance services and international assignment payments.

7 Represents the movement in the annual and long-service leave provisions during the year. A one-off cash payment of US$ 151,733 was paid to Mr de Bruyn for accrued annual leave on services provided prior to becoming a KMP.

8 The fair value of performance rights is calculated at the date of grant using a Monte Carlo simulation model, the fair value of the restricted rights is calculated at the date of grant using a Black Scholes model, and the respective values are recognised over the period in which the minimum service conditions are fulfilled (the vesting period). The value disclosed is the portion of the fair value of the performance rights and restricted rights recognised in the reporting period in respect of the Initial Equity Grant and for Mr de Bruyn the Replacement Awards. The amount included as remuneration is not necessarily the benefit (if any) that individual may ultimately receive.

9 The grant date of the Performance Rights under the Initial Equity Grant to Mr de Bruyn and Mr Alciaturi was 5 December 2022. The grant date for the Replacement Awards to Mr de Bruyn is proposed to be in March 2023. The ASX requirement to obtain Shareholder approval for the grant of Performance Rights and any shares to be issued at the time of vesting under ASX Listing Rule 10.14 was waived on the basis that details were disclosed in the Demerger Book, which was approved by Iluka shareholders on 27 July 2022.

Initial Equity Grant – Performance Rights

During the financial year ended 31 December 2022 Mr de Bruyn and Mr Alciaturi were granted performance rights under the Initial Equity Grant ("IEG") as detailed above. The details are shown in the following table:

Executive	Number of Rights granted during the year[1]	Grant date	Fair value per Right (at grant date) A$[2]	Total value of Rights granted during the year A$	Maximum Value yet to Vest A$[3]	Vesting Date[4]	Exercise price per Right	Expiry date	Number of Rights vested during the year	Number of Rights lapsed during the year
T de Bruyn										
IEG T1	1,323,529	4/12/22	0.19	251,471	251,471	Q4 2023	Nil	4/12/27	-	-
IEG T2	1,323,530	4/12/22	0.19	251,471	251,471	30/9/2024	Nil	4/12/27	-	-
IEG T3	2,647,059	4/12/22	0.19	502,941	502,941	30/11/2025	Nil	4/12/27	-	-
M Alciaturi										
IEG T1	705,882	4/12/22	0.19	134,118	134,118	Q4 2023	Nil	4/12/27	-	-
IEG T2	705,882	4/12/22	0.19	134,118	134,118	30/9/2024	Nil	4/12/27	-	-
IEG T3	1,411,765	4/12/22	0.19	268,235	268,235	30/11/2025	Nil	4/12/27	-	-

1 The number of rights held at the start of the reporting period by each of Mr de Bruyn and Mr Alciaturi was nil.

2 The fair value is calculated in accordance with the measurement criteria of the Accounting Standard AASB 2 Share Based Payments.

3 The minimum amount yet to vest will be nil if the performance objectives are not achieved.

4 Vesting of each tranche of the IEG is subject to achievement of specific objectives as outlined above under Initial Equity Grant. There are not specific vesting dates set for each tranche of the IEG. Timing shown, was used to account for the awards and is indicative of the current plan and progress toward achievement of the performance objectives.

Mr de Bruyn was eligible to receive a number of 'replacement' awards in the form of Sierra Rutile restricted rights or performance rights. It is intended that the replacement awards will be granted in March 2023. The following table provides the details of the accounting for these awards for the period August to December 2022.

Replacement Awards	Number of Rights granted during the year[1]	Grant date[2]	Fair value per Right A$[3]	Total value of Rights A$	Maximum Value yet to Vest A$[4]	Vesting date[4]	Exercise price per Right	Expiry date	Number of Rights vested during the year	Number of Rights lapsed during the year
2020 EIP PRs	162,023	TBA	0.17	28,030	23,587	1/3/2025		1/3/2025	-	-
2020 EIP RRs	144,043	TBA	0.23	32,410	25,643	1/3/2024, 1/3/2025	Nil	1/3/2024, 1/3/2025	-	-
2021 EIP PRs	597,516	TBA	0.19	111,138	98,449	1/3/2026	Nil	1/3/2026	-	-
2021 EIP RRs	436,334	TBA	0.23	98,175	80,771	1/3/2024, 1/3/2025, 1/3/2026	Nil	1/3/2024, 1/3/2025, 1/3/2026	-	-

1 The number of rights to be granted was determined by the following calculation: Number of Iluka rights held before demerger x (Sierra Rutile five-day VWAP + Iluka five-day VWAP)/Sierra Rutile five-day VWAP.

2 It is intended that the replacement awards will be granted in March 2023.

3 For the purposes of calculating the fair value for accrual purposes the closing share price of Sierra Rutile shares traded on 30 December 2022 was used in lieu of the grant date.

4 The minimum amount yet to vest will be nil if the performance or service objectives are not achieved.

Movement during the year:

Executive	Instrument	Held at 4 Aug 2022	Granted during 2022	Received on exercise of Rights	Other	Vested at end of the year	Held at 31 Dec 2022
T de Bruyn	IEG Performance Rights	Nil	5,294,118	Nil	Nil	Nil	5,294,118
M Alciaturi	IEG Performance Rights	Nil	2,823,529	Nil	Nil	Nil	2,823,529

1 No IEG Performance Rights held by either Mr de Bruyn or Mr Alciaturi vested or are exercisable at the end of the performance period.

Executive KMP – Shareholding

The following table details the shareholdings of the executive KMP (personally and through their related parties):

Executive	Number of ordinary shares held at 4 Aug 2022	Number of ordinary shares granted as remuneration during the year	Number of ordinary shares received on the exercise of rights during the year	Net other changes during the year	Number of ordinary shares held at 31 Dec 2022
T de Bruyn	-	-	-	-	-
M Alciaturi	-	-	-	100,000[1]	100,000

[1] Mr Alciaturi indirectly holds ordinary shares in Sierra Rutile (M Alciaturi Personal SF A/C, Mr Martin Nicolas Alciaturi and Mrs Linda Ann Alciaturi).

Key Terms of Executive KMP Employment Contracts

Notice and termination payments

Executive	Position	Contract type	Notice period for Company	Notice period for Employee	Termination payment[1]
T de Bruyn	MD & CEO	Permanent	6 months'	6 months'	6 months'
M Alciaturi	Finance Director	Permanent	3 months'	3 months'	3 months'

[1] Termination payments are calculated based upon fixed remuneration at the date of termination. No payment is made for termination due to gross misconduct.

MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER EMPLOYMENT AGREEMENT

The following tables provide a summary of the key elements of the employment agreements in place with Mr de Bruyn and Mr Alciaturi.

Managing Director & Chief Executive Officer

Feature	Approach
Term	Until terminated by either party.
Fixed remuneration	A$600,000 per annum paid monthly in South African Rand.
Expatriate allowances	Net A$168,000 per annum paid monthly in South African Rand.
Short-term incentive	Mr de Bruyn is entitled to an annual STI and the maximum STI is 100% of FR (excluding expatriate allowances). Further details are discussed in the section detailing STI.
Long-term incentive	Mr de Bruyn is eligible to receive an annual LTI grant and the maximum LTI opportunity is 100% of FR (excluding expatriate allowances). Further details are discussed in section detailing the LTI award.
Termination	Mr de Bruyn can resign by providing six months' written notice. • Sierra Rutile can terminate Mr de Bruyn's employment: • Immediately for misconduct or other circumstances justifying summary dismissal; or • By providing six months' written notice. If Mr de Bruyn resigns, he will be subject to a six-month post-employment restraint.
Other	The agreement contains provisions regarding leave entitlements, duties, confidentiality, intellectual property, moral rights and other facilitative and ancillary clauses. Mr de Bruyn is subject to tax equalisation to his home country of South Africa.

Finance Director

Feature	Approach
Term	Until terminated by either party.
Fixed remuneration	A$400,000 per annum paid monthly.
Short-term incentive	Mr Alciaturi is entitled to an annual STI and the maximum STI is 100% of FR. Further details are discussed in section detailing the STI.
Long-term incentive	Mr Alciaturi is eligible to receive an annual LTI grant and the maximum LTI opportunity is 80% of FR. Further details are discussed in the section detailing the LTI award.
Termination	Mr Alciaturi can resign by providing three months' written notice. • Sierra Rutile can terminate Mr Alciaturi's employment: • Immediately for misconduct or other circumstances justifying summary dismissal; or • By providing three months' written notice. If Mr Alciaturi resigns, he will be subject to a three-month post-employment restraint.
Other	The agreement contains provisions regarding leave entitlements, duties, confidentiality, intellectual property, moral rights and other facilitative and ancillary clauses.

Sierra Rutile did not engage in any transactions with Executive KMP or their related parties during the reporting period. No Executive KMP or their related parties held any loans with the Group during the reporting period.

NON-EXECUTIVE DIRECTOR REMUNERATION

2022 Non-Executive Director Fee Policy

Remuneration for Non-executive Directors is determined by reference to relevant external market data and takes into consideration the level of fees paid to directors of other Australian corporations of similar size and complexity to Sierra Rutile.

Non-executive Director fees are paid from an aggregate fee pool of A$850,000. The total amount paid to Non-executive Directors in 2022 (including superannuation) was A$240,476.

Non-executive Directors are not entitled to retirement benefits other than statutory superannuation or other statutory required benefits. Non-executive Directors do not participate in share or bonus schemes related to performance designed for Executive KMP or employees to preserve their independence and impartiality.

The fee structure for the Non-executive Directors is:

Chair fees: A$150,000
Member fees: A$100,000

Fees are inclusive of statutory superannuation.

No additional or separate fees are paid for service on committees.

In addition to Board and Committee fees, Non-executive Directors are entitled to be reimbursed for all reasonable travel, accommodation, and other expenses in attending meetings of the Board, Committees or shareholders or while engaged on Sierra Rutile business.

There are no share or performance based plans for Sierra Rutile Non-executive Directors. The following table details the statutory remuneration for the Non-executive Directors.

Name	Year	Base fees US$ (cash)[4]	Superannuation US$	Non-monetary benefits US$	Total statutory remuneration US$
G Martin[1]	2022	66,095	6,841	-	72,936
G Davidson[2]	2022	40,949	4,248	-	45,197
J Palmer[3]	2022	40,949	4,248	-	45,197
Total	**2022**	**147,993**	**15,337**	**-**	**163,330**

[1] G Martin commenced as Chair on 14 April 2022.
[2] G Davidson commenced as director on 1 May 2022.
[3] J Palmer commenced as director on 1 May 2022.
[4] The base fees are denominated in Australian dollars (A$) and converted to US dollars (US$) for reporting purposes using the average exchange rate for the period from 14 April to 31 December of 1A$ = US$0.681 in the case of Mr Martin and from 1 May to 31 December for Ms Palmer and Mr Davidson of 1A$ = US$0.678.

