

# SHEFFIELD RESOURCES (SFX)

**Binding Native Title Agreement due within a week**  
**Ease Price Target 5% to \$2.10 on higher capex**

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We say

Price

Target

Strategic Target

# BUY

# 0.95 2.10 3.00

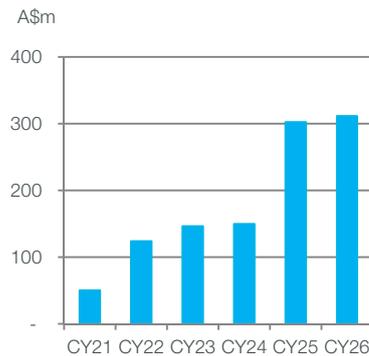
We update our SFX forecasts for the new capex and opex figures provided late last week. Initial capex increased 12% to A\$463m and the capex for the Stage 2 expansion in year 4 also increased from A\$195m to \$240m. Overall our NPV for Thunderbird is reduced by 16% to A\$711m. Given the recent exploration success at Night Train, which in our view is shaping up as a promising 2<sup>nd</sup> project, we have added \$40m to our valuation for Night Train. Maintain conviction Buy, \$2.10 Target.

## SHARE PRICE CHART



Source: IRESS, Blue Ocean Equities

## FORECAST OPERATING CASHFLOW



Source: Company Blue Ocean Equities

## COMPANY DATA & RATIOS

Enterprise value	\$222m
Diluted market cap*	\$232m
Diluted shares*	244m
Free float	100%
12 month price range	\$0.58-1.28
GICS sector	Materials
Board & Management hold	~12% (FD)
*Diluted for 14.6m options	

## IMPLIED RETURN

Implied all-in return	121%
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## HIGHER CAPEX FOR A MORE ROBUST PROJECT

Late last week, Sheffield flagged a ~\$50m increase in initial capex to A\$463m (see p2), a 12% increase arising as a result of project enhancements arising from the EPC contract negotiations, including upgrades to throughput, utilisation, inter-plant operability, stockpile management which collectively materially de-risk the project. Stage 2 expansion capex in year 4 also increased from A\$195m to \$240m.

## THUNDERBIRD: A BEST-IN-CLASS PROJECT

In our view Thunderbird has the right combination of world-class scale (3.2bn tonnes), very high grades (0.9% zircon, 3.1% ilmenite), low strip (0.78:1) and long life (42 years) that make it a Tier 1 development project. When you add the proximity to port (140km) and low-risk jurisdiction, we believe it is probably best-in-class.

## IMPLIED RETURN OF OVER 120%

We update our forecasts for the higher capex figures flagged late last week (see p2) which reduced our NPV for Thunderbird by 16% to A\$711m (from A\$850m). Given the recent exploration success at Night Train we have added \$40m to our valuation (see p3). We maintain our high conviction Buy on Sheffield, but ease our Price Target to \$2.10 (from \$2.20), an implied potential return of over 120%.

## BINDING NATIVE TITLE DUE WITHIN A WEEK

Sheffield expects to have a Binding Native Title Agreement in hand by the end of October – less than a week away. While Sheffield already has its Mining Licence for Thunderbird, we still regard the Binding Native Title Agreement as a key de-risking milestone for Thunderbird and the company.

In our view, investors and indeed any potential acquirers are likely to regard Thunderbird as a lower risk proposition once a formal agreement is in place with the Traditional Owners.

## UPDATING OUR FORECASTS FOR HIGHER CAPEX

Late last week, Sheffield flagged a ~\$50m increase in initial capex to A\$463m, a 12% increase arising as a result of project enhancements arising from the EPC contract negotiations, including upgrades to throughput, utilisation, inter-plant operability, stockpile management which collectively materially de-risk the project. The company also provided a revised production schedule and costs.

