
ADDITIONAL BINDING PREMIUM ZIRCON OFFTAKE AGREEMENT SIGNED

Sheffield Resources Limited (“Sheffield”, “the Company”) (ASX: SFX) is pleased to advise that it has secured additional binding offtake volume (Agreement) for the future sale of premium zircon from its Thunderbird Mineral Sands Project (Thunderbird) in Western Australia.

The Agreement with CFM Minerales.sa (CFM), a global mineral sands processor with operations in Spain, Mexico and Indonesia, is for a 25% increase in annual supply of a further 1,000 tonnes of premium zircon in addition to the Agreement executed and disclosed on 30 October 2017. This agreement accounted for an annual supply of 4,000 tonnes of premium zircon (Previous Agreement). CFM’s total offtake volume represents ~8% of the total Stage 1 estimated production volume at Thunderbird. The key terms of the new Agreement remain consistent with the Previous Agreement.

Sheffield Resources Managing Director, Bruce McFadzean, said the binding offtake Agreement with CFM was a tremendous result and another positive step forward for Thunderbird, and further evidence of the demand for future premium zircon supply.

“We are delighted to strengthen our relationship with CFM. We have spent a lot of time fostering relationships with international offtake partners, so it’s very encouraging to see ongoing support from another global leading mineral sands consumer.”

“With this agreement finalised, our marketing team has now secured offtake for approximately 100% of all Stage 1 zircon and ilmenite production volumes at Thunderbird, significantly reducing market and revenue risk. The rapid uptake of the additional BFS volume is further confirmation of concern regarding future supply of premium zircon from customers.”

“With the consensus view that significant supply shortages and strong pricing is expected to continue in the mid-long term, the mineral sands industry looks to be in a robust position. The majority of our revenue from Thunderbird is derived from zircon products. Zircon pricing has steadily increased over the years and with the long-term inducement price unchanged from previous reports at US\$1,469 per tonne FOB (real 2018 dollars as per TZMI Market study June 2019) the industry appears very stable moving forward”.

“Current Australian premium zircon production is estimated to be significantly reduced by 2027 as the present operations, heavily contributing to the global supply of premium zircon, are mined out. The supply threat is further exacerbated by output, quality and costs from older and mature African operating mines. The timing of this significant supply decline bodes well for the Thunderbird project production post construction”.

Markets

Demand has stabilised during 2019 following two years of steady and robust pricing growth. Demand moderated in the short term due to uncertainty surrounding global trade tensions however over the past 2 months in China demand has significantly improved after what appears to be de-stocking by consumer groups during the months of February to May (Figure 1). Long term growth in zircon demand is predicted to rise steadily over the coming years at 2.4% year on year. Premium zircon demand has remained strong as a result of decreased supply from mature operations globally due to falling product quality, grade and rising costs. There has been an increase in supply of lower quality zircon in the form of standard grade zircon or zircon in concentrate to balance supply in the short term.