Non-Executive Director Shareholdings

Executive	Number of ordinary shares held at 4 August 2022	Number of ordinary shares granted as remuneration during the year	Number of ordinary shares received on the exercise of rights during the year	Other	Number of ordinary shares held at 31 December 2022
G Martin[1]	30,000	-	-	-	30,000
G Davidson	Nil	-	-	-	Nil
J Palmer	Nil	-	-	-	Ni

[1] Navigator Australia Ltd (MLC Investment Sett A/c) holds 30,000 fully paid ordinary shares in Sierra Rutile Holdings Limited on behalf of Mr Martin

Auditor's Independence Declaration

As lead auditor for the audit of Sierra Rutile Holdings Limited for the year ended 31 December 2022, 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 audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Ian Campbell
Partner
PricewaterhouseCoopers

Perth
27 February 2023

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 US$'000	2021 US$'000
Revenue from contracts with customers	3	254,484	184,231
Cost of sales	4	(188,600)	(175,453)
Gross profit		**65,884**	**8,778**
Other income		243	1,776
Reversal of impairment expense/Impairment expense	10	23,445	(4,697)
Other expenses	4	(10,925)	(18,965)
Changes in rehabilitation provisions	13(b)	-	28,882
Operating profit		**78,647**	**15,774**
Net foreign exchange gains/(losses)		836	358
Finance costs		(1,810)	(2,672)
Remeasurement (loss)/gain – financial instruments		(787)	(2,488)
Net finance costs	4	**(1,761)**	**(4,802)**
Profit before income tax		**76,886**	**10,972**
Income tax expense	5	(1,287)	(3,429)
Net profit from continuing operations		**75,599**	**7,543**
Attributable to:			
- Owners of Sierra Rutile Holdings Limited		73,398	6,789
- Non-controlling interests		2,201	754
Other comprehensive income, net of tax			
Items that will not be reclassified to profit or loss			
Remeasurement of post-employment benefit obligations		2,432	(1,320)
Items that may be reclassified subsequently to profit or loss			
Net exchange differences on translation of foreign operations		(2,021)	-
Other comprehensive income for the year, net of tax		**411**	**(1,320)**
Total comprehensive income for the year		**76,010**	**6,223**
Attributable to:			
- Owners of Sierra Rutile Holdings Limited		73,809	5,601
- Non-controlling interests		2,201	622

	Notes	2022 Cents	2021 Cents
	26		
Basic earnings per share for profit attributable to owners of Sierra Rutile Holdings Limited		0.1740	0.0132
Diluted earnings per share for profit attributable to owners of Sierra Rutile Holdings Limited		0.1737	0.0132

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Notes	2022 US$'000	2021 US$'000
ASSETS			
Current assets			
Cash and cash equivalents	6	37,714	25,995
Trade and other receivables	7	53,936	43,441
Inventories	8	35,032	40,456
Other financial assets	11	2,500	-
		129,182	**109,892**
Non-current assets			
Property, plant and equipment	9	23,964	3,470
Intangible assets		720	-
Exploration and evaluation assets	10	29,434	-
Right of use asset		172	103
Deferred tax assets		19	-
Other financial assets	11	39,966	-
		94,275	**3,573**
TOTAL ASSETS		**223,457**	**113,465**
LIABILITIES			
Current liabilities			
Trade and other payables	12	28,973	22,800
Borrowings		-	15,984
Right of use lease liability		177	75
Current tax liabilities	5	364	650
Provisions	13	5,737	6,186
Other current liabilities		-	1,078
		35,251	**46,773**
Non-current liabilities			
Provisions	13	53,170	53,931
Other financial liabilities	15	-	8,000
		53,170	**61,931**
TOTAL LIABILITIES		**88,421**	**108,704**
NET ASSETS		**135,036**	**4,761**
Equity			
Share capital	17	546,515	492,502
Other reserves	18	(2,096)	(22,759)
Accumulated losses		(409,383)	(466,032)
Non-controlling interests	16	-	1,050
Total equity attributable to equity holders		**135,036**	**4,761**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

AS AT 31 DECEMBER 2022

	Notes	2022 US$'000	2021 US$'000
Cash flows from operating activities			
Receipts from customers		248,333	179,664
Payments to suppliers and employees		(204,080)	(171,851)
Cash generated from operating activities	6	**44,253**	**7,813**
Interest received		664	12
Income taxes paid		(1,573)	(3,815)
Net cash inflow from operating activities		**43,344**	**4,010**
Cash flows from investing activities			
Payments for property, plant and equipment		(17,325)	-
Payments for exploration activities		(2,521)	-
Investments in rehabilitation trust		(45,000)	-
		(64,846)	**-**
Cash flows from financing activities			
Proceeds from borrowings from former parent entity		-	15,000
(Repayment) of borrowings to former parent entity		(11,632)	(8,811)
Proceeds from equity contribution from former parent entity		45,000	-
		33,368	**6,189**
Net increase in cash and cash equivalents		11,866	10,199
Cash and cash equivalents at the beginning of the financial year		25,995	16,561
Effects of exchange rate changes on cash and cash equivalents		(147)	(765)
Cash and cash equivalents at end of the year		**37,714**	**25,995**
Non-cash investing and financing activities	6		

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Equity contribution US$'000	Other reserves US$'000	Accumulated losses US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 January 2021		**492,502**	**(21,439)**	**(472,821)**	**296**	**(1,462)**
Profit for the year		**-**	**-**	**6,789**	**754**	**7,543**
Other comprehensive loss, net of tax:						
Remeasurement of post-employment benefit obligations		-	(1,320)	-	-	(1,320)
Other comprehensive loss for the year, net of tax		**-**	**(1,320)**	**-**	**-**	**(1,320)**
Total comprehensive income for the year		**-**	**(1,320)**	**6,789**	**754**	**6,223**
Transactions with owners in capacity as owners		-	-	-	-	-
AT 31 DECEMBER 2021		**492,502**	**(22,759)**	**(466,032)**	**1,050**	**4,761**
Balance at 1 January 2022		**492,502**	**(22,759)**	**(466,032)**	**1,050**	**4,761**
Profit for the year				**73,398**	**2,201**	**75,599**
Other comprehensive loss, net of tax:						
Remeasurement of post-employment benefit obligations	18	-	2,432	-	-	2432
Net exchange loss on translation of foreign operations	18	-	(2,021)	-	-	(2,021)
Other comprehensive loss for the year, net of tax		**-**	**411**	**-**	**-**	**411**
Total comprehensive income for the year		**-**	**411**	**73,398**	**2,201**	**76,010**
Transactions with owners in capacity as owners:						
Capital contribution	17	54,013	-	-	-	54,013
Transfer from option revaluation reserve on extinguishment of instrument	18		20,000	(20,000)	-	-
Share-based payments	18	-	252	-	-	252
Acquisition of non-controlling interests	16	-	-	3,251	(3,251)	-
AT 31 DECEMBER 2022		**546,515**	**(2,096)**	**(409,383)**	**-**	**135,036**

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

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NOTE 1: CORPORATE INFORMATION AND BASIS OF PREPARATION

Corporate information

Sierra Rutile Holdings Limited, formerly known as Iluka International (West Africa) Pty Ltd, (the "Company" or "Sierra Rutile") is incorporated and domiciled in Australia. The address of its registered office is Level 8, 225 St Georges Terrace, Perth, Western Australia 6000. The Company's principal place of operations is 110 Wilkinson Road, Freetown, Sierra Leone, West Africa.

Restructure and Listing on the Australian Securities Exchange

On 20 June 2022, Iluka Resources Limited ("Iluka") released a Demerger Booklet to its shareholders, proposing the demerger of Sierra Rutile Holdings Limited and its controlled entities (the "demerger"). Under the terms for the demerger, eligible shareholders of Iluka received one share in Sierra Rutile Holdings Limited for every Iluka share held at the record date (28 July 2022).

Shareholders of Iluka approved the demerger of Sierra Rutile Holdings Limited on 22 July 2022.

The following capital transactions took place as part of the demerger:

- In April 2022, Iluka transferred 100% of the issued capital of Sierra Rutile International UK Limited, and Sierra Rutile International South Africa (Pty) Ltd to Sierra Rutile for deemed consideration of GBP187,573 (USD227,264) and AUD$1,127,362 (USD785,399) respectively for the above named entities, consistent with the net equity of each entity as at the date of their transfer.
- In May 2022, Iluka agreed to settle the IFC put option for an amount of US$8,000,000. These funds were paid directly to IFC and have been accounted for as an equity contribution.
- In July 2022, Iluka contributed US$45,000,000 to the Group for the purposes of establishing a rehabilitation trust, to support the Group's future rehabilitation obligations.
- On 20 July 2022, 424,236,446 fully paid ordinary shares were issued for the purpose of the demerger, with each Iluka shareholder receiving one share in the Group for every Iluka share they held as at the record date.
- On 4 August 2022, Sierra Rutile successfully listed on the Australian Securities Exchange ("ASX") following demerger from Iluka Resources Limited ("Iluka").

Basis of preparation

The consolidated financial statements comprise Sierra Rutile and its controlled entities (the "Group").

These general purpose financial statements that have been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards, Interpretations and other applicable authoritative pronouncements of the Australian Accounting Standards Board ("AASB").

The consolidated financial statements were approved by the directors on 27 February 2023.

Compliance with International Financial Reporting Standards

The consolidated financial statements also comply with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets and liabilities as described in the accounting policies.

Functional and presentation currency

The functional currency of Company is Australian Dollars. The consolidated financial statements are presented in United States Dollars reflecting the functional currency of the Group's largest subsidiary, Sierra Rutile Limited, which owns and operates the Group's only operating mine.

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.

NOTE 1: CORPORATE INFORMATION AND BASIS OF PREPARATION (CONTINUED)

Basis of preparation (continued)

Critical accounting estimates and judgements

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions. The application of judgements and estimates can have 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 estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are outlined below:

(a) Determination of ore resources and useful lives of property, plant and equipment

Ore resource estimates relate to the amount of mineral sand and ilmenite ore that can be economically extracted from the Company's mine. In order to estimate resources, assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, market demand, commodity prices and exchange rates.

The Company estimates its ore resources based on information compiled by competent persons as defined in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves of December 2012 ("the JORC Code").

In assessing the life of the mine for accounting purposes, resource estimates are only taken into account where there is a high degree of confidence of economic extraction. Since the economic assumptions used to estimate resources change from period to period, and as additional geological data is generated during the course of operations, estimates of resources may change from period to period.

Changes in reported resources may affect the Group's financial results and financial position in a number of ways, including the following:

- asset carrying values may be affected due to changes in estimated future cash flows;
- depreciation, depletion and amortisation charged in the income statement may change where such charges are determined by the unit of production basis, or where the useful economic lives of assets change; and
- closure and restoration provisions may change where changes in estimated reserves affect expectations about the timing or cost of these activities.

There are numerous uncertainties inherent in estimating ore resources, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of resources and may, ultimately, result in resources being revised.

Plant and equipment are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors.

In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. Consideration is also given to the extent of current profits and losses on the disposal of similar assets.

NOTE 1: CORPORATE INFORMATION AND BASIS OF PREPARATION (CONTINUED)

Basis of preparation (continued)

(b) Impairment review of tangible assets

The assessment of whether an indicator of impairment has arisen requires considerable judgement, taking account of future operational and financial plans, commodity prices, sales demand and the competitive environment.

Where such indicators exist, the carrying value of the assets of a cash generating unit is compared with the recoverable amount of those assets, that is, the higher of net realisable value and value in use, which is determined on the basis of discounted future cash flows.

As noted above, in arriving at a valuation calculation, management also apply their judgement in estimating the probability, timing and value of underlying cash flows and in selecting appropriate discount rates and useful economic lives.

At 31 December 2022, an impairment indicator was identified with the market value of the Group's equity significantly below the carrying amount of the Group's net assets. Sierra Rutile concluded that there was no impairment to Property, Plant and Equipment carried at depreciated cost of $23,964,000 on the basis that forecast cash flows from the continued operations at Area 1 were sufficient to support that the recoverable amount of these assets was higher than their carrying value. Further information is presented in Note 9.

