



QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 30 JUNE 2021

15 July 2021

ASX Code:

SFX

Directors:

Mr Bruce Griffin
Executive Chairman

Mr John Richards
Non-Executive Director

Mr Bruce McFadzean
Non-Executive Director

Mr Gordon Cowe
Non-Executive Director

Mr Ian Macliver
Non-Executive Director

Registered Office:

Level 2, 41-47 Colin Street
West Perth WA 6005

Share Registry:

Link Market Services
Level 12, QV1 Building
250 St Georges Terrace
Perth WA 6000

Capital Structure:

Ordinary Shares: 346.1M
Unlisted Options: 1.0M
Unlisted Rights: 7.9M

Market Capitalisation:

A\$116 million

Cash Reserves:

A\$6.5 million
(as at 30 Jun 2021)

Investor Relations:

Bruce Griffin
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HIGHLIGHTS

Thunderbird Mineral Sands Project (Sheffield interest – 50%)

- Zircon concentrate offtake agreements secured with three counterparties, accounting for 170,000 tonnes per annum for five years
- Kimberley Mineral Sands (KMS) key management appointments completed
- Project financing arrangements with NAIF and commercial lenders progressed
- Engineering, design and commercial contract negotiations underway ahead of a planned Final Investment Decision

Corporate Activities

- Board restructuring with appointment of Mr Bruce Griffin as Executive Chairman and Mr John Richards as Lead Independent Non-Executive Director. Mr Bruce McFadzean transitioned to Non-Executive Director effective 1 July 2021.
- \$6.5m in cash at quarter end (unaudited) with forecast expenditure of \$0.6m in the forthcoming quarter.

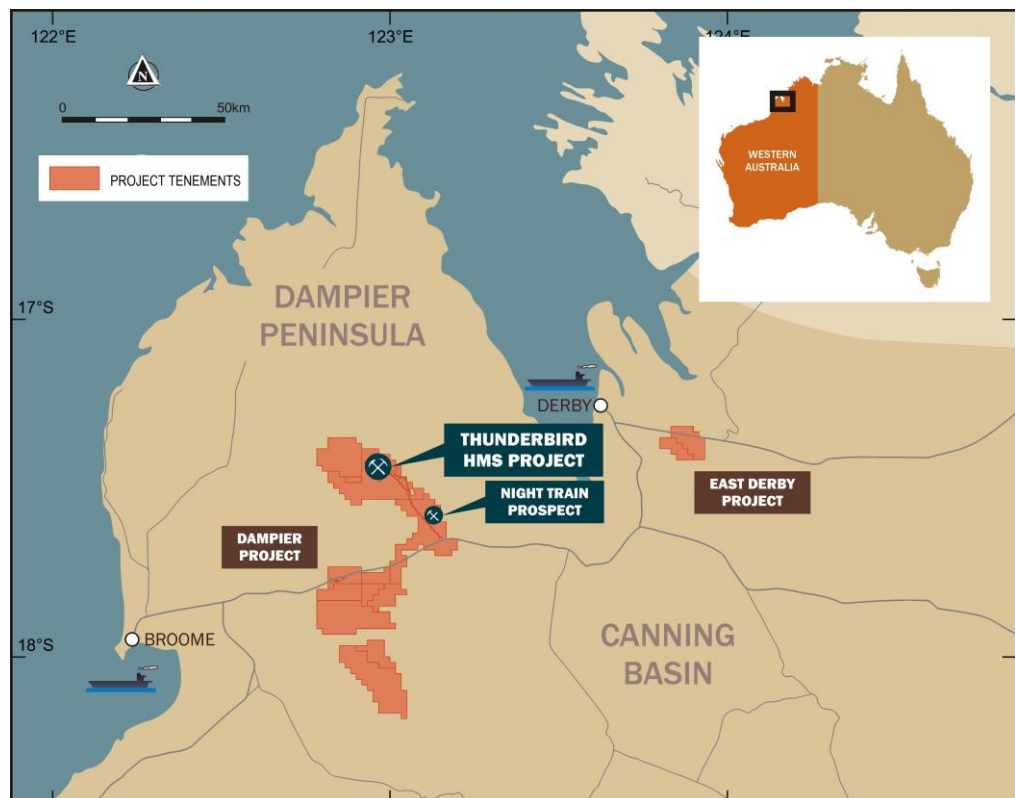


Figure 1: Location of Thunderbird Mineral Sands Project

KEY ACTIVITIES

Kimberley Mineral Sands Pty Ltd (Sheffield interest – 50%)

During the quarter activities including joint venture formation and project technical studies advanced to support an updated Bankable Feasibility Study (BFS) for the Thunderbird Mineral Sands Project (Thunderbird). In parallel with BFS activity, KMS is progressing project financing arrangements with NAIF and potential commercial lenders, following the appointment of corporate adviser (Cutfield Freeman & Co. Ltd). Completion of a BFS is scheduled for late 2021.