The table below highlights the impact of these changes:

Premium Zircon	US\$/t	1,450			1,500	1,640	1,700
		Prev	New	Chg	Spot		
Stage 1 Capex	A\$m	413*	463	+12%			
Stage 2 Capex	A\$m	195	240	+23%			
Stage 1 Opex	A\$m	120	117	-2.5%			
Stage 2 Opex	A\$m	180	181	+0.5%			
NPV <sub>10</sub> post-tax	A\$m	850	711	-16%	763	907	969
IRR post-tax	%	25%	20%	-20%	20%	22%	23%

The spot price for premium zircon is ~US\$1,640/t and we believe it is likely to eclipse US\$1,700/t next year

Source: Company, Blue Ocean estimates

\*Comprises the BFS capex of A\$348m + A\$65m to bring power and camp in house. The decision to own the power and camp directly (rather than lease from a contractor) led to an opex saving of ~A\$7.5m p.a. over the 42 year mine life (a total saving of A\$315m) and was also funded by very cost-effective Govt debt from NAIF, which typically attracts interest of only ~3.5%.

Sheffield now expects first production in Q4 CY20, one quarter earlier than our unchanged forecast of Q1 CY21. We also undertook a reconciliation on the new indicative production schedule (provided in the presentation last week) which came in within 1% of our previous forecasts in all periods except the first 6 months where a slower ramp-up is now planned.

We have updated our forecasts to reflect this slower ramp-up, however in the context of Thunderbird's 42 year mine life, accommodating this slower ramp-up had no material impact on our valuation.

## NIGHT TRAIN SHAPING UP AS A SOLID 2<sup>ND</sup> PROJECT

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Earlier this month, Sheffield released a set of exceptional results from its Night Train prospect confirming a major new zircon-rich mineral sands discovery:

- **Exceptional Results:** 27m @ 5.29% HM, including 22.5m @ 6.17%HM – a record high grade intersection at Night Train
- **Potentially Very Large Scale:** Mineralisation is up to 27m thick, 1.5km wide and continuous over 4.5km of strike
- **Near Thunderbird:** Night Train is located only 20km from Thunderbird
- **Maiden Mineral Resource** estimate scheduled for Q1 2019

We are very encouraged by the recent results at Night Train, as it supports the thesis that Sheffield could potentially be sitting on mineral sands *district*, rather than simple being a single asset company through Thunderbird. We believe these results add more to Sheffield's already compelling corporate appeal.

While Night Train is still a relatively early-stage exploration prospect, in our view there are some very promising early signs in a number of areas, as outlined below:

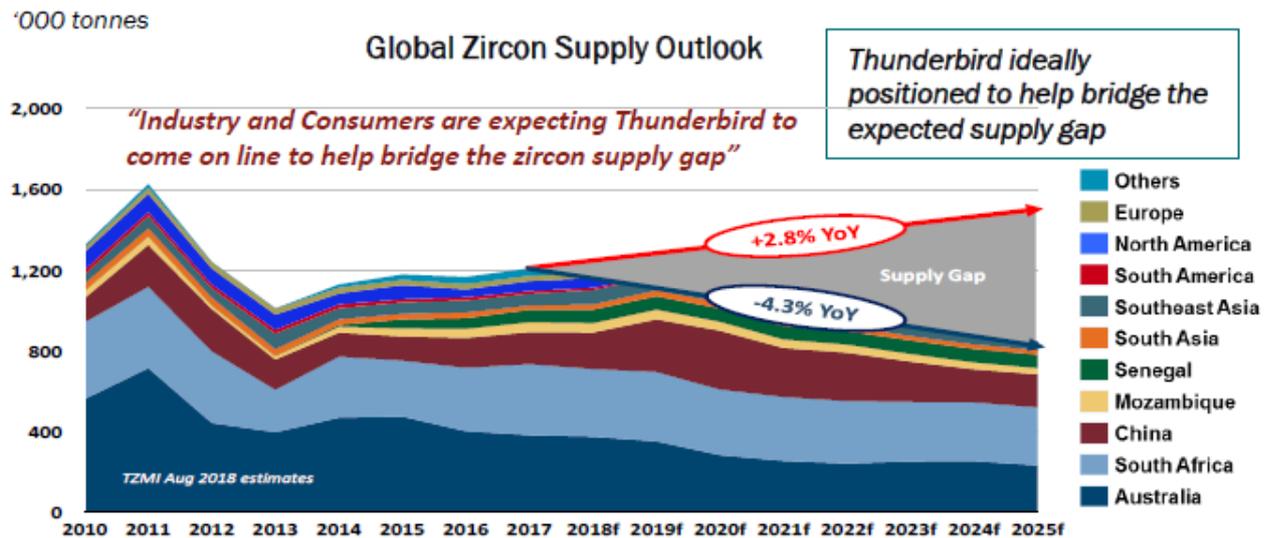
- **Grade / value per tonne:** Comparable to Thunderbird in our assessment given the very high percentage of the heavy minerals which is *valuable* heavy mineral. Night Train is ~92% VHM vs. Thunderbird of ~40%.
- **Initial potential scale:** [We estimate the initial potential resource scale of ~90-250mt](#) based on  $A \times B \times C \times D$  where:
  - **A = Average thickness** using a range of 7-20m thick. Based on the drilling to date the average thickness is 9.5m with a range of 3-27m.
  - **B = Width of 1.5km**
  - **C = Strike of 4.5km**
  - **D = SG of 1.9**
- **Other potential advantages:** Initial network suggests:
  - **Coarser grain size than Thunderbird** – potentially means better recoveries and margins
  - **Free from iron coatings & low in trash minerals** – potentially means no need for a low-temp roast step for Night Train... potentially lower opex and better margins