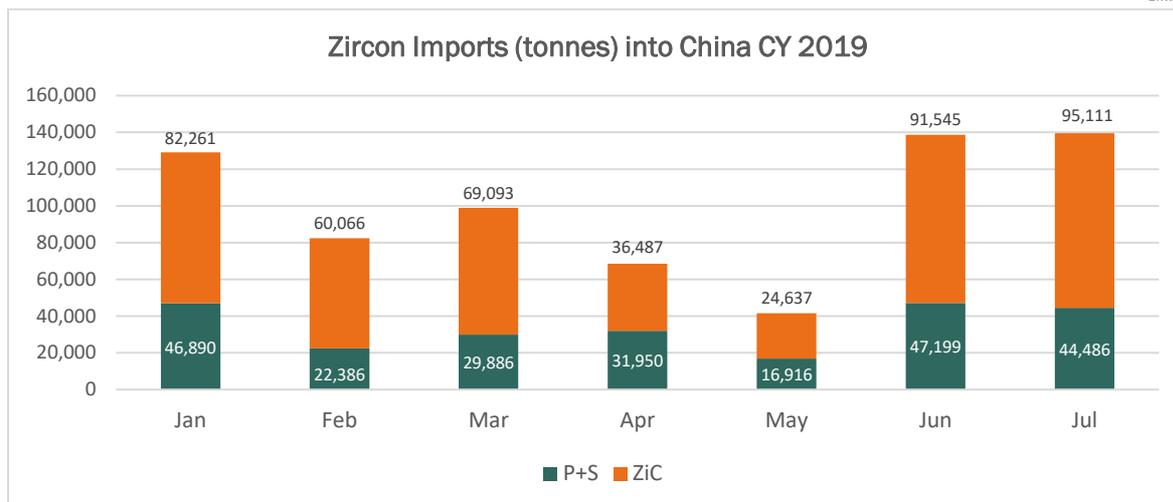


Figure 1: Supply volumes of zircon in to China Jan-Jul 2019 (Ferro Alloysnet Trade Statistics, Zircon 2019)
P= premium, S = standard, ZiC = zircon in concentrate

Subdued demand during 2019 and market commentary by some producers has impacted market sentiment even though pricing remains robust and consensus predicts significant supply deficits from 2020. Stable zircon pricing in the range from US\$1,400 to \$1,600 should be considered as strongly positive for the industry and at a level that should generate strong revenues at low cost operations. The current benchmark price for zircon has been confirmed at US\$1,580 until 31 March 2020. This should be considered a very robust price in the current market. TZMI has forecast strong pricing out to 2023, with the base case price estimated to remain over US\$1,600 from 2020.

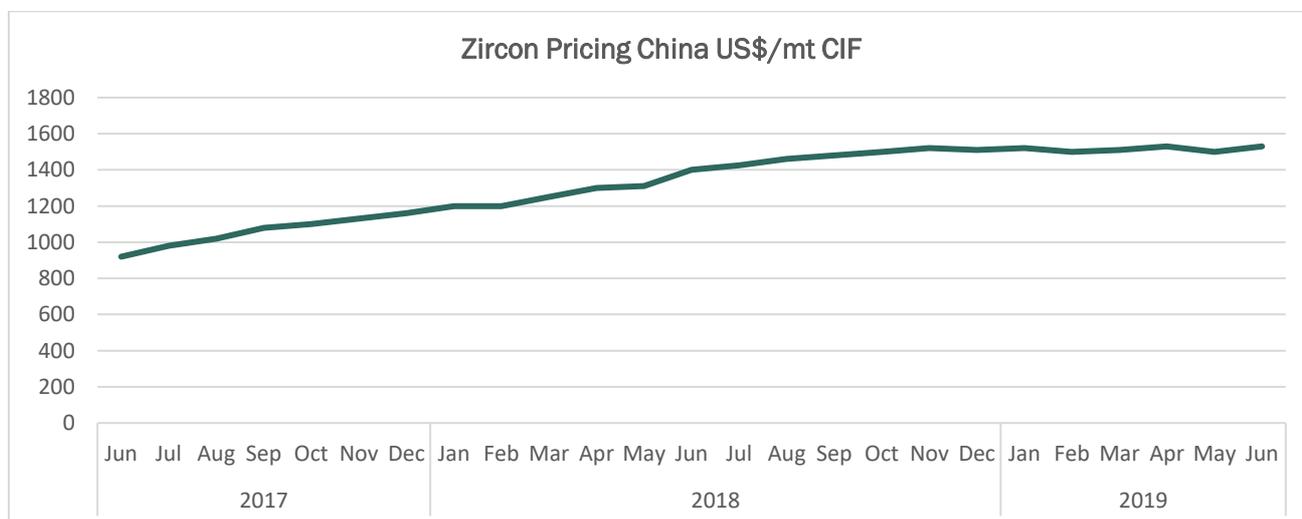


Figure 2: Historical zircon pricing June 2017 - June 2019

Significant supply shortages of premium zircon are forecast to emerge in the mid-long term. Consumer groups are looking to secure their supply over this period through binding supply agreements and have indicated their strong support for new supply options in a heavily constrained and managed market. Interest from offtake groups for the additional BFS Update product volumes was very strong with 100% of volume secured in binding agreements in Europe and China, within a short time frame. Without considering new supply, TZMI has forecast a rapid decline in supply for the period to 2028 (Figure 3). TZMI indicate that significant mine depletion is anticipated from 2020 onwards, with new projects required to make a large contribution to supply.