Joint venture key management personnel appointments were finalised during the quarter, including Robert Cicchini as Project Director, Quentin Webb as Chief Financial Officer and Trevor Weinert as Human Resources Director.

KMS cash reserves totalled \$128.3m as at the end of the quarter.

Thunderbird pre-FID Activities

Definitive feasibility studies and engineering activities advanced during the quarter with GR Engineering Services (GRES) preparing a detailed project execution plan, process flow diagrams and process design criteria. Project definition and cost estimation continued with the completion of an updated mine schedule and cost model, including a review of mining equipment and labour related costs.

A second phase of trial mining activities commenced in June 2021, to assess an alternative mining method for the upper ore layer of Thunderbird. Information from the initial mining trial completed in late 2020 and subsequent process test-work along with current trial mining activities shall be used to develop the final Mining Unit Plant (MUP) design.

Preparations are underway to commence an early works program which includes mine access road construction and site clearance, along with other non-process infrastructure requirements. GRES have prepared a range of contract tender packages to support forthcoming long lead item procurement, accommodation village selection and mine access road construction, with award of contract packages scheduled in the forthcoming quarter.

Community Engagement

Consultation and community engagement included the Joombarn-buru Native Title party undertaking heritage artefact clearance activities during the quarter, with sourcing and engagement of an indigenous implementation officer for the Thunderbird Project.

Offtake Agreements

During the quarter, KMS signed amendments to three zircon/zircon concentrate offtake agreements previously entered into by Sheffield. The amended agreements are for the combined future sale of 170,000 per year for five years of zircon concentrate, with each counterparty being a major zircon concentrate processor based in China.

The amended contracts represent ~75% of the total zircon concentrate volume from Stage 1 of Thunderbird. Combined with the life of mine Low Temperature Roast (LTR) ilmenite offtake agreement previously agreed with Yansteel, KMS has secured offtake contracts for approximately 80% of the revenue for Stage 1 of Thunderbird and expects this to fulfill the offtake requirements for the Thunderbird project financing facilities.

Markets

2021 has seen a strengthening of the mineral sands industry, despite the interruptions associated with COVID-19 throughout the world. The rebound in the titanium feedstock market seen since 2H 2020 continued, with tight supply and strong demand resulting in strengthening prices of feedstock, and in

particular sulfate ilmenite. Easing of zircon markets during 2020 have recovered during 2021 with steadying in the market. During the quarter, further price increases were announced with major suppliers implementing price increases.

Demand for sulfate ilmenite remains robust with growth expected to continue in the near term. High grade pigment feedstock demand for production of chloride grade pigment is a growth area for the longer term, with demand forecast to out-strip supply in the coming years and chloride slag (produced from sulfate ilmenite) the most likely source of new supply.

The outlook for zircon supply remains tight as previously reported, with price strengthening expected during the remainder of 2021 and forecast supply constraints driving a strong future market position. Thunderbird is well placed to be a significant supplier in what is forecast to be a strengthening market.

Exploration

Dampier Project (Sheffield – 50%)

Technical analysis on works within the Dampier Project, including data collection and analysis associated with the Phase 1 Trial Mining conducted in late 2020 has continued, with further mine development studies planned to assist early works. Technical and statutory reports were completed in relation to the KMS tenement package.

Eneabba Project (Sheffield - 100%)

Activities focussed on an updated scoping study which commenced during the quarter. TZMI have been engaged to complete the study which covers the Company’s tenement package at Eneabba, with results expected during the next quarter.