Given Night Train's proximity to Thunderbird and promising results to date, we see potential that Night Train could potentially be worth several hundred million dollars. With that in mind, we have added a line item in our valuation for Night Train and ascribed a notional value of A\$40m.

# MATERIAL DEFICITS IN ZIRCON PREDICTED

The chart below highlights the growing supply deficit in zircon, as forecast by TZMI, which is likely to be supportive of higher zircon prices:

**A substantial supply gap is emerging...**

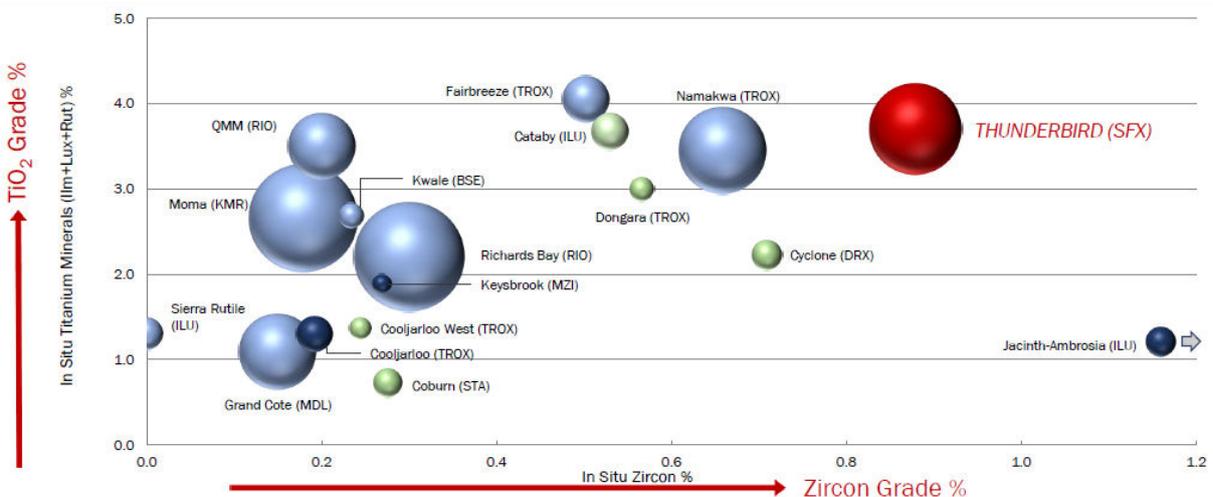


Source: TZMI, Sheffield Investor Presentation, 19 Oct 2018

In addition, with the exception of Thunderbird...there are very few development projects of scale ready to fill the looming supply gap.

The bubble chart below shows the reserves of the other mineral sands deposits around the world – with the green bubbles denoting the other development projects and the size of the bubble denoting scale.