(c) Restoration, rehabilitation and mine closure provision

Costs for restoration, rehabilitation and mine closure represent Sierra Rutile's best estimate of the Croup's liability for close-down, dismantling and restoration of the mining and processing sites, including reclamation of areas disturbed by mining activities.

The 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. Costs of reclamation, rehabilitation and dismantling are assessed on a regular basis and estimated costs are provided over the life of the mine. The estimates include assessing the nature and extent of the rehabilitation work to be performed, the costs of labour, materials and equipment required to rehabilitate disturbed areas and the timing of these activities.

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 prices over the assumed life of the mine. The provision at the reporting date represents the 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, salary rates, footprint disturbances, infrastructure demolition and surface rent. Further information is presented in note 13.

(d) Taxation

The Group has conducted its operations in the ordinary course of business in accordance with its understanding of applicable tax legislation. In particular, the Group operates and is guided by the Sierra Rutile Agreement (Ratification) Act 2002 and the Third Amendment to the Sierra Rutile Agreement (Ratification) Act 2002 in relation to the applicability of taxes in Sierra Leone. Sierra Leone tax legislation and custom regulations continue to evolve. Legislation and regulations are not always clearly written and are subject to varying interpretations and inconsistent enforcement by the tax authorities and other governmental bodies. Instances of inconsistent interpretations are not unusual. The uncertainty of application of Sierra Leone transfer pricing legislation and the continued evolution of Sierra Leone's tax laws, including those affecting cross-border transactions, create a risk of additional tax payments having to be made by the Group, which could have a material effect on the Group's financial position and performance.

The Group has a history of tax losses in Sierra Leone. In addition, the Group's forecasts are sensitive to changes in commodity prices and production volumes. Pending the results of the Area 1 life of mine extension program and any FID for Sembehun, 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 31 December 2022 (31 December 2021: nil). Further information is presented in note 5.

NOTE 2: SEGMENT INFORMATION

The Group identifies operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision-makers) in assessing performance and in determining the allocation of resources.

The strategy of the Group is to produce, refine and sell natural mineral sand. Information reported to the Board is on an integrated basis, which is how decisions over resource allocation are made. The Group itself has only one operating location and one primary mining product being Rutile, with ilmenite, zircon and other concentrates being considered by-products of the integrated mineral sand production process.

Accordingly, the Group has one operating segment: the production, refining and sale of mineral sand.

Segment revenue

Segment revenue is derived from sales to external customers domiciled in various geographical regions. Details of segment revenue by location of customer facilities are as follows:

	2022 US$'000	2021 US$'000
- Middle East/Asia	58,339	35,847
- Europe	126,785	141,512
- North and South America	69,360	6,872
Total segment revenue	**254,484**	**184,231**

No customers are currently located in Sierra Leone.

Revenue of $126,345,000 was derived from one customer of the Group, which individually accounted for more than 10% of total segment revenue during the year (2021: revenue of US$126,040,000 from one customer).

Reconciliation of segment assets to total assets

	2022 US$'000	2021 US$'000
- Mineral Sands	178,402	113,193
- Rehabilitation Trust	42,370	-
- Corporate	2,685	272
Total assets	**223,457**	**113,465**

NOTE 3: REVENUE

	2022 US$'000	2021 US$'000
Revenue from contracts with customers		
- Rutile revenue	212,735	167,018
- Ilmenite, Zircon and other concentrates revenue	32,289	10,275
- Freight revenue	9,460	6,938
Total revenue from contracts with customers	**254,484**	**184,231**

Sale of mineral sands

The Group earns revenue by mining, processing, and subsequently selling mineral sands (including rutile, zircon and ilmenite) by export to customers based in the Americas, Europe, China, Asia, and other countries under a range of commercial terms.

Revenue from the sale of product is recognised when control has been transferred to the customer, generally being when the product has been dispatched and is no longer under the physical control of the Group. In cases where control of product is transferred to the customer before dispatch takes place, revenue is recognised when the customer has formally acknowledged their legal ownership of the product, which includes all inherent risks associated with control of the product. In these cases, product is clearly identified and immediately available to the customer.

NOTE 3: REVENUE (CONTINUED)

Revenue is recognised net of duties and other taxes. A receivable is recognised at the earlier of dispatch or formal acknowledgement of legal ownership by a customer, as this is the point in time that the consideration is unconditional because only the passage of time is required before payment is due.

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. Accordingly, the Group does not adjust transaction prices for the time value of money.

Freight revenue

The Group also earns revenue from freighting its products to customers in accordance with the Incoterms in each particular sales contract. Freight revenue is recognised to the extent that the freight service has been delivered, specifically with reference to the proportion of completed freight distance to total freight distance, which is determined by the Group at each reporting date.

Freight revenue is allocated from the overall contract price at its standalone selling price (where observable) or otherwise at its estimated cost-plus margin.

Principal versus agent considerations – freight services

The Group provides freight services to its customers under certain arrangements, in particular those to which CIF/CFR Incoterms are applicable. Notwithstanding that the Group does not provide nor operate the shipping services itself, it acts as a principal in these arrangements because it has price discretion in respect of, and controls the specified freight services from the time the arrangement is entered into up until the freight services have been completed to the satisfaction of the customer, where such control is represented by the ability of the Group to direct the activities of the freight services operator.

NOTE 4: EXPENSES

Cost of sales	2022 US$'000	2021 US$'000
Labour	35,283	34,069
Repair and maintenance	31,253	29,802
Fuel	48,363	34,500
Contracted services	47,966	28,344
Other costs	3,088	11,471
Production cash costs	165,953	138,186
Change in inventory	12,636	995
Depreciation and amortisation	2,521	27,468
Other costs	7,490	8,804
Total cost of sales	**188,600**	**175,453**

Other expenses	2022 US$'000	2021 US$'000
Selling and distribution	2,730	6,205
General and administrative expenses	8,195	12,760
Total other expenses	**10,925**	**18,965**

NOTE 4: EXPENSES (CONTINUED)

Employee benefits expenses

	2022 US$'000	2021 US$'000
Wages and salaries	27,815	26,941
Post employment benefits	4,009	3,279
Other personnel related expenses	5,442	6,303
Share-based payments	98	-
Total employee benefits expenses	**37,364**	**36,523**

Note: Employee benefit expense are included in Cost of Sales and Other Expenses above based on the area of the relevant employee.

Finance costs

	2022 US$'000	2021 US$'000
Unwinding of discount on rehabilitation and mine closure provision	473	765
Interest expense on retirement benefit obligation	1,313	1,066
Net foreign exchange (gain)	(836)	(358)
Remeasurement loss – financial instruments	787	2,488
Other finance charges	24	841
Finance costs charged to profit and loss	**1,761**	**4,802**

NOTE 5: INCOME TAXES

Income tax expense

	2022 US$'000	2021 US$'000
Current tax expense	1,287	3,429
Income tax expense	**1,287**	**3,429**

Corporate income taxes

The Group's primary operating subsidiary, Sierra Rutile Limited ("SRL") is taxed under the provisions of the *Sierra Rutile Agreement (Ratification) Act 2002*. SRL is, prima facie, subject to corporation tax at the rate of 25% of taxable profits. The Act stipulates that the income tax payable by SRL is subject to a minimum amount based on a percentage of turnover. The percentage applicable to minimum turnover tax was reduced to 0.5% in August 2021(from 3.5%) due to implementation of the Third Amendment to the Sierra Rutile Agreement (Ratification) Act 2002.

During the years ended 31 December 2022 and 31 December 2021, SRL's income tax payable was determined with respect to the applicable minimum turnover tax rates.

Reconciliation of income tax expense to prima facie tax payable

	2022 US$'000	2021 US$'000
Profit/(loss) before income tax expense	76,886	10,972
Tax expense/(benefit) at Sierra Leone tax corporate tax rate (25%) [(i)]	19,222	2,743
- Other permanent differences	(347)	-
- Previously unrecognised tax losses now recouped to reduce current tax expense	(18,875)	(2,743)
- Minimum turnover tax	1,287	3,429
Income tax expense	**1,287**	**3,429**

(i) SRL is, prima facie, subject to corporation tax of the rate of 25%, but is subject to alternative minimum turnover tax. Consequently, the alternative minimum turnover tax is applied as stipulated in the Sierra Rutile Act as outlined above.

NOTE 5: INCOME TAXES (CONTINUED)

Current tax liabilities

	2022 US$'000	2021 US$'000
At 1 January	650	1,035
Charged to profit and loss	1,287	3,429
Paid during the year	(1,573)	(3,814)
Current tax liabilities	**364**	**650**

Current income tax assets and liabilities are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Deferred tax

Deferred income tax is provided on all temporary differences at the balance sheet date between accounting carrying amounts and the tax bases of assets and liabilities. Deferred income tax liabilities are recognised for all taxable temporary differences, other than for the exemptions permitted under accounting standards.

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 31 December 2022 (2021: nil). As at 31 December 2022, deferred tax assets of $102,074,000 are unrecognised (2021: $117,008,000) in relation to carried forward losses and deferred tax assets of $34,573,000 are unrecognised (2021: $44,979,000) in relation to other temporary differences.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

NOTE 6: CASH AND CASH EQUIVALENTS

	2022 US$'000	2021 US$'000
Cash and cash equivalents	**37,714**	**25,995**

Cash and cash equivalents include cash on hand and deposits held at call with financial institutions with original maturities of three months or less.

Reconciliation of profit after income tax to net cash inflow from operating activities

	2022 US$'000	2021 US$'000
Profit before taxation adjustments for:	76,886	10,972
- Depreciation and amortisation	2,521	27,434
- (Reversal of impairment)/impairment expense	(23,445)	4,697
- Put option remeasurement	-	2,488
- Change in carrying value of rehabilitation provisions	-	(28,882)
- Inventory and other write-offs	5,652	1,900
- Other non-cash items	(916)	(4,995)
Working capital adjustments		
- Decrease /(Increase) in inventories	5,424	(2,349)
- (Increase) in trade and other receivables	(10,495)	(3,316)
- (Decrease) in trade and other payables	(11,073)	(871)
- (Decrease) in provisions	(1,210)	(3,068)
Net cash inflow from operating activities	**43,344**	**4,010**

NOTE 6: CASH AND CASH EQUIVALENTS (CONTINUED)

Non-cash transactions

In April 2022, Iluka sold 100% of the issued capital of Sierra Rutile International UK Limited, and Sierra Rutile International South Africa (Pty) Ltd to Sierra Rutile for consideration of $1,013,000. The consideration payable to Iluka was forgiven on demerger.

In May 2022, Iluka settled the IFC put option for an amount of $8,000,000. These funds were paid directly to IFC by Iluka.

NOTE 7: TRADE AND OTHER RECEIVABLES

	2022 US$'000	2021 US$'000
Trade receivables	37,776	31,721
Other receivables	16,160	11,720
	53,936	**43,441**

A receivable from a contract with a customer represents the Group's unconditional right to consideration arising from the transfer of goods or services to the customer. Invoicing of customers generally occurs on a monthly basis. No interest is charged on outstanding trade receivables.

The Group has applied the simplified approach to measuring expected credit losses (ECL), which uses a lifetime expected loss allowance for all trade receivables. Based on payment profiles of sales, historical credit losses experienced as well as consideration of current economic conditions, the Group concluded that no loss allowance was required at December 2022 (2021: $nil)

The Group's exposure to credit risk is disclosed in Note 20.