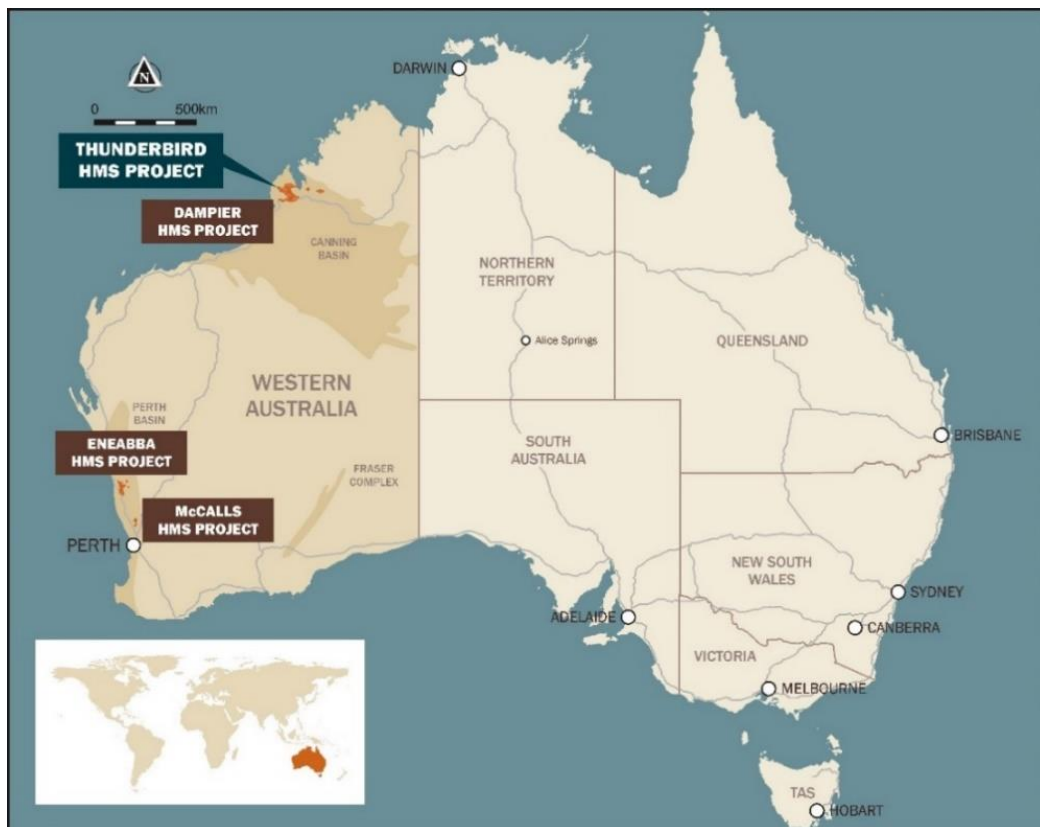


Figure 2: Sheffield Resources Limited – Project Interests

CORPORATE ACTIVITIES

During the quarter, having successfully delivered the \$143m KMS joint venture transaction, the Company announced that Sheffield's Managing Director and Chief Executive Officer Mr Bruce McFadzean would transition and step down from his executive role effective from 1 July 2021, continuing his involvement with Sheffield as a Non-Executive Director thereafter. Furthermore, Mr Bruce Griffin, Sheffield's Commercial Director, was appointed Executive Chair effective 13 April 2021 with Mr John Richards, Sheffield's Non-Executive Chair, moving to the newly created Lead Independent Director role.

Following the end of the quarter, with KMS moving toward Thunderbird project construction, Sheffield appointed Mr Gordon Cowe as a director of KMS in place of Mr Bruce McFadzean. Mr Cowe brings over 30 years' experience leading and managing major resource construction projects globally to the KMS Board.

As at 30 June 2021, Sheffield held cash reserves of approximately A\$6.5m (unaudited). The Company is targeting a steady state cash outlay requirement of below \$2.0m per annum for the 2022 financial year. Please note the year to date position of the Quarterly Cashflow Report should be read in conjunction with this report. The report includes de-consolidation and de-recognition of KMS amounts and activities from the Sheffield group, in line with the inception of the KMS incorporated joint venture as at 12 March 2021.

During the quarter, a total sum of \$512,508 was paid to related parties and their associates for Director fees and superannuation.

This announcement is authorised by the Board of Sheffield Resources Limited.



Mr Bruce Griffin
Executive Chair
15 July 2021

KIMBERLEY MINERAL SANDS

In January 2021, Sheffield and Yansteel executed binding agreements for the formation of a 50:50 Joint Venture (Kimberley Mineral Sands Pty Ltd or 'KMS') to own and develop the Thunderbird Mineral Sands Project (Thunderbird) and adjacent tenements on the Dampier Peninsula. The parties have agreed that the development concept for Stage 1 of the Project will be a 10.4mt per annum mine and process plant producing a zircon rich non-magnetic concentrate and LTR ilmenite.