**Comparison of Thunderbird's Ore Reserves against latest Ore Reserves for key global mineral sands deposits**



Notes:  
 1. Thunderbird Ore Reserve as published on the ASX on 3 October 2018  
 2. Thunderbird Ore Reserve ranked against latest published Ore Reserves of current mineral sands operations and projects under investigation globally. Accordingly, for the blue projects, no account is made for any volumes of product already produced  
 3. Blue bubbles are operating mines, green bubbles are Ore Reserves reported but project is not operating. Light blue bubbles represent operating African mines' Ore Reserve  
 4. Bubble size proportional to tonnes of contained Valuable Heavy Mineral (VHM). Only Ore Reserves > 1.2Mt contained VHM shown  
 5. Data compiled by Sheffield from public sources. This analysis does not illustrate the variance in product value between rutile, leucoscand and zirconite  
 6. Fraser Institute survey of mining companies 2018

Source: Sheffield Investor Presentation, 19 Oct 2018

## BUT COULD ZIRCON DEFICITS BE UNDERSTATED?

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Most of the light blue supply from South Africa shown the picture on the previous page represents supply from Rio's Richard Bay Minerals (RBM) operation, which represents a material ~30% of global zircon supply. But for a number of reasons we see a risk of further supply shocks at RBM:

- **RBM has already had several stoppages this year alone:**
  - **April 2018:** RBM shut by contractor protests seeking substantial pay rises who blocked access to the mine. Mineral sands insiders also suggested the protests escalated beyond road closures, with suggestions that a dredge at the operation was sunk and copper electricity lines cut<sup>1</sup>.
  - **July 2018:** RBM was shut again after violent community protests and the death of a security guard<sup>2</sup>.
- **South Africa is becoming much harder to do business for mining companies:**
  - **Ongoing labour issues:** 400 incidents of social unrest impacting mining operations since between the start of 2016 and April this year according to data compiled by Anglo American Platinum and reviewed by Reuters<sup>2</sup>.
  - **Degrading Fiscal Framework:** Draft new changes to mining code:
    - Increasing BEE ownership from 26% to 30%.
    - Adding a new 1% royalty, which according to the South African chamber of mines would have consumed over 95% of the mining industries dividends if it had been in place during 2016.
    - Collectively, these new measures make it much more difficult for mining companies to generate the required return on capital to justify building development projects.
- **To maintain zircon production levels, RBM requires ~US\$500m in new capex to develop Zulti South<sup>1</sup>.** Given the draft changes to the mining code and the ongoing labour issues in South Africa, we believe it is probably unlikely Rio Tinto wants to invest more money in South Africa.
- **We have heard anecdotally that RBM is for sale:** While not confirmed by Rio Tinto, we have heard anecdotally from several mineral sands industry players that RBM is for sale... which does not surprise us given the issues outlined above.

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<sup>1</sup> <https://www.afr.com/business/mining/rio-tinto-mineral-sands-operation-shut-by-protests-20180412-h0yojr>

<sup>2</sup> <https://www.moneyweb.co.za/news-fast-news/rio-tinto-says-minerals-sands-operation-in-sa-shut-by-protests/>

## NEAR-TERM CATALYSTS

In our view the key near term de-risking milestones for Sheffield are:

- **Binding Native Title Agreement:** Sheffield expects to have a binding agreement in place with the Traditional Owners **by the end of October** (less than a week).
- **Potential sale of stake in project:** Given Sheffield is trading at such a huge discount to NPV, we believe selling a stake in the project is likely to be the least dilutive / most value accretive funding option. We expect Sheffield to seek offers from potentially interested parties **in early November**. To illustrate the compelling rationale:
  - Our revised NPV for Thunderbird is A\$711m
  - Thus a 10% stake would be worth A\$71m
  - But even a *fire sale* price of A\$35.5m for 10% (a 50% discount to NPV!) would be roughly equivalent to raising A\$35.5m @ \$1.45, a >50% premium to the current share price of 95c. (A\$35.5m/24.4m i.e. 10% of the 244m FD shares on issue).