NOTE 8: INVENTORIES

	2022 US$'000	2021 US$'000
Inventories – at cost:		
- Rutile	11,299	19,318
- Ilmenite	2,266	2,287
- Zircon and other concentrates	1,861	4,128
- Work in progress: stockpiled ore	1,237	948
- Consumables	18,369	13,030
- Offshore finished goods transport cost	-	745
	35,032	**40,456**

Inventories are valued at the lower of weighted average cost and estimated net realisable value.

Weighted average cost includes direct costs and an appropriate portion of fixed and variable overhead expenditure, including depreciation and amortisation. As a result of mineral sands being co-products from the same mineral separation process, costs are allocated to inventory on the basis of the relative sales value of the finished goods produced. No cost is attributed to by-products, except direct costs.

The net realisable value is the estimated selling price in the normal course of business, less any anticipated costs of completion and the estimated costs to sell.

There are separate inventory stockpile values for each product and other intermediate products, at each inventory location.

During the year, there was a fire incident at SRL's main warehouse on the mine site which caused structural damage and loss of consumable stock. The resulting loss was recognised both against the consumables reserve and inventory write-off in profit and loss. An insurance claim of $11,400,000 was filed for this fire incident, and a partial insurance settlement of $4,600,000 was received in December 2022. Further recoveries have been received subsequent to balance date and are being brought to account when cash receipts are virtually certain.

NOTE 9: PROPERTY, PLANT AND EQUIPMENT

	2022 US$'000	2021 US$'000
Infrastructure		
Cost	89,376	89,376
Accumulated depreciation	(88,749)	(88,486)
	627	**890**
Plant, machinery and equipment		
Cost	344,504	342,075
Accumulated depreciation	(339,553)	(339,678)
	4,951	**2,397**
Mine development		
Cost	87,214	81,407
Accumulated depreciation	(82,179)	(81,223)
	5,035	**184**
Assets under construction		
Cost	13,351	-
Accumulated depreciation/impairment	-	-
	13,351	**-**
Total property, plant and equipment	**23,964**	**3,471**

Reconciliations

Reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the year:

	Infrastructure US$'000	Plant, machinery and equipment US$'000	Mine development US$'000	Asset under construction US$'000	Total US$'000
Cost					
At 1 January 2022	89,376	342,075	81,407	-	512,858
Additions	-	-	1,107	22,545	23,652
Disposals	-	(1,267)	-	-	(1,267)
Transfers [(i)]	-	3,696	4,700	(9,194)	(798)
At 31 December 2022	89,376	344,504	87,214	13,351	534,445
Accumulated depreciation and impairment					
At 1 January 2022	(88,486)	(339,678)	(81,223)	-	(509,387)
Depreciation/impairment charges	(263)	(1,142)	(956)	-	(2,361)
Disposals	-	1,267	-	-	1,267
At 31 December 2022	(88,749)	(339,553)	(82,179)	-	(510,481)
Net book value at 31 December 2022	**627**	**4,951**	**5,035**	**13,351**	**23,964**

(i) 797,000 was transferred and recognised as an intangible asset at 31 December 2022.

NOTE 9: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Infrastructure US$'000	Plant, machinery and equipment US$'000	Mine development US$'000	Asset under construction US$'000	Total US$'000
Cost					
At 1 January 2021	89,376	342,939	81,407	-	513,722
Additions	-	-	-	-	-
Disposals	-	(864)	-	-	(864)
Transfers	-	-	-	-	-
At 31 December 2021	89,376	342,075	81,407	-	512,858
Accumulated depreciation and impairment					
At 1 January 2021	(81,505)	(321,516)	(79,762)	-	(482,783)
Depreciation/impairment charges	(6,981)	(19,026)	(1,461)	-	(27,468)
Disposals	-	864	-	-	864
At 31 December 2021	(88,486)	(339,678)	(81,223)	-	(509,387)
Net book value at 31 December 2021	**890**	**2,397**	**184**	**-**	**3,471**

Impairment

An impairment indicator was identified at reporting date as the carrying amount of Group's net assets exceeded its market capitalisation and accordingly, Sierra Rutile undertook a review of the carrying value for all fixed assets. The Group's property, plant and equipment are assessed as belonging to the Area 1 cash generating unit ("CGU"). The recoverable amount of the Area 1 CGU was determined based on fair value less costs of disposal calculations which require the use of assumptions. The calculations use cash flow projections based on the financial budget approved by management. Significant assumptions used in preparing these calculations included:

- forecast production levels and cash costs of production
- forecast sales prices.

Future product prices are based on contracted rates or determined utilising information from industry reports where applicable.

As the recoverable amount exceeds the CGU's carrying amount, no impairment charge has been recognised during the period ended 31 December 2022 (2021: nil) in relation to the property plant and equipment.

Asset under construction

In 2022, the Group recommenced investment into Area 1 mining assets and into the Mineral Separation Plant to achieve operational improvements and to contribute to the extension of the Area 1 mine life. Expenditure capitalised in 2022 in respect of construction in progress amounted to $22,545,000 million (2021: nil). Depreciation has not been charged where the assets are presently not in the condition necessary to operate in the manner intended. A total of $9,194,000 in 2022 (2021: nil) of completed projects ready for their intended use was transferred from assets under construction to the various asset categories and depreciation commenced thereafter.

NOTE 10: EXPLORATION AND EVALUATION ASSETS

	2022 US$'000	2021 US$'000
Carrying amount at 1 January	-	4,697
Impairment expense	-	(4,697)
Reversal of impairment expense(i)	23,445	-
Additions	5,989	-
Carrying amount at 31 December	**29,434**	**-**

(i) Reversal of historical impairment

The Group recognises impairment reversals when the conditions that led to previous impairments or write downs have changed to the extent that an impairment reversal may be necessary. Impairment reversals are recognised to the extent that previously impaired assets (or CGUs) are reflected at the lower of their revised recoverable amount or what their carrying amount would have been had no impairment been recognised.

In 2019, an impairment indicator was identified due to the Company's decision to delay the Sembehun Early Works at the time along with lower than anticipated operational performance at Area 1. The Group recognised a US$290 million impairment loss taken against Area 1 CGU fixed assets and capitalised exploration and evaluation assets related to Sembehun. All remaining exploration and evaluation assets were written off during 2021 following the notice of intention to suspend Area 1 operations lodged during that period.

During the first half of 2022, the Company withdrew the notice of intention to suspend Area 1 operations and completed a pre-feasibility study (PFS) for Sembehun indicating an increasing level of confidence in the project. Given these circumstances, the Group determined that there were indicators of a potential impairment reversal as at 30 June 2022. Valuations prepared as part of the demerger process and the results of the PFS indicated that it was now probable that previously impaired exploration and evaluation assets related to the Sembehun project were now recoverable in full. As the recoverable value was greater than the net carrying value of the relevant assets, the Group has recognised an impairment reversal of $23,445,000 during the year ended 31 December 2022.

No impairment reversal was recognised on any other PPE previously impaired as these assets were subsequently fully amortised based on their estimated useful lives.

There was no impairment indicator identified under *AASB6 Exploration for and Evaluation of Mineral Resources* during the reporting period ended 31 December 2022.

NOTE 11: OTHER FINANCIAL ASSETS

	2022 US$'000	2021 US$'000
Current		
Security deposits and restricted cash	2,500	-
	2,500	**-**
Non-current		
Security deposits and restricted cash	7,025	
Managed investment funds – at fair value through profit or loss	32,941	-
	39,966	**-**
	42,466	**-**

Following the demerger from Iluka, the Group received $45,000,000 for the purposes of funding the Group's rehabilitation obligations. These funds have been invested via a "Rehabilitation Trust" (the "Sierra Rutile Rehabilitation Discretionary Trust"). These funds are managed by Perpetual Trustees and are subject to restrictions and therefore not available for general use by the Group. The trustee will administer the trust funds and distribute capital and income from time to time (generally on an annual basis) in order to fund the Group's rehabilitation and mine closure activities.

Trust funds are invested in accordance with the Investment Policy set out in the Trust Deed, and a more detailed five-year Investment Plan agreed with Sierra Rutile. These documents have regard to the Trust Objects. Approximately 50% of the trust funds are ultimately held in cash or investment-grade bonds.

Current portion represents approved funds to be disbursed from the Rehabilitation Trust to SRL to support 2023 rehabilitation activities.

NOTE 12: TRADE AND OTHER PAYABLES

	2022 US$'000	2021 US$'000
Trade and other payables	13,056	15,848
Accrued expenses	15,874	6,870
Other taxes payable	43	82
	28,973	**22,800**

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs.

The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

The Group's exposure to liquidity risk relating to financial assets and liabilities are disclosed in Note 20.

NOTE 13: PROVISIONS

	2022 US$'000	2021 US$'000
Current		
Rehabilitation and mine closure	4,127	2,967
Other provisions [c]	1,610	3,219
	5,737	**6,186**
Non-current		
Defined benefit liability [a]	9,243	9,623
Rehabilitation and mine closure [b]	43,927	44,308
	53,170	**53,931**
	58,907	**60,117**

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that resources will be expended to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are initially measured by discounting the expected future cash flows at a pre-tax rate that reflect current market assessments of time value of money and the risks specific to the volatility to the extent that they are not included in the cash flows.

(a) Defined benefit liability

The movement in the defined employee benefits obligations is as follows:

	2022 US$'000	2021 US$'000
At 1 January	9,623	7,009
Current service cost – included in cost of sales	1,498	1,990
Interest expense/(income) – included in finance costs	1,313	1,066
Payments from plan	(759)	(715)
Actuarial losses recognised in other comprehensive income	(2,432)	1,320
Exchange differences	-	(1,047)
At 31 December	**9,243**	**9,623**

	2022	2021
Discount rate	3.85%	16.00%
Salary growth rate	4.76%	15.00%
Inflation	2.76%	14.00%

The Group provides for end-of-term benefits based on the provisions contained in collective bargaining agreements negotiated with trade unions representing employees. The post-employment benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation in relation to this arrangement.

NOTE 13: PROVISIONS (CONTINUED)

(b) Rehabilitation and mine closure

The movement in the rehabilitation and mine closure provision is as follows:

	2022 US$'000	2021 US$'000
Carrying amount at start of year	47,275	76,536
Change in cashflow estimates	5,446	(28,882)
Change in discount	(4,339)	-
Unwinding of discount	473	766
Amounts used	(801)	(1,145)
	48,054	**47,275**

During mining operations, land is disturbed as tailings, ponds and borrow pits are created. 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 these areas.

The provision for restoration and rehabilitation has been made in full for all disturbed areas at the reporting date based on current cost estimates for rehabilitation and infrastructure removal, discounted to their present value based on expected timing of future cash flows.

The rehabilitation and mine closure provision has been calculated by discounting risk adjusted cash flows at risk-free discount rates after applying current inflation rate expectations. A 0.5% change in discount/inflation rate would increase/decrease the provision by $1,115,000.

Changes in the discount and inflation rates used to calculate rehabilitation and mine closure provision along with other changes in cost estimates resulted in the provision balance increasing by $1,106,000 in the current reporting period (2021: decrease of $28,882,000). Since the increase in the year ended 31 December 2022 relates to open mining area, the increase has been capitalised to mining development (2021: the decrease has been recognised within profit and loss as the associated mining development assets were fully amortised)

(c) Other provisions

On 3 April 2018, Transcend International Resources Limited (**Transcend**) initiated proceedings in the High Court of Sierra Leone against Sierra Rutile Limited (**SRL**). Transcend alleged that SRL had handled its equipment illegally or wrongfully and damaged the equipment. On 19 August 2021, the High Court of Sierra Leone delivered judgement in favour of Transcend for approximately US$3,171,000 plus interest at the rate of 25% until full payment. A provision of US$3,171,000 was provided in Sierra Rutile's 2021 accounts. The legal process is ongoing but if not resolved successfully, the amount at issue including costs and interest is likely to be approximately US$4,300,000 (inclusive of the US$3,171,000 provided (of which US$1,585,000 has already been paid to Transcend)).