Yansteel subscribed for a 50% interest in KMS and provided A\$130.1m in project equity funding. Sheffield shall fund project equity between A\$130.1m and A\$143m, and to date has contributed \$2.9m of this portion with the balance due following a Thunderbird Final Investment Decision. KMS will secure project finance and, if required, project equity in excess of A\$143m will be funded 50:50 by Yansteel and Sheffield. The Yansteel A\$130.1m project equity investment in KMS, together with the A\$12.9m funding under the Yansteel Share Placement completed on 12 August 2020 and combined with existing project financing is expected to deliver a fully funded project.

KMS is governed by a four person Board of Directors with Sheffield and Yansteel each nominating two directors. Key Joint Venture decisions require unanimous approval of both shareholders. KMS operates as a standalone entity with its own management and employees.

YANSTEEL OFFTAKE AGREEMENT

Yansteel and KMS have entered into a binding life of mine take or pay offtake agreement for 100% of the LTR ilmenite from Stage 1 at market price. Yansteel has a first right of refusal to purchase ilmenite from later stages.

ABOUT YANSTEEL

Yansteel is a wholly-owned subsidiary of Tangshan Yanshan Iron & Steel Co., Ltd, a privately owned steel manufacturer headquartered in Hebei, China producing approximately 10mt per annum of steel products and has annual revenues of ~A\$6bn.

Construction of a 500ktpa integrated titanium dioxide processing facility including a titanium slag smelter has commenced by the company. This complex will consume the Low Temperature Roast ("LTR") ilmenite offtake from Stage 1 of the Thunderbird Mineral Sands Project.

FORWARD LOOKING AND CAUTIONARY STATEMENTS

The contents of this report reflect various technical and economic conditions at the time of writing. Given the nature of the resources industry, these conditions can change significantly over relatively short periods of time. Consequently, actual results may vary from those contained in this report.

Some statements in this report regarding estimates or future events are forward-looking statements. They include indications of, and guidance on, future earnings, cash flow, costs and financial performance. Forward-looking statements include, but are not limited to, statements preceded by words such as "planned", "expected", "projected", "estimated", "may", "scheduled", "intends", "anticipates", "believes", "potential", "predict", "foresee", "proposed", "aim", "target", "opportunity", "could", "nominal", "conceptual" and similar expressions. Forward-looking statements, opinions and estimates included in this report are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward-looking statements are provided as a general guide only and should not be relied on as a guarantee of future performance. Forward-looking statements may be affected by a range of variables that could cause actual results to differ from estimated results and may cause the Company's actual performance and financial results in future periods to materially differ from any projections of future performance or results expressed or implied by such forward-looking statements. So there can be no assurance that actual outcomes will not materially differ from these forward-looking statements.

Schedule 1: Interests in Mining Tenements at the end of the quarter as required under ASX Listing Rule 5.3.3

Sheffield Resources Limited

| Project | Tenement | Holder | Interest | Location | Status |
|---------------|-----------------------|-------------------------|----------|-------------|---------|
| Mineral Sands | E70/3762 | Sheffield Resources Ltd | 100% | Perth Basin | Granted |
| Mineral Sands | E70/3813 | Sheffield Resources Ltd | 100% | Perth Basin | Granted |
| Mineral Sands | E70/3814 | Sheffield Resources Ltd | 100% | Perth Basin | Granted |
| Mineral Sands | E70/3859 | Sheffield Resources Ltd | 100% | Perth Basin | Pending |
| Mineral Sands | E70/3929 | Sheffield Resources Ltd | 100% | Perth Basin | Granted |
| Mineral Sands | E70/3967 | Sheffield Resources Ltd | 100% | Perth Basin | Granted |
| Mineral Sands | E70/4190 | Sheffield Resources Ltd | 100% | Perth Basin | Granted |
| Mineral Sands | E70/4292 | Sheffield Resources Ltd | 100% | Perth Basin | Granted |
| Mineral Sands | E70/4584 | Sheffield Resources Ltd | 100% | Perth Basin | Granted |
| Mineral Sands | E70/4719 | Sheffield Resources Ltd | 100% | Perth Basin | Granted |
| Mineral Sands | E70/4747 | Sheffield Resources Ltd | 100% | Perth Basin | Granted |
| Mineral Sands | E70/4922 | Sheffield Resources Ltd | 100% | Perth Basin | Granted |
| Mineral Sands | M70/872 ² | Sheffield Resources Ltd | 100% | Perth Basin | Granted |
| Mineral Sands | M70/965 ² | Sheffield Resources Ltd | 100% | Perth Basin | Granted |
| Mineral Sands | M70/1153 ² | Sheffield Resources Ltd | 100% | Perth Basin | Granted |
| Mineral Sands | R70/35 ² | Sheffield Resources Ltd | 100% | Perth Basin | Granted |