## LIKELY TO BE A TAKEOVER TARGET IN OUR VIEW

We continue to believe that Sheffield is highly likely to be a takeover target given:

- **Supply shortages in Premium Zircon:** The significant ~30% supply deficit being predicted by TZMI over the next few years (~62% of Thunderbird's revenue is from zircon on BFS prices). The zircon market is tight and prices have already begun to rally. There is also a distinct lack of other projects which could fill this forecast supply shortfall.
- **Thunderbird's Tier 1 qualities:** Thunderbird is a very large scale project (42 year mine life and will be 6-7% of zircon market), very high grade and low strip and is located in a safe jurisdiction (in Western Australia).
- **Compelling value:** SFX's relatively modest ~A\$230m fully diluted market cap, relative to the A\$711m NPV for Thunderbird at US\$1,450/t premium zircon (spot is US\$1,640/t).

Truth be told, in our view, in the hands of a major player (with cash flow and a larger balance sheet), given Thunderbird has a 42 year mine life, the production rates could potentially be doubled (to 12-14% of the zircon market), halving the mine life to 21 years and **potentially doubling the NPV to A\$1.4bn.**

**If there is a potential suitor out there planning to bid for Sheffield, we believe the most likely time would be after a Binding Native Title Agreement is in place – expected within a week.**

**And if a major player *is* looking at Thunderbird, the potential accretion is *very* large:**

### Potential Accretion for an Acquirer

	SFX Development Case	Development Case with a Major
NPV <sub>10</sub> post-tax @ US\$1,450/t	A\$711m	A\$1.4bn
Price with a 40% premium	A\$325m (\$1.33 per share)	A\$325m (\$1.33 per share)
Potential accretion for acquirer	A\$386m	\$1.1bn

Source: Blue Ocean Equities

Please note: This takeover analysis is a hypothetical "what-if" scenario only. Clearly, there is no guarantee a bidder will emerge, and even if one does, given the significant potential accretion being captured by an acquirer, we believe it is *highly* likely SFX would seek a higher premium.

## PRICE TARGET & RATING

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We reduce our Price Target for Sheffield by 5% to **\$2.10** (from \$2.20) based on an unchanged 30% discount to NPV to cater for potential dilution. The key changes to our valuation are:

- **Higher initial capex of A\$465m** (as outlined on p2 of this report). We have also increased the capex for the Stage 2 expansion in year 4 to A\$240m (from A\$195m).
- **Updated operating costs to line up with the new guidance provided last week.** A relatively minor change, as outlined on p2.
- **We have added A\$40m to our valuation for Night Train** (see p3)
- **Unchanged commodity price and FX assumptions.** We continue to use a long term premium zircon price of US\$1,450/t... well below the spot price of ~US\$1,640/t. We also believe the spot premium zircon price is likely to eclipse US\$1,700/t next year. We model a long term A\$/US\$ forecast of 0.70 vs. spot of 0.709.

We rate Sheffield Resources a high conviction Buy and our **\$2.10 Price Target** represents an implied return of **~120%**.

## STRATEGIC TARGET

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Our \$3.00 Strategic Target for Sheffield Resources is based on possibility Sheffield is able to sell 20% of Thunderbird for \$100m. Given Sheffield is trading at such a large discount to NPV, selling a stake in the project is a far less dilutive funding approach than raising straight equity.

Our \$3.00 Strategic Target represents an implied return of ~215%. It is important to note that our Strategic Target does *not* account for upside mineral sands pricing scenarios *or* for further exploration success at the company's other mineral sands projects.

## KEY RISKS

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Sheffield Resources is exposed to all the normal risks associated with developing and operating mining projects, including permitting, funding and construction risk.

Assuming Sheffield makes the transition into production, its revenues will be derived from the sale of premium zircon (43% of revenue on BFS assumptions), zircon concentrate (19% of revenue), sulphate ilmenite (29% of revenue), Hi-Ti88 leucoxene (4% of revenue) and titano-magnetite (5% of revenue). Fluctuations in the prices of these products as well as the Australian dollar could impact the company's reported cash flow (in A\$), profitability and share price.

As Sheffield's Thunderbird project is based in Western Australia, an investment in Sheffield also carries Australian sovereign risk. However, it is worth noting that Australia is considered materially lower sovereign risk than many of the other jurisdictions which host mineral sands mines like South Africa (Rio Tinto), Mozambique (Kenmare) and Kenya (Base Resources).