NOTE 14: BORROWINGS

	2022 US$'000	2021 US$'000
Current		
At 1 January	15,984	8,173
Proceeds from shareholder's loan	-	15,000
Interest on shareholder's loan	445	811
Repayment of shareholder's loan [(i)]	(16,429)	(8,000)
At 31 December	**-**	**15,984**

Borrowings related to a $30,000,000 unsecured shareholders loan facility extended by Iluka, which was initiated in June 2019 and was repayable on demand. The annual interest rate on the facility was 7% calculated on the amount of funds drawn from the facility.

(i) The final loan repayment to Iluka prior to Demerger of $16,429,000 was offset by an intergroup IGR stock purchase by Iluka and outstanding intercompany recharges and management fees totalling $4,797,000.

NOTE 15: OTHER FINANCIAL LIABILITIES

	2022 US$'000	2021 US$'000
Financial liabilities at fair value through profit or loss – Put Option	-	8,000
	-	**8,000**

In the 2019 year, the Group entered into an arrangement whereby the IFC had the right to dispose of their interest back to the Group at its fair value under certain circumstances (the "put option"). The put option became exercisable after three years if the Sembehun early works were not approved, or alternatively the put option was exercisable after seven years.

The Group initially recognised the put option at its fair value of $20,000,000 in 2019, with the accompanying loss recognised in other reserves within equity. Subsequent to this, the put option was remeasured to its fair value of $8,000,000 through profit and loss. A remeasurement gain of $2,500,000 was included in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021.

Ahead of the demerger of the Group from Iluka, In May 2022, Iluka agreed to settle the IFC put option for an amount of US$8,000,000. These funds were paid directly to IFC by Iluka and have been treated as an equity contribution.

NOTE 16: ACQUISITION OF NON-CONTROLLING INTERESTS

Acquisition of additional interest in Sierra Rutile Investments (BVI) Limited

On 13 May 2022, ahead of the demerger from Iluka, the Group acquired an additional 10% interest in the voting shares of Sierra Rutile Investments (BVI) Limited, increasing its ownership interest to 100%.

This additional 10% interest was acquired by way of settlement of the put option previously recognised as an other financial liability.

Accordingly in the 2022 year, amounts previously recognised as a non-controlling interest have been transferred to accumulated losses of the Group.

	2022 US$'000	2021 US$'000
At 1 January	1,050	296
Profit attributable to non-controlling interest during the year	2,201	754
Acquisition of non-controlling interests	(3,251)	-
At 31 December	**-**	**1,050**

NOTE 17: ISSUED CAPITAL

Authorised share capital

424,236,447 fully paid ordinary shares (2021: 1 fully paid ordinary share).

Movements in share capital

	Number of shares	Paid in Capital US$'000	Capital Contribution US$'000	Total US$'000
At 1 January 2021	1	-	492,502	492,502
Movement during the year	-	-	-	-
At 31 December 2021	**1**	**-**	**492,502**	**492,502**
Movement during the year:				
- 13 May 2022 – Capital injection(ii)	-	-	8,000	8,000
- 31 July 2022 – Capital injection(iii)	-	-	45,000	45,000
- 20 July 2022 – Issue of shares ahead of demerger from Iluka Resources Limited	424,236,446	-	-	-
Other equity contribution	-	-	1,013	1,013
At 31 December 2022	**424,236,447**	**-**	**546,515**	**546,515**

(i) Demerger from Iluka Resources Limited

On 20 June 2022, Iluka Resources Limited ("Iluka") released a Demerger Booklet to its shareholders, proposing the demerger of Sierra Rutile Holdings Limited (formerly known as Iluka International (West Africa) Pty Ltd) and its controlled entities (the "demerger"). Under the terms for the demerger, eligible shareholders of Iluka received one share in Sierra Rutile Holdings Limited for every Iluka share held at the record date (28 July 2022).

Shareholders of Iluka approved the demerger of Sierra Rutile Holdings Limited on 22 July 2022.

The following capital transactions took place as part of the demerger:

- In April 2022, Iluka sold 100% of the issued capital of Sierra Rutile International UK Limited, and Sierra Rutile International South Africa (Pty) Ltd to Sierra Rutile. The consideration payable to Iluka was forgiven on demerger, and it was treated as a capital contribution to Sierra Rutile.
- In May 2022, Iluka agreed to settle the IFC put option for an amount of $8,000,000. These funds were paid directly to IFC and have been accounted for as a capital contribution.
- In July 2022, Iluka contributed $45,000,000 to the Group for the purposes of establishing a rehabilitation trust, to support the Group's future rehabilitation obligations.
- On 20 July 2022, 424,236,446 fully paid ordinary shares were issued for the purposes of the demerger, with Iluka shareholder receiving one share in the Group for every Iluka share they held as at the record date.

NOTE 18: RESERVES

	2022 US$'000	2021 US$'000
Defined benefits liability reserve (i)	(327)	(2,759)
Put options reserve (ii)	-	(20,000)
Share-based payment reserve (iii)	252	-
Foreign currency translation reserve (iv)	(2,021)	-
	(2,096)	**(22,759)**

NOTE 18: RESERVES (CONTINUED)

(a) Nature and purpose of reserves

(i) Defined benefits liability reserve

The defined benefits liability reserve is used to recognise the effect of remeasurement of the defined benefit liability owing by the Group.

(ii) Put option reserve

In 2019, Iluka entered into a strategic partnership with the International Finance Corporation ("IFC"), a member of the World Bank Group, in relation to the Sierra Rutile operation. The IFC acquired 3.57% of the Group for a consideration of $20,000,000 in that reporting period.

The Group also entered into an arrangement whereby the IFC had the right to dispose of their interest back to Iluka at its fair value under certain circumstances. The Group recognised the put option at its fair value of $20,000,000 in 2019, with the accompanying loss recognised in other reserves within equity.

In May 2022, as part of the demerger of the Group from Iluka, Iluka agreed to settle the IFC put option for an amount of $8,000,000, with the IFC's interest returned to the Group prior to the demerger.

(iii) Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of performance rights and other equity instruments as issued under the Groups Equity Incentive Plan.

(iv) Foreign currency translation reserve

The foreign currency translation reserve is used to record historical exchange differences arising from the translation of the financial statements in the functional currency to the reporting currency for the periods when the functional and presentation currencies were different.

(b) Movement in reserves

(i) Defined benefits liability reserve

	2022 US$'000	2021 US$'000
At 1 January	(2,759)	(1,439)
Remeasurement of post-employment benefit obligations	2,432	(1,320)
At 31 December	**(327)**	**(2,759)**

(ii) Put option reserve

	2022 US$'000	2021 US$'000
At 1 January	(20,000)	(20,000)
Transfers to accumulated losses	20,000	-
At 31 December	**-**	**(20,000)**

(iii) Share-based payments reserve

	2022 US$'000	2021 $000
At 1 January	-	-
Share based payments during the period	252	-
At 31 December	**252**	**-**

(iv) Foreign currency translation reserve

	2022 US$'000	2021 US$'000
At 1 January	-	-
Net exchange differences on translation of foreign operations	(2,021)	-
At 31 December	**(2,021)**	**-**

NOTE 19: SHARE-BASED PAYMENTS

During the year ended 31 December 2022, 8,117,647 performance rights were issued to MD& CEO and Finance Director as Initial Equity Grant, and 454,198 cash units were issued to senior management to replace Iluka legacy equity awards. Details of the KMP awards are disclosed in the Remuneration Report.

The share-based payment expense recognised in profit or loss is $98,890 (2021: $nil), and is summarised below:

Schemes	Grant Date	Vesting Date	Fair Value	2022		2021	
				Shares/Rights at 31 Dec22	Share-based payment expense US$	Shares/Rights at 31 Dec21	Share-based payment expense US$
IEG (i)	Dec-22	performance condition	0.19	8,117,647	194,204	-	-
Replacement Awards (ii)							
STIP	Dec-22	Mar-24	0.23	454,198	17,950	-	-
EIP							
RRs - 2020	-	Mar-24/25	0.23	-	7,321	-	-
RRs - 2021	-	Mar-24/25/26	0.23	-	16,626	-	-
PRs - 2020	-	Mar-25	0.17	-	4,608	-	-
PRs - 2021	-	Mar-26	0.19	-	12,030	-	-
				8,571,845	252,739		-

(i) Initial Equity Grant (IEG)

The fair value of the IEG at grant date took into account the excise price of $nil, the share price at grant date, the expected price volatility of the share prices, the expected dividend yield and the risk-free rate of return.

(ii) Iluka Legacy Award Replacement Awards

Short Term Incentive Plan (STIP)

The fair value of STIP at grant date took into account the excise price of $nil, the share price at grant date, the expected price volatility of the share prices, the expected dividend yield and the risk-free rate of return.

Executive Incentive Plan (EIP)

- Restricted Rights (RRs)

No RRs issued at reporting date. The fair value of RRs at valuation date took into account the excise price of $nil, the share price at valuation date, the expected price volatility of the share prices, the expected dividend yield and the risk-free rate of return.

- Performance Rights (PRs)

No PRs issued at reporting date. The fair value of PRs at valuation date took into account the excise price of $nil, the share price at valuation date, the expected price volatility of the share prices, the expected dividend yield, the risk-free of return and the Company's predicted share price against the comparator group performance at vesting date.

NOTE 19: SHARE-BASED PAYMENTS (CONTINUED)

Share based payment expenses associated with the replacement EIP have been recognised from the date of Demerger as they are expected to be awarded and as per their service condition associated with the awards.

The fair value of IEG and replacement equity awards are measured using a Black-Scholes or Monte Carlo option pricing model, details of inputs are outline below:

	Black-Scholes			Monte Carlo
	IEG	STIP	EIP -RRs	EIP - PRs
Issue/valuation date	5/12/2022	16/12/2022	31/12/2022	31/12/2022
Fair value price	0.19	0.23	0.23	0.18
Exercise price	-	-	-	-
Term	4 to 4.5 years	1.2 years	1.17 to 3.17 years	2.17 to 3.17 years
Forecast volatility	70%	70%	70%	70%
Risk free rate	3.12	3.41	3.41	3.51
Dividend yield	-	-	-	-

NOTE 20: FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments are:

a) credit risk;
b) foreign currency risk;
c) price risk;
d) liquidity risk;
e) commodity price risk; and
f) capital risk

These risks arise from exposures that occur in the normal course of business and are managed by the Group's Finance department under the direction of the Finance Director.

The Group's Board provides certain specific guidance in managing such risks, particularly as related to credit, liquidity and commodity risk. Any form of borrowings requires approval from the Board. In periods of significant market volatility or uncertainty, the Group may use derivative instruments as a means of reducing volatility and any negative impact on its operating cash flow. Limits on the size and type of any derivative hedge transactions are laid down by the Board and subject to strict internal controls.

The key financial risks and the Group's major exposures are set out below.

Categories of financial assets and liabilities

The carrying amounts of financial assets and liabilities by categories are as follows:

	2022 US$'000	2021 US$'000
Financial assets		
Trade and other receivables	39,042	43,441
Cash and cash equivalents	37,714	25,995
Other financial assets	42,466	-
	119,222	**69,436**
Financial liabilities		
Trade and other payables	13,099	15,930
Lease liability	178	-
Other financial liabilities	-	8,000
Borrowings	-	15,984
Other current liabilities	-	1,078
	13,277	**40,992**

NOTE 20: FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair values

Determination of fair values

The carrying value of the short-term receivables and payables is a reasonable approximation of their fair value.