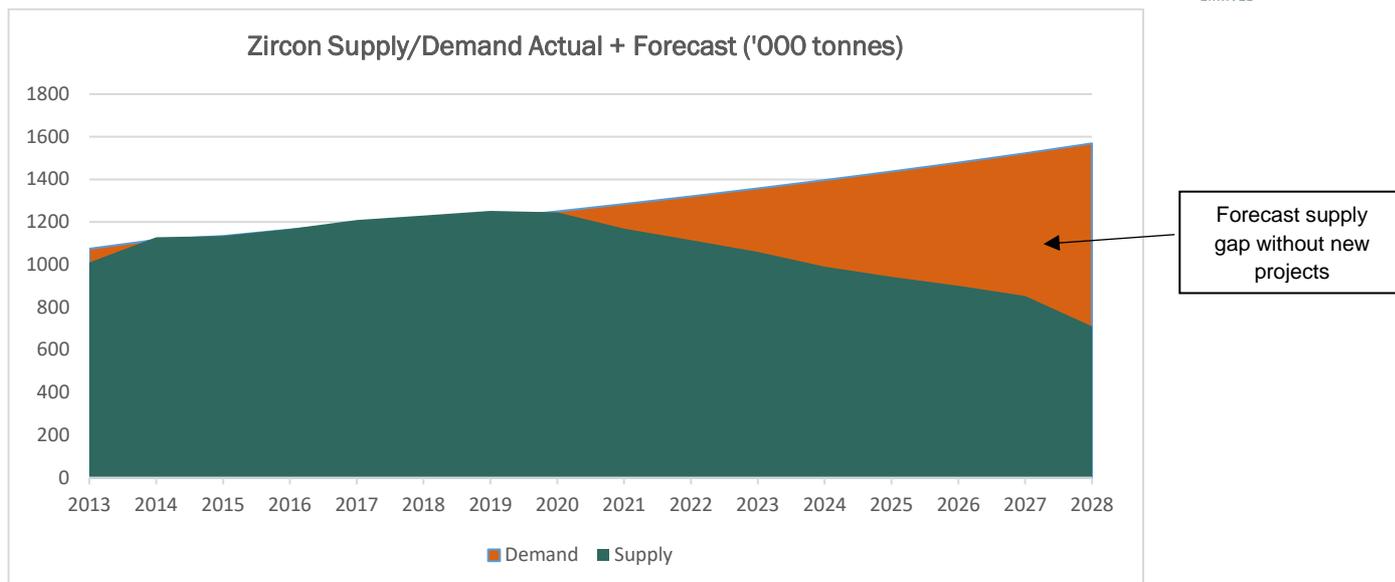


Figure 3: Zircon supply-demand forecast (TZMI estimates May 2019)

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ABOUT SHEFFIELD RESOURCES

Sheffield Resources Limited is focused on developing its 100% owned, world class Thunderbird Mineral Sands Project, located in north-west Western Australia. Sheffield continues to also assess other regional exploration opportunities.

THUNDERBIRD MINERAL SANDS

Thunderbird is one of the largest and highest-grade mineral sands discoveries in the last 30 years.

Sheffield's Bankable Feasibility Study shows Thunderbird is a technically low risk, modest capex project that generates strong cash margins from globally significant levels of production over an exceptionally long mine life of 37 years.

Thunderbird will generate a high-quality suite of mineral sands products with specifications suited to market requirements. These products include Premium Zircon suitable for the ceramic sector, zircon concentrate and TiO₂ feedstocks.

Thunderbird is located in one of the world's most attractive mining investment jurisdictions and is well placed to deliver long term, secure supply of high-quality products to a range of customers.

The Company is targeting initial production in 2021. The initial planned production profile is aligned with consensus emerging supply deficit in global zircon markets.

ASX Code:	SFX	Market Capitalisation:	A\$125m
Issued shares:	262.8m	Cash (unaudited, 30 June 2019):	A\$2.7m