**MODEL SUMMARY: FINANCIALS & VALUATION**
**Stock Details**

Recommendation:	<b>BUY</b>		
Target	\$2.10	Share Price	\$0.95
NAV	\$2.10	52 Week High	\$1.28
Implied Return	121%	52 Week Low	\$0.58

Enterprise Value	\$222m
Diluted MCap	\$232m
Diluted Shares	244m
Free Float	100%
Avg Daily Value	\$0.3m

Macro Assumptions	% of Rev	FY18	FY19E	FY20E	FY21E	FY22E
Exchange Rate (A\$/US\$)		0.78	0.73	0.72	0.71	0.70
Premium Zircon	43%	1,253	1,450	1,450	1,450	1,450
Zircon Concentrate	19%	626	725	725	725	725
Ilmenite	30%	190	200	200	200	200
	<b>92%</b>					

Profit & Loss (A\$m)	FY18	FY19E	FY20E	FY21E	FY22E
Revenue	-	-	-	64	225
Operating Costs	-	-	-	(55)	(122)
<b>Operating Profit</b>	-	-	-	<b>9</b>	<b>104</b>
Corporate & Other	(6)	(6)	(6)	(6)	(6)
Exploration Expense	(0)	-	-	(0)	(1)
<b>EBITDA</b>	<b>(6)</b>	<b>(6)</b>	<b>(6)</b>	<b>2</b>	<b>97</b>
D&A	-	(0)	(0)	(6)	(11)
<b>EBIT</b>	<b>(6)</b>	<b>(6)</b>	<b>(6)</b>	<b>(3)</b>	<b>86</b>
Net Interest Expense	0	2	5	(7)	(19)
<b>Pre-Tax Profit</b>	<b>(6)</b>	<b>(4)</b>	<b>(1)</b>	<b>(10)</b>	<b>67</b>
Tax Expense	3	-	-	-	(20)
<b>Underlying Profit</b>	<b>(3)</b>	<b>(4)</b>	<b>(1)</b>	<b>(10)</b>	<b>47</b>
Significant Items (post tax)	1	-	-	-	-
<b>Reported Profit</b>	<b>(2)</b>	<b>(4)</b>	<b>(1)</b>	<b>(10)</b>	<b>47</b>

Cash Flow (A\$m)	FY18	FY19E	FY20E	FY21E	FY22E
Operating Cashflow	(3)	(6)	(6)	3	98
Tax	-	-	-	-	(7)
Net Interest	0	2	5	(7)	(19)
<b>Net Operating Cash Flow</b>	<b>(2)</b>	<b>(4)</b>	<b>(1)</b>	<b>(4)</b>	<b>72</b>
Exploration	(2)	-	-	(2)	(4)
Capex	(11)	(93)	(186)	(142)	(56)
Acquisitions / Disposals	0	-	-	-	-
Other	-	-	-	-	-
<b>Net Investing Cash Flow</b>	<b>(13)</b>	<b>(93)</b>	<b>(186)</b>	<b>(144)</b>	<b>(60)</b>
Equity Issue	30	201	3	2	-
Borrowing / Repayments	-	123	123	-	-
Dividends	-	-	-	-	-
Other	(0)	-	-	-	-
<b>Net Financing Cash Flow</b>	<b>30</b>	<b>324</b>	<b>126</b>	<b>2</b>	<b>-</b>
Change in Cash Position	15	227	(61)	(147)	11
FX Adjustments	-	-	-	-	-
<b>Cash Balance</b>	<b>23</b>	<b>251</b>	<b>190</b>	<b>43</b>	<b>55</b>

Balance Sheet (A\$m)	FY18	FY19E	FY20E	FY21E	FY22E
Cash	23	251	190	43	55
Other Current Assets	1	1	1	1	1
PP&E	0	93	279	415	460
Exploration & Development	54	54	54	55	59
Other Non Current Assets	0	0	0	0	0
<b>Total Assets</b>	<b>78</b>	<b>398</b>	<b>523</b>	<b>515</b>	<b>575</b>
Debt	0	123	247	247	247
Other Liabilities	7	7	7	7	20
<b>Net Assets</b>	<b>71</b>	<b>268</b>	<b>270</b>	<b>262</b>	<b>308</b>