The fair values of the financial assets and liabilities are included at the amounts at which the instruments could be exchanged in a current transaction between willing parties, other than a forced or liquidation sale.

Fair value hierarchy

The Group classifies financial assets and liabilities carried at fair value using a fair value hierarchy that reflects the significance of the inputs used in determining that value. The table below analyses financial assets carried at fair value by valuation method. The different levels in the hierarchy have been defined as follows:

Level 1: quoted prices in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: inputs for the asset or liability that are not based on observable market data.

- Fair value in an active market (level 1)
  The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.
  The Group values its investments in accordance with the accounting policies set out in Note 29 to the financial statements. For the majority of its investments, the Group relies on information provided by independent pricing services for the valuation of its investments.
  A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

- Fair value in an inactive or unquoted market (level 2 and level 3)
  The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques that provides a reliable estimate of prices obtained in actual market transactions.
  Investments in other unlisted unit trusts are recorded at the redemption value per unit as reported by the investment managers of such funds.

	Level1 US$'000	Level2 US$'000	Level3 US$'000	Total US$'000
31 December 2022				
Financial asset - Managed investment funds in rehab trust	19,026	13,915	-	32,941
Financial liability – put option	-	-	-	-
31 December 2021				
Financial liability – put option	-	-	8,000	8,000

NOTE 20: FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors

The carrying value of the short-term receivables and payables is a reasonable approximation of their fair value.

(a) Credit risk

The maximum exposure to credit risk is represented by the carrying amount of the financial assets. In relation to cash and cash equivalents, the Group limits its credit risk with regard to its surplus cash balances by only depositing funds with reputable banks. At reporting date, approximately 98% of the Group's cash is held in ANZ bank in Australia. In relation to trade receivables, the Group's credit risk is managed by only trading with established customers and use of letters of credit where necessary. In addition, receivable balances are monitored on an ongoing basis, with the result that the Group's exposure to bad debts is not significant.

The Group manages customer credit risk subject to established policies, procedures and controls. Credit limits are established for all customers. The Group trades primarily with recognised, creditworthy third parties. Customers who wish to trade on credit terms are subject to credit verification procedures, including an assessment of their independent credit rating (if available), financial position, past experience, and industry reputation.

Credit risk management practices include reviews of trade receivables aging by days past due, the timely follow-up of past due amounts, and the use of letters of credit. The expected credit loss on trade receivables is not significant.

	2022 US$'000	2021 US$'000
Trade receivables		
Not past due	38,933	30,692
0-30 days past due	109	1,028
30-60 days past due	-	-
More than 60 days past due	-	-
	39,042	**31,720**

(b) Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Leone (SLL), Euro and UK Sterling. The Group ensures it places any excess of liquidity in stable currencies to reduce its exposure to foreign currency risks. Foreign exchange differences on retranslation of monetary assets and liabilities are recorded in the statement of profit or loss.

(c) Price risk

The Group is exposed to equity security price risk, which arises from the approximately 35% of trust funds held in investments in managed equity funds in the Rehab Trust. This risk is principally managed by Perpetual Trustees, as discussed further in note 11.

The Group estimates that with all other variables held constant, a 10% increase/(decrease) in share prices across in the relevant equity markets would increase/(decrease) the fair value and profit and loss by $1,152,000 (2021: nil).

(d) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group monitors its risk of a shortage of funds using a combination of regular cash flow forecasts, annual budgets, longer term plans and monitoring of ongoing operational performance

Figures in the table below represent the gross, contractual, undiscounted amount payable in relation to the Group's financial liabilities, and include both interest and principal cash flows:

NOTE 20: FINANCIAL RISK MANAGEMENT (CONTINUED)

	On demand US$'000	<1 year US$'000	1–2 years US$'000	2–5 years US$'000	>5 years US$'000	Total US$'000
At 31 December 2022						
Trade and other payables	–	30,582	–	–	–	30,582
Lease liability	–	178	–	–	–	178
Total	**-**	**30,760**	**–**	**–**	**–**	**30,760**
At 31 December 2021						
Trade and other payables	–	22,800	–	–	–	22,800
Put option liability	–	8,000	–	–	–	8,000
Borrowings	15,984	-	–	–	–	15,984
Other current liabilities	–	1,028	–	–	–	1,028
Total	**15,984**	**31,828**	**–**	**–**	**–**	**47,812**

(e) Commodity price risk

Mineral sands price risk

The Group is exposed to the risk of fluctuations in prevailing market prices on the mix of mineral sands products it sells. The Group has an established customer base, and in certain times, manages demand by entering long term contracts committing sales for future periods. The Group ceases to be exposed to commodity price risk on sales from the point at which goods are sold and the invoice issued. A change in commodity prices at 31 December 2022 would therefore have a nil impact on the financial statements.

(f) Capital risk

The key objectives of the Group's capital management policy are to safeguard and support the business as a going concern through the commodity cycle, to maximise returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure in order to reduce the Group's cost of capital.

Total capital employed is the measure of capital that is used by the Directors in managing capital. Total capital employed by the Group as at 31 December consisted of:

	2022 US$'000	2021 US$'000
Total equity	135,036	4,761
Total capital employed	**135,036**	**4,761**

NOTE 21: COMMITMENTS AND CONTINGENT LIABILITIES

Capital expenditure commitments

Capital expenditure contracted for and payable, but not recognised as liabilities is $19,114,000 (2021: nil). All of the commitments related to the purchase of property, plant and equipment for Area 1 mining operation ($11,497,000) and development of Sembehun project ($7,617,000). The total amount is expected to be paid within one year of the reporting date.

Contingent liability – environmental class action

On 22 January 2019, SRL was served with a writ and statement of claim in respect of an action filed in the High Court of Sierra Leone Commercial and Admiralty Division against both SRL and The Environmental Protection Agency.

The proceedings were brought by a group of landowner representatives ("Representatives") who allege that they suffered loss as a result of SRL's mining operations. The claims primarily relate to environmental matters. The Representatives alleged, in part, that SRL engaged in improper mining practices resulting in environmental degradation and contamination, did not meet certain rehabilitation obligations and violated local mining laws. SRL denies liability in respect of the allegations and intends to defend the claims.

Given the stage of proceedings, it is not practicable for the Group to estimate the quantum of liability, if any that the Group may incur in respect of the class action and accordingly, no provision has been recognised as at 31 December 2022.

Other claims

In the course of its normal business, the Group receives claims arising from its operational activities. In the opinion of the directors, all such matters are covered by insurance or, if not covered, are without merit or are of such kind or involve such amounts that would not have a material adverse impact on the operating results or financial position of the Group if settled unfavourably.

NOTE 22: RELATED PARTY TRANSACTIONS AND BALANCES

Balances and transactions between the Group and its subsidiaries which are related parties have been eliminated on consolidation and are not disclosed.

The nature of the Group's relationships with the respective related parties is as stated below:

Name of related party	Nature of relationship	Nature of transactions
Iluka Resources Limited	Former ultimate parent company (ceased on 4th August 2022)	Provision of funds for operational and capital projects, technical, IT and other services were provided by Iluka Resources Limited to Sierra Rutile Limited.

(a) Transactions with related parties

The following transactions occurred with related parties:

	2022 US$'000	2021 US$'000
Purchase and sale of goods and services		
Purchase or technical, IT infrastructure and other management services from Iluka Resources Limited	2,559	3,323
	2,559	**3,323**
Loans from related parties		
Beginning of the year	15,984	8,173
Loans advanced from Iluka Resources Limited	-	15,000
Interest on loans	445	811
Repayment of loans [(i)]	(16,429)	(8,000)
	-	**15,984**

(i) Final loan repayment number was adjusted to offset management services fees outstanding prior to demerger and intergroup sales as Iluka was managing marketing and shipments of SRL's products.

NOTE 22: RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Key Management Personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. Key management comprises the Board and senior management. In 2022, five personnel (2021: seven) were considered key management personnel of the Group.

The remuneration of the key management personnel of the Group is set out below:

	2022 US$	2021 US$
Short-term employee benefits	717,878	2,856,000
Post-employment benefits	23,779	88,000
Long-term employment benefits	19,902	
Share-based payments	222,201	1,085,000
	983,760	**4,029,000**

During the year, there were no other transactions with or amounts due to or from directors.

The remuneration amounts for 2021 include full amounts remunerated from Iluka Group companies, the allocation of which is impracticable to determine.

Detailed remuneration disclosures are provided in the remuneration report on pages 22 to 25

NOTE 23: PARENT ENTITY INFORMATION

Summarised financial information of the parent entity of the Group (Sierra Rutile Holdings Limited):

	2022 US$'000	2021 US$'000
Assets		
Current assets	1,265	-
Non-current assets	137,222	97,965
Total assets	**138,487**	**97,965**
Liabilities		
Current liabilities	3,451	-
Non-current liabilities	-	-
Total liabilities	**3,451**	**-**
NET ASSETS	**135,036**	**97,965**
Equity		
Share capital	546,515	492,502
Reserves	252	-
Retained earnings	(411,731)	(394,537)
Total equity	**135,036**	**97,965**
Loss for the year	(17,195)	-
Other comprehensive income for the year	-	-
Total comprehensive income for the year	**(17,195)**	**-**

NOTE 24: CONTROLLED ENTITIES

The Group includes the following subsidiaries:

Subsidiary	Place of business/ country of incorporation	Principal activities	Ownership interest held by the Group	
			2022 %	2021 %
Sierra Rutile International UK Limited [(i)]	United Kingdom	Non-operating holding entity	100%	0%
Sierra Rutile Investments (BVI) Limited	British Virgin Islands	Non-operating holding entity	100%	90%
Sierra Rutile International South Africa (Pty) Ltd[(i)]	South Africa	Non-operating holding entity	100%	0%
SRL Acquisition No.3 Limited	British Virgin Islands	Non-operating holding entity	100%	90%
Sierra Rutile (UK) Limited	United Kingdom	Non-operating holding entity	100%	90%
Sierra Rutile Investments 1 Limited	British Virgin Islands	Non-operating holding entity	100%	90%
Sierra Rutile Limited	Sierra Leone	Exploring, producing and marketing natural rutile and related by-products from its assets in Sierra Leone	100%	90%

(i) In April 2022, Iluka transferred 100% of the issued capital of Sierra Rutile International UK Limited, and Sierra Rutile International South Africa (Pty) Ltd to Sierra Rutile for consideration of US$1,012,663 in aggregate. This has been treated as an equity contribution to Sierra Rutile on Demerger.

NOTE 25: REMUNERATION OF AUDITORS

	2022 US$	2021 US$
Fees paid and payable to PwC		
Audit or review of the consolidated financial statements of the parent entity and its controlled entities	219,948	163,000
Other assurance services	-	-
Total fees for assurance services	**219,948**	**163,000**
Non-assurance services	-	-
Total fees for non-assurance services	**-**	**-**
Total fees paid and payable to PwC	**219,948**	**163,000**
Fees paid and payable to other auditors of group entities		
Audit or review of the consolidated financial statements of any entity within the Group	40,000	35,000
Other assurance services	-	5,000
Total fees for assurance services	**40,000**	**40,000**
Non-assurance services	-	-
Total fees for non-assurance services	**-**	**-**
Total fees paid and payable to other auditors of group entities	**40,000**	**40,000**
TOTAL REMUNERATION OF AUDITORS	**259,948**	**203,000**

NOTE 26: EARNINGS PER SHARE

Basic earnings per share is calculated by dividing profit or loss attributable to the ordinary shareholders of Sierra Rutile Holdings Limited by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing profit or loss attributable to the ordinary shareholders of Sierra Rutile Holdings Limited, adjusted for the effects of all dilutive potential ordinary shares, by the weighted average number of ordinary shares outstanding during the year and the weighted average number of additional ordinary shares that would have been outstanding during the year assuming the conversion of all dilutive potential ordinary shares.