Notes:

²Iluka Resources Ltd (ASX: ILU) retains a gross sales royalty of 1.5% in respect to tenements R70/35, M70/872, M70/965 & M70/1153. M70/1153.

Kimberley Mineral Sands Joint Venture (Sheffield interest – 50%)¹

| Project | Tenement | Holder | Interest | Location | Status |
|---------------|----------|--------------------------------|----------|---------------|---------|
| Mineral Sands | E04/2081 | Thunderbird Operations Pty Ltd | 100% | Canning Basin | Granted |
| Mineral Sands | E04/2083 | Thunderbird Operations Pty Ltd | 100% | Canning Basin | Granted |
| Mineral Sands | E04/2084 | Thunderbird Operations Pty Ltd | 100% | Canning Basin | Granted |
| Mineral Sands | E04/2171 | Thunderbird Operations Pty Ltd | 100% | Canning Basin | Granted |
| Mineral Sands | E04/2349 | Thunderbird Operations Pty Ltd | 100% | Canning Basin | Granted |
| Mineral Sands | E04/2390 | Thunderbird Operations Pty Ltd | 100% | Canning Basin | Granted |
| Mineral Sands | E04/2456 | Thunderbird Operations Pty Ltd | 100% | Canning Basin | Granted |
| Mineral Sands | E04/2478 | Thunderbird Operations Pty Ltd | 100% | Canning Basin | Granted |
| Mineral Sands | E04/2494 | Thunderbird Operations Pty Ltd | 100% | Canning Basin | Granted |
| Mineral Sands | E04/2509 | Thunderbird Operations Pty Ltd | 100% | Canning Basin | Granted |
| Mineral Sands | E04/2540 | Thunderbird Operations Pty Ltd | 100% | Canning Basin | Granted |
| Mineral Sands | E04/2554 | Thunderbird Operations Pty Ltd | 100% | Canning Basin | Granted |
| Mineral Sands | E04/2571 | Thunderbird Operations Pty Ltd | 100% | Canning Basin | Granted |
| Mineral Sands | E04/2597 | Thunderbird Operations Pty Ltd | 100% | Canning Basin | Granted |
| Mineral Sands | L04/82 | Thunderbird Operations Pty Ltd | 100% | Canning Basin | Granted |
| Mineral Sands | L04/83 | Thunderbird Operations Pty Ltd | 100% | Canning Basin | Granted |
| Mineral Sands | L04/84 | Thunderbird Operations Pty Ltd | 100% | Canning Basin | Granted |
| Mineral Sands | L04/85 | Thunderbird Operations Pty Ltd | 100% | Canning Basin | Granted |
| Mineral Sands | L04/86 | Thunderbird Operations Pty Ltd | 100% | Canning Basin | Granted |
| Mineral Sands | L04/92 | Thunderbird Operations Pty Ltd | 100% | Canning Basin | Granted |
| Mineral Sands | L04/93 | Thunderbird Operations Pty Ltd | 100% | Canning Basin | Granted |
| Mineral Sands | M04/459 | Thunderbird Operations Pty Ltd | 100% | Canning Basin | Granted |

Notes:

¹Thunderbird Operations Pty Ltd is a wholly owned subsidiary of Kimberley Mineral Sands Pty Ltd (refer to ASX announcement 12 March 2021). Kimberley Mineral Sands Pty Ltd is a 50:50 incorporated joint venture between Sheffield Resources Ltd and YGH Australia Investment Ltd (Yansteel).