Ratio Analysis		FY18	FY19E	FY20E	FY21E	FY22E
Diluted Shares	m	242	443	450	454	454
EPS - Diluted	Ac	(1.4)	(1.0)	(0.2)	(2.3)	10.3
<b>P/E</b>	<b>x</b>	<b>n.m.</b>	<b>n.m.</b>	<b>n.m.</b>	<b>n.m.</b>	<b>9.2x</b>
CFPS - Diluted	Ac	(1.0)	(1.0)	(0.1)	(1.0)	15.8
<b>P/CF</b>	<b>x</b>	<b>n.m.</b>	<b>n.m.</b>	<b>n.m.</b>	<b>n.m.</b>	<b>6.0x</b>
FCF - Diluted	Ac	(5.5)	(22.4)	(42.7)	(30.8)	7.6
<b>P/FCF</b>	<b>x</b>	<b>n.m.</b>	<b>n.m.</b>	<b>n.m.</b>	<b>n.m.</b>	<b>12.5x</b>

Dividends	Ac	-	-	-	-	-
Dividend yield	%	-	-	-	-	-
Payout Ratio	%	-	-	-	-	-
Franking	%	-	-	-	-	-

Enterprise Value	A\$m	209	105	289	435	424
<b>EV/EBITDA</b>	<b>x</b>	<b>(33.4x)</b>	<b>(17.5x)</b>	<b>(48.2x)</b>	<b>186.7x</b>	<b>4.4x</b>
ROE	%	(4%)	(1%)	(0%)	(4%)	15%
ROA	%	(4%)	(1%)	(0%)	(2%)	8%

Net Debt / (Cash)		(23)	(127)	57	203	192
Gearing (ND/(ND+E))	%	(48%)	(90%)	17%	44%	38%
Gearing (ND/E)	%	(32%)	(47%)	21%	78%	62%

Reserves & Resources	Valuable HM Grade					
		HM	Zircon	Ilmenite	Hi-Ti	Lcx Leucos
	mt	%	%	%	%	%
Proved	236	13.3	1.00	3.55	0.29	0.26
Probable	445	10.2	0.80	2.85	0.26	0.26
<b>Reserve</b>	<b>681</b>	<b>11.3</b>	<b>0.87</b>	<b>3.10</b>	<b>0.27</b>	<b>0.26</b>
Measured	220	14.5	1.07	3.90	0.31	0.27
Indicated	640	11.8	0.90	3.30	0.28	0.25
Inferred	180	10.8	0.87	3.00	0.27	0.26
<b>Resource</b>	<b>1,050</b>	<b>12.2</b>	<b>0.93</b>	<b>3.30</b>	<b>0.28</b>	<b>0.26</b>

Earnings Sensitivity			FY22E	FY23E	FY22E	FY23E
			A\$m	A\$m	%	%
Premium Zircon Price	US\$/t	+10%	4	9	27%	19%
Ilmenite Price	US\$/t	+10%	2	5	13%	10%
Exchange Rate	A\$/US\$	-10%	7	17	48%	35%

Valuation	Discount	Stake	A\$m	A\$/sh
Thunderbird (unrisked)		100%	711	2.91
Thunderbird (risk-adjusted)	30%	100%	497	2.04
Night Train		100%	40	0.16
Exploration & Other Projects			35	0.14
Corporate & Other			(74)	(0.30)
Debt			-	-
Cash			10	0.04
Option Strikes			4	0.02
<b>Risk adjusted NAV</b>			<b>513</b>	<b>2.10</b>
				0.45