Key inputs used in calculating basic earnings per share and diluted earnings per share are outlined below:

	2022 US$'000	2021 US'000
Profit or loss attributable to the ordinary shareholders of Sierra Rutile Holdings Limited		
Profit used in calculating basic and diluted earnings per share	**73,809**	**5,601**

	2022 Number	2021 Number
Weighted average number of ordinary shares used in calculating basic earnings per share	1	1
Adjustment for capitalisation (i)	424,236,446	424,236,446
Adjusted weighted average number of ordinary shares used in calculating basic earnings per share	**424,236,447**	**424,236,447**
Adjustment for effects of dilutive potential ordinary shares:		
- Performance rights	600,483	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	**424,836,930**	**424,236,447**

(i) Earnings per share has been adjusted for the impact as a result of the issue of shares for no consideration to existing shareholders of Iluka as part of the demerger of the Group.

NOTE 27: EVENTS THAT OCCURRED AFTER THE END OF THE FINANCIAL YEAR

At the time of reporting, the directors are not aware of any matter or circumstance that has or may significantly affect the operations of the Group, the results of its operation or the state of affairs of the Group in subsequent financial years.

NOTE 28: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of this financial report, which are consistent with the previous financial period unless otherwise stated, are as follows:

a. Principles of consolidation

The consolidated financial statements are those of the consolidated entity ("the Group"), comprising the financial statements of the parent entity and all of the entities the parent controls. The Group controls an entity where it has the power, for which the parent has exposure or rights to variable returns from its involvement with the entity, and for which the parent has the ability to use its power over the entity to affect the amount of its returns.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist.

NOTE 28: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a. Principles of consolidation(continued)

All inter-group balances and transactions, including any unrealised profits or losses have been eliminated on consolidation. Subsidiaries are consolidated from the date on which control is obtained by the Group and are de-recognised from the date that control ceases.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as non-controlling interests. Non-controlling interests are initially recognised either at fair value or at the non-controlling interests' proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. Non-controlling interests in the results of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of financial position respectively.

b. Rehabilitation Trust

The Group has established an externally managed rehabilitation trust, cash funded on a one-off basis to support the Group's rehabilitation activities of SRL. The trust is consolidated, as the substance of the relationship is that the trust is controlled by the Group through control of the Investment Plan. The assets held in the rehabilitation trust are disclosed as Other Financial Assets.

c. Foreign currency transactions and balances

Functional and presentation currency

The financial statements are presented in United States Dollars which is the Group's presentation currency.

Transactions and balances

Transactions undertaken in foreign currencies are recognised in the relevant entities functional currency, using the spot rate at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are restated to the spot rate at the reporting date.

Except for the impact of foreign currency hedges (if utilised), all exchange gains or losses are recognised in profit or loss for the period in which they arise.

Foreign subsidiaries

Group entities that have a functional currency different to the presentation currency of the Group are translated as follows:

- Assets and liabilities are translated at the closing rate on reporting date.
- Income and expenses are translated at actual exchange rates or average exchange rates for the period, where appropriate.

All resulting exchange differences are recognised in other comprehensive income.

d. Other revenue and other income

Interest revenue is measured in accordance with the effective interest method. Other income is recognised when the right to receive such an amount has been established.

e. Income tax

Current income tax

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

NOTE 28: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Income tax(continued)

Deferred tax

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities are settled. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not recognised if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Royalties and revenue-based taxes

In addition to corporate income taxes, the Company's financial statements also include, and recognise as taxes on income, other types of taxes on net income.

Revenue-based taxes are accounted for under AASB 12 *Income Taxes* when they have the characteristics of an income tax. This is considered to be the case when they are imposed under government authority and the amount payable is based on taxable income, rather than on physical quantities produced or as a percentage of revenue. For such arrangements, current and deferred income tax is provided on the same basis as described above for other forms of taxation.

Obligations arising from royalty arrangements and other types of taxes that do not satisfy these criteria are recognised in operating expenditures as appropriate.

f. Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the consolidated statement of financial position.

g. Inventories

Inventories are measured at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Inventories comprise mineral sands (stockpiles of rutile, ilmenite, zircon, concentrates, and ore stockpile) and consumables (fuel and maintenance spares). Mineral sands and consumables are measured at the lower of cost and net realisable value. In line with AASB2 'Inventories', ilmenite and zircon and other concentrate by-products are measured at net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

The cost of consumable inventories is based on the weighted average cost method and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. The cost of stockpiled ore is measured as mining costs. The cost of finished goods inventory is measured as all mining and processing costs, and other attributable production overheads.

Obsolete, redundant and slow-moving consumable stocks are written down to their estimated net realisable values.

h. Financial instruments

Financial assets and financial liabilities in respect of financial instruments are recognised on the Group's balance sheet when the Group becomes party to a contract relating to such instrument.

NOTE 28: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h. Financial instruments(continued)

Financial assets

The Group classifies its financial assets in the following measurement categories: those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and those to be measured at amortised cost.

Financial assets held at amortised cost

The Group classifies its financial assets as held at amortised cost only if the asset is held within a business model with the objective to collect the contractual cash flows, and the contractual terms give rise to cash flows that are solely payments of principal and interest. The classification of financial assets held at amortised cost applies to Group's receivables that are initially measured at fair value and subsequently carried at amortised cost. They are included in current assets.

Financial assets held at fair value through profit or loss (FVPL)

This category comprises equity investments made by the Rehab Trust. They are carried on the consolidated statement of financial position as non-current financial assets at fair value with changes in fair value recognised directly in consolidate statement of profit or loss. They are classified as current or non-current based on the forecast cash redemptions from the Trust.

Financial liabilities

The Group's financial liabilities include trade and other payables and interest-bearing loans and borrowings. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, less directly attributable transaction costs.

Trade payables are initially measured at fair value plus transaction costs directly attributable to the payables, and are subsequently measured at amortised cost, using the effective interest rate method.

Interest-bearing bank loans are initially measured at fair value net of transaction costs directly attributable to the bank borrowings, and are subsequently measured at amortised cost, using the effective interest rate method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

Fair value of financial instruments

The following methods and assumptions are used to estimate the fair values:

- Initial fair value of interest-bearing borrowings is normally the transaction price;
- Cash and short-term deposits, trade and other receivables, trade and other payables and other current liabilities approximate to their carrying amounts largely due to the short-term maturities of these instruments.
- Financial assets held in Rehab Trust are measured at fair value based on quoted and unquoted market
- price at the reporting date.

i. Trade receivables

Trade receivables are initially recognised at the fair value of the invoice sent to the customer, and subsequently at the amortised cost using the effective interest method, less loss allowance. Recognition occurs at the earlier of dispatch or formal acknowledgement of legal ownership by a customer, as this is the point in time that the consideration is unconditional because only the passage of time is required before payment is due.

The Group applies the simplified approach to measuring expected credit losses (ECLs), which uses a lifetime expected loss allowance for all trade receivables. Based on the payment profiles of sales over the last three years and historical credit losses experienced within this period.

Trade receivables are written off when there is no reasonable expectation of recovery. Such indicators include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due.

NOTE 28: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j. Property, plant and equipment

Plant and equipment

Plant and equipment is measured at cost, less accumulated depreciation and any accumulated impairment losses.

Amortisation and depreciation

Land is not depreciated. The depreciable amount of buildings, plant and equipment is calculated on a straight-line basis over their estimated useful lives commencing from the time the asset is held available for use.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Estimated useful life

Amortisation of deferred project expenditure is based on the estimated useful life of the asset to which the expenditure relates.

Depreciation is provided on a straight-line basis at rates calculated to write off the cost of fixed assets to their residual value over their estimated useful lives as follows:

- Infrastructure – based on estimated life of project or mine operation that the infrastructure supports.
- Plant, machinery and equipment – 3 to 20 years.
- Mineral sand prospect and mine development – based on the estimated life proven and probable reserves on a unit of production basis.

k. Intangible assets

Intangible assets are measured at cost on initial recognition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Computer software and licences

Purchased computer software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software and are amortised over their estimated useful lives of five years.

l. Exploration and evaluation expenditure

Accounting for exploration and evaluation expenditures is assessed separately for each 'area of interest'. An area of interest is an individual geological area which is considered to constitute a favourable environment for the presence of a mineral deposit or has been proved to contain such a deposit.

Exploration and evaluation activities involve the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Exploration and evaluation expenditure incurred is accumulated and capitalised in respect of each identifiable area of interest. Capitalised costs are only carried forward to the extent that the rights to tenure of that area of interest are current and where the following conditions are satisfied:

- the costs are expected to be recouped through successful development and exploration of the area, or alternatively, by its sale; or
- where activities in the areas of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active significant operations in, or in relation to the area of interest are continuing.

Exploration and evaluation assets are reviewed at each reporting date for indicators of impairment and tested for impairment where such indicators exist. If the test indicates that the carrying value might not be recoverable, the asset is written down to its recoverable amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

When a decision is made to proceed with a mine development on an area of interest, the capitalised exploration and evaluation expenditure relating to that area of interest is transferred to mine development assets within property, plant and equipment.

NOTE 28: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l. Mine development assets

Mine development cost includes costs relating to the acquisition and costs incurred to access a mineral resource. It represents costs incurred after the technical feasibility and commercial viability of extracting the mineral resource has been demonstrated. Capitalisation of mine development expenditure ceases once the mining property is capable of commercial production, at which point it is transferred to mine properties and depreciated in accordance with the Group's accounting policy in relation to depreciation and amortisation.

m. Leases

At the commencement date of a lease (other than leases of 12 months or less and leases of low value assets), the Group recognises a lease asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

Lease assets

Lease assets are initially recognised at cost, comprising the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date of the lease, less any lease incentives received, any initial direct costs incurred by the Group, and an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Subsequent to initial recognition, lease assets are measured at cost (adjusted for any remeasurement of the associated lease liability), less accumulated depreciation and any accumulated impairment loss.

Lease assets are depreciated over the shorter of the lease term and the estimated useful life of the underlying asset, consistent with the estimated consumption of the economic benefits embodied in the underlying asset.

Lease liabilities

Lease liabilities are initially recognised at the present value of the future lease payments (i.e. the lease payments that are unpaid at the commencement date of the lease). These lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or otherwise using the Group's incremental borrowing rate.

Subsequent to initial recognition, lease liabilities are measured at the present value of the remaining lease payments (i.e. the lease payments that are unpaid at the reporting date). Interest expense on lease liabilities is recognised in profit or loss (presented as a component of finance costs). Lease liabilities are remeasured to reflect changes to lease terms, changes to lease payments and any lease modifications not accounted for as separate leases.

Variable lease payments not included in the measurement of lease liabilities are recognised as an expense when incurred.

Leases of 12 months or less and leases of low value assets

Lease payments made in relation to leases of 12 months or less and leases of low value assets (for which a lease asset and a lease liability has not been recognised) are recognised as an expense on a straight-line basis over the lease term.

n. Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

Provision for restoration and rehabilitation and mine closure

Land is disturbed during the Group's mining. SRL has an obligation in Sierra Leone under the Sierra Rutile Act, Mines and Minerals Act 2009 and other relevant legislation to rehabilitate these disturbed areas.