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Sheffield Resources Limited

ABN

29 125 811 083

Quarter ended ("current quarter")

30 June 2021

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (12 months) \$A'000 |
|---|------------------------------------|---|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | - | - |
| 1.2 Payments for | | |
| (a) exploration & evaluation | - | - |
| (b) development | - | (4,742) |
| (c) production | - | - |
| (d) staff costs | (1,195) | (2,963) |
| (e) administration and corporate costs | (3,043) | (4,323) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | 6 | 41 |
| 1.5 Interest and other costs of finance paid | - | - |
| 1.6 Income taxes paid | - | - |
| 1.7 Government grants and tax incentives | - | - |
| 1.8 Other (provide details if material) | - | - |
| 1.9 Net cash from / (used in) operating activities | (4,232) | (11,987) |

| | | |
|--|------|-------|
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire or for: | | |
| (a) entities | - | - |
| (b) tenements | - | - |
| (c) property, plant and equipment | - | (8) |
| (d) exploration & evaluation | (76) | (795) |
| (e) investments | - | - |
| (f) other non-current assets | - | - |

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (12 months) \$A'000 |
|--------------------------------------|---|----------------------------|--|
| 2.2 | Proceeds from the disposal of: | | |
| | (a) entities | - | - |
| | (b) tenements | - | - |
| | (c) property, plant and equipment | - | - |
| | (d) net cash outflow on loss of control of subsidiary | - | (323) |
| | (e) other non-current assets | - | - |
| 2.3 | Cash flows from loans to other entities | - | - |
| 2.4 | Dividends received (see note 3) | - | - |
| 2.5 | Other (return of performance guarantee) | - | 41 |
| 2.6 | Net cash from / (used in) investing activities | (76) | (1,085) |

| | | | |
|-------------|---|----------|---------------|
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of equity securities (excluding convertible debt securities) | - | 12,882 |
| 3.2 | Proceeds from issue of convertible debt securities | - | - |
| 3.3 | Proceeds from exercise of options | - | - |
| 3.4 | Transaction costs related to issues of equity securities or convertible debt securities | - | (350) |
| 3.5 | Proceeds from borrowings | - | - |
| 3.6 | Repayment of finance lease | - | (12) |
| 3.7 | Transaction costs related to loans and borrowings | - | - |
| 3.8 | Dividends paid | - | - |
| 3.9 | Other (provide details if material) | - | - |
| 3.10 | Net cash from / (used in) financing activities | - | 12,520 |

| | | | |
|-----------|--|---------|----------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 10,827 | 7,071 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (4,232) | (11,987) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (76) | (1,085) |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | - | 12,520 |

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (12 months) \$A'000 |
|---|---|------------------------------------|---|
| 4.5 | Effect of movement in exchange rates on cash held | - | - |
| 4.6 | Cash and cash equivalents at end of period | 6,519 | 6,519 |

| 5. | Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter \$A'000 | Previous quarter \$A'000 |
|------------|---|------------------------------------|-------------------------------------|
| 5.1 | Bank balances | 6,519 | 3,827 |
| 5.2 | Call deposits | - | 7,000 |
| 5.3 | Bank overdrafts | - | - |
| 5.4 | Other (provide details) | - | - |
| 5.5 | Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 6,519 | 10,827 |

| 6. | Payments to related parties of the entity and their associates | Current quarter \$A'000 |
|---|---|------------------------------------|
| 6.1 | Aggregate amount of payments to related parties and their associates included in item 1 – Salary & Directors fees | 513 |
| 6.2 | Aggregate amount of payments to related parties and their associates included in item 2 | Nil |
| <i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i> | | |

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

| 7. Financing facilities | Total facility amount at quarter end \$A'000 | Amount drawn at quarter end \$A'000 |
|--|---|--|
| <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> | | |
| <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i> | | |
| 7.1 | - | - |
| 7.2 | - | - |
| 7.3 | - | - |
| 7.4 | - | - |
| 7.5 | Unused financing facilities available at quarter end | |
| | | - |
| 7.6 | Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well. | |
| | | |

| 8. Estimated cash available for future operating activities | \$A'000 |
|---|--|
| 8.1 | (4,232) |
| 8.2 | (76) |
| 8.3 | (4,308) |
| 8.4 | 6,519 |
| 8.5 | - |
| 8.6 | 6,519 |
| 8.7 | 1.5 |
| <i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i> | |
| 8.8 | If item 8.7 is less than 2 quarters, please provide answers to the following questions: |
| 8.8.1 | Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not? |
| | Answer: No. In accordance with prior disclosure, current quarter expenditures include one-off expenditures associated with reorganisation and transaction costs arising from the recent joint venture transaction with Yansteel. |
| 8.8.2 | Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful? |
| | Answer: No. |

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes. Forecast quarterly expenditures are expected to significantly reduce going forward.

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 15 July 2021

Authorised by: By the Board of Sheffield Resources Limited

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.