Source: Company data, Blue Ocean Equities

**MODEL SUMMARY: OPERATIONAL INPUTS & FREE CASH FLOW**

<b>Operational Summary</b>							<b>Macro Assumptions</b>							
		FY18	FY19E	FY20E	FY21E	FY22E	A\$/US\$ FX		FY18	FY19E	FY20E	FY21E	FY22E	
<b>Thunderbird</b>														
<b>Mining</b>														
Ore Mined	mt	-	-	-	3.7	7.8	x		0.78	0.73	0.72	0.71	0.70	
Strip Ratio	x	-	-	-	0.52	0.52		% of revenue						
<b>Production</b>														
Premium Zircon	kt	-	-	-	11	44		Premium Zircon	43% US\$/t	1,253	1,450	1,450	1,450	
Zircon Concentrate	kt	-	-	-	21	46		Zircon Concentrate	19% US\$/t	626	725	725	725	
LTR Ilmenite	kt	-	-	-	55	242		LTR Ilmenite	30% US\$/t	190	200	200	200	
Hi-Ti88 Leucoxene	kt	-	-	-	2	11		Hi-Ti88	4% US\$/t	500	500	500	500	
Titano-Magnetite	kt	-	-	-	33	144		Titano-Magnetite	4% US\$/t	48	48	48	48	
<b>Total Production Volume</b>	<b>kt</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>122</b>	<b>487</b>								
<b>Costs</b>							<b>Revenue</b>							
Opex incl royalties	A\$/t ore	-	-	-	14.95	15.60		Premium Zircon		-	-	-	23	91
Sustaining capex	A\$/t ore	-	-	-	0.73	0.80		Zircon Concentrate		-	-	-	22	47
<b>Opex+Royalties+Sustaining</b>	<b>A\$/t ore</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15.68</b>	<b>16.40</b>		LTR Ilmenite		-	-	-	16	69
Operating Cash Margins	A\$/t ore	-	-	-	1.60	12.49		Hi-Ti88 Leucoxene		-	-	-	1	8
Operating Cash Margins	%	-	-	-	9%	43%		Titano-Magnetite		-	-	-	2	10
								<b>Total Revenue</b>	<b>A\$m</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>64</b>	<b>225</b>
								Revenue per tonne ore	A\$/t	-	-	-	17.28	28.89
								Opex incl royalties		-	-	-	55	122
								Sustaining Capex		-	-	-	3	6
								Opex+Royalties+Sustaining	A\$m	-	-	-	58	128
								<b>Operating Cash Margins</b>	<b>A\$m</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6</b>	<b>97</b>
								Operating Cash Margins		-	-	-	9%	43%
								Growth Capex		-	93	186	140	50
								Exploration		2	-	-	2	4
								Corporate Overheads		6	6	6	6	6
								<b>All-in Cash Margin</b>	<b>A\$m</b>	<b>(8)</b>	<b>(99)</b>	<b>(192)</b>	<b>(142)</b>	<b>38</b>
								All-in Cash Margins		-	-	-	n.m.	17%
								<b>Corporate</b>	<b>A\$m</b>	<b>FY18</b>	<b>FY19E</b>	<b>FY20E</b>	<b>FY21E</b>	<b>FY22E</b>
								Cash Tax		-	-	-	-	7
								Other Items		7	-	-	-	-
								<b>FCF pre Debt Service</b>		<b>(15)</b>	<b>(99)</b>	<b>(192)</b>	<b>(142)</b>	<b>31</b>
								Net Interest		(0)	(2)	(5)	7	19
								Debt Drawdown / (Repayment)		-	123	123	-	-
								<b>FCF post Debt Service</b>		<b>(15)</b>	<b>27</b>	<b>(63)</b>	<b>(149)</b>	<b>11</b>
								<b>New Equity/Dividends</b>	<b>A\$m</b>	<b>FY18</b>	<b>FY19E</b>	<b>FY20E</b>	<b>FY21E</b>	<b>FY22E</b>
								Proceeds from Shares/Options		30	201	3	2	-
								Dividends Paid		-	-	-	-	-
								<b>Change in Cash</b>		<b>15</b>	<b>227</b>	<b>(61)</b>	<b>(147)</b>	<b>11</b>
								<b>Cash Balance</b>		<b>23</b>	<b>251</b>	<b>190</b>	<b>43</b>	<b>55</b>

Source: Company data, Blue Ocean Equities

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**Steuart McIntyre owns shares in Sheffield Resources.**