Rehabilitation, restoration and mine closure provision is provided at the present value of the expenditures expected to settle the obligation, using estimated cash flows based on current prices over the assumed life of the mine.

NOTE 28: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n. Provisions (continued)

The provisions are reassessed at each reporting date for any new disturbance, updated costs estimates, inflation, changes to the estimated reserves and lives of operations, new regulatory requirements, environmental policies, and revised discount rates.

The provision at the reporting date represents management's best estimate of the present value of the future rehabilitation costs required. Changes to one or more of the assumptions used to calculate the rehabilitation and mine closure provision is likely to result in a change to the carrying value of the provision and the related asset or a change to profit and loss.

Provision for retirement benefit obligation

The Group provides for end-of-term benefits for employees in Sierra Leone based on the provisions contained in the collective bargaining agreements negotiated with the trade unions representing the relevant employees. These benefits are paid to employees falling under this category when they leave the Group. The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation in relation to this agreement.

o. Impairment of non-financial assets

For impairment assessment purposes, assets are generally grouped at the lowest levels for which there are largely independent cash flows ('cash generating units'). Accordingly, most assets are tested for impairment at the cash-generating unit level. Because it does not generate cash flows independently of other assets or groups of assets, goodwill is allocated to the cash generating unit or units that are expected to benefit from the synergies arising from the business combination that gave rise to the goodwill.

Assets other than goodwill, intangible assets not yet ready for use and intangible assets with indefinite useful lives are assessed for impairment whenever events or circumstances arise that indicate the asset may be impaired.

An impairment loss is recognised when the carrying amount of an asset or cash generating unit exceeds the asset's or cash generating unit's recoverable amount. The recoverable amount of an asset or cash generating unit is defined as the higher of its fair value less costs to sell and value in use (where 'value in use' is determined as the present value of the future cash flows expected to be derived from an asset or cash-generating unit).

Impairment losses in respect of individual assets are recognised immediately in profit or loss unless the asset is measured at a revalued amount, in which case the impairment loss is treated as a revaluation decrease and is recognised in other comprehensive income, to the extent that it does not exceed the amount in the revaluation surplus for the same asset. Impairment losses in respect of cash generating units are allocated first against the carrying amount of any goodwill attributed to the cash generating unit with any remaining impairment loss allocated on a pro rata basis to the other assets comprising the relevant cash generating unit.

A reversal of an impairment loss for an asset measured at cost is recognised in profit or loss. A reversal of an impairment loss for an asset measured at a revalued amount is treated as a revaluation increase and is recognised in other comprehensive income, except to the extent that an impairment loss on the same asset was previously recognised in profit or loss, in which case a reversal of that impairment loss is also recognised in profit or loss.

p. Finance costs

Finance costs comprise interest expense on borrowings, the unwinding of interest cost on provisions and foreign exchange losses. Borrowing costs directly relating to the acquisition, construction or production of a qualifying capital project under construction are capitalised and added to the project cost during construction until such time as the assets are considered substantially ready for their intended use, i.e. when they are capable of commercial production. Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. All other borrowing costs are recognised in the consolidated statement of profit or loss in the period in which they are incurred using the effective interest rate method.

NOTE 28: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

q. Employee benefits

Short-term employee benefits

Liabilities arising in respect of wages and salaries, annual leave and other employee benefits (other than termination benefits) expected to be settled wholly before twelve months after the end of the reporting period are measured at the (undiscounted) amounts based on remuneration rates which are expected to be paid when the liability is settled.

The expected cost of short-term employee benefits in the form of compensated absences such as annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables in the consolidated statement of financial position.

Other long-term employee benefits

The provision for other long-term employee benefits, including obligations for long service leave and annual leave, which are not expected to be settled wholly before 12 months after the end of the reporting period, are measured at the present value of the estimated future cash outflow to be made in respect of the services provided by employees up to the reporting date. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee turnover, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. For currencies in which there is no deep market in such high quality corporate bonds, the market yields (at the end of the reporting period) on government bonds denominated in that currency are used. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the change occurs.

Other long-term employee benefit obligations are presented as current liabilities in the balance sheet if the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur. All other long-term employee benefit obligations are presented as non-current liabilities in the consolidated statement of financial position.

Retirement benefit obligations

The Group makes superannuation contributions to the employee's defined contribution superannuation plan of choice in respect of employee services rendered during the year. These superannuation contributions are recognised as an expense in the same period when the related employee services are received. The Group's obligation with respect to employee's defined contributions entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the consolidated statement of financial position.

r. Share-based payments

Share-based remuneration benefits are provided to eligible employees and executive as set out in the Remuneration Report and in note 19.

The fair value at grant date is determined using an option pricing model that takes into account the exercise price, the term, the share price at grant date and expected price volatility of the underlying share, the effect of additional market conditions, the expected dividend yield and the risk-free interest rate for the term of the right and expected market vesting conditions.

s. Goods and service tax (GST) and other taxes on consumption

Revenues, expenses and purchased assets are recognised net of the amount of associated consumption tax, except where the amount of consumptive tax incurred is not recoverable from the Tax Office. In these circumstances the consumptive tax is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the consolidated statement of financial position are shown inclusive of consumptive tax.

Cash flows are presented in the consolidated statement of cash flows on a gross basis, except for the consumptive tax component of investing and financing activities, which are disclosed as operating cash flows.

t. Comparatives

Where applicable, certain comparatives have been adjusted to conform with current year presentation.

NOTE 28: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

u. Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing profit for the year after income tax attributable to the ordinary shareholders by the weighted average number of ordinary shares on issue during the financial year.

Diluted earnings per share

Diluted earnings per share is calculated by dividing profit for the year after income tax attributable to the ordinary shareholders by the weighted average number of ordinary shares on issue during the financial year, after adjusting for the effects of all potential dilutive ordinary shares that were outstanding during the financial year.

v. New accounting standards and interpretations

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2022:

AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018– 2020 and Other Amendments [AASB 1, AASB 3, AASB 9, AASB 116, AASB 137 & AASB 141].

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions

The directors declare that:

1. In the directors' opinion, the consolidated financial statements and notes thereto, as set out on pages 33 to 65, are in accordance with the *Corporations Act 2001*, including:
   (a) complying with Australian Accounting Standards and the *Corporations Regulations 2001*;
   (b) as stated in Note 1, the consolidated financial statements also comply with International Financial Reporting Standards; and
   (c) giving a true and fair view of the financial position of the Group as at 31 December 2022 and of its performance for the 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 financial year ending 31 December 2022.

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

Joanne Palmer
Director
Dated this 27th day of February 2023

Independent auditor's report

To the members of Sierra Rutile Holdings Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Sierra Rutile Holdings Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 31 December 2022
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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 our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

Materiality

- For the purpose of our audit we used overall Group materiality of $4,100,000, which represents approximately 5.3% of the Group's profit before tax. Note that all amounts in this report are denominated in US dollars, consistent with the Group's presentation currency.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose Group profit before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured.
- We utilised approximately 5.3% based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Audit scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- Component auditors, operating under our instructions, performed audit procedures over the financial information of the Group's Sierra Leone operations. These procedures, combined with those performed by the Group engagement team that included reviewing the component auditors' work, provided sufficient appropriate audit evidence for our opinion on the Group financial report as a whole.

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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

Key audit matter	*How our audit addressed the key audit matter*
Rehabilitation and mine closure provisions *(Refer to note 13)* As a result of its mining and processing operations, the Group is obliged to restore and rehabilitate the environment disturbed by these operations and remove related infrastructure. Rehabilitation activities are governed by a combination of legislative requirements and Group policies. The Group recognised provisions for rehabilitation and closure obligations of $48,054,000 as at 31 December 2022, which represents management's best estimate of the Group's liability for the future rehabilitation costs required. This was a key audit matter given the determination of these provisions required judgement by the Group in the assessment of the nature and extent of the rehabilitation work to be performed, the future cost and timing of performing the work and economic assumptions such as the discount and inflation rates applied to future liabilities.	We performed the following procedures over the Group's closure and rehabilitation provision, amongst others: • Developed an understanding of how the Group identified the relevant methods, assumptions or sources of data, and the need for changes in them, that are appropriate for developing the rehabilitation provision in the context of the Australian Accounting Standards. • Evaluated the competency and independence of the experts retained by the Group to assist with the assessment of its rehabilitation obligations. • Assessed provision movements in the year relating to selected closure and rehabilitation obligations to determine whether they were consistent with our understanding of the Group's operations and associated rehabilitation plans. • Compared the estimated future rehabilitation costs to actual costs being incurred by the Group for similar activities to assess the extent to which rehabilitation estimates incorporate current experience. We also tested, on a sample basis, estimated unit costs to comparable external data sources and volume assumptions to the underlying data sources used by management's experts. • Assessed the ability of the Group to make reliable estimates of the extent of future rehabilitation expenditure by comparing actual cash outflows in 2022 to those forecast as part of the provision in previous years. • Assessed the appropriateness of the discount and inflation rates utilised in calculating the provision by comparing them to current market information. • Evaluated the reasonableness of the disclosures made in note 13, including those regarding the significant assumptions, in light of the requirements of Australian Accounting Standards.

Key audit matter	How our audit addressed the key audit matter
Impairment reversal of exploration and evaluation assets – Sembehun project *(Refer to note 10)* During the first half of the year, the Group identified that there were indicators of a potential reversal of an impairment previously recognised in relation to exploration and evaluation expenditure incurred on the Sembehun project in Sierra Leone. The Group determined that the previously impaired evaluation and exploration assets related to the Sembehun project were recoverable and recognised an impairment reversal of $23,445,000 during the year ended 31 December 2022. As at 31 December 2022, the Group had capitalised exploration and evaluation assets of $29,434,000, primarily relating to the Sembehun project. This was a key audit matter due to the significance of the impairment reversal to the Consolidated Statement of Profit or Loss and Other Comprehensive Income and the judgements involved in determining the amount of the impairment reversal.	We performed the following procedures, amongst others: • Evaluated the Group's determination that there were indicators of asset impairment reversal including by considering the results of the pre-feasibility study completed as well as notices issued by the Group during the year. • Evaluated the Group's approach to determining the magnitude of the reversal and the documented basis for recognising the impairment reversal described in Note 10 and assessed if they were consistent with the requirements of Australian Accounting Standards. • Inspected the Consolidated Statement of Profit and Loss and Other Comprehensive Income to determine if the calculated impairment reversal was recognised therein. • Obtained evidence that the Group has the continued right to explore for minerals on the tenements relevant to the Sembehun Project. • Inquired of management and the directors as to future plans for the Sembehun Project and read relevant Board papers and minutes. • Evaluated the reasonableness of the disclosures made in note 10 in light of the requirements of Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2022, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 15 to 26 of the directors' report for the year ended 31 December 2022.

In our opinion, the remuneration report of Sierra Rutile Holdings Limited for the year ended 31 December 2022 complies with section 300A of the *Corporations Act 2001.*

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

Ian Campbell
Partner

Perth
27 February 2023

BOARD OF DIRECTORS

Gregory Martin Non-Executive Director, Chairman

Theuns de Bruyn Managing Director and CEO

Martin Alciaturi Finance Director

Joanne Palmer Non-Executive Director

Graham Davidson Non-Executive Director

COMPANY SECRETARY

Sue Wilson

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