

SHEFFIELD AND THUNDERBIRD PROJECT UPDATE

HIGHLIGHTS

- All key development permits are in place; Thunderbird is construction ready
- Fixed-price lump-sum EPC contract progressed with an ASX-listed specialist contractor¹, incorporating improvements in scope to result in a more robust project; Approximately 30% of detailed design and engineering complete as at 30 September 2018
- Funding strategy well-progressed²:
 - US\$175m debt facility with Taurus Mining Finance progressed
 - A\$95m NAIF debt facilities will enable ownership of strategic infrastructure, significantly reducing life of mine operating costs
- Revised Stage 1 Capital Cost estimate of A\$463m³ (incorporates change in scope and revised infrastructure ownership), with approximately 80% of increase relative to 2017 BFS Stage 1 Capital Cost⁴ to be funded by proposed NAIF debt facilities
- Mineral sands pricing environment has strengthened, Thunderbird is ideally positioned to meet emerging supply shortages in the global zircon and TiO₂ markets

Sheffield Resources Limited (“Sheffield”, “the Company”) (ASX: SFX) is pleased to provide an update on the progression of the world-class Thunderbird Mineral Sands Project (“Thunderbird” or the “Project”) in northern Western Australia.

All key permits necessary for the development of Thunderbird are now in place

All key permits necessary to commence the development of Thunderbird are now in place and include the Mining Lease for Thunderbird and Federal and State Environmental approvals. A co-existence agreement has also been agreed with the Traditional Owner Negotiating Committee and signed by Sheffield⁵. From a permitting perspective, Thunderbird is now well-positioned for the commencement of construction in the first quarter of calendar 2019.

Progression of EPC contract seeks to significantly de-risk the development of Thunderbird

Sheffield is in the process of seeking to significantly de-risk the development of Thunderbird via the progression of a fixed price, lump-sum Engineering, Procurement and Construction (“EPC”) contract that is expected to cover a substantial portion of estimated development capital expenditure for Stage 1⁶.

The proposed contractor has extensive experience in successfully delivering mineral sands projects globally, and the draft EPC contract and contractor selection has been subject to due diligence by potential lenders (refer below) and their advisors.

Under the terms of the proposed EPC contract, the EPC contractor is likely to assume substantial performance responsibility during project delivery. As at 30 September 2018, approximately 30% of design and engineering was complete.

¹ EPC contract remains subject to finalisation and execution by the parties

² The Taurus Debt Facility and NAIF Facilities are non-binding and subject to definitive documentation being entered into

³ Current estimate based on EPC contract negotiations to date, subject to finalisation by parties

⁴ BFS Stage 1 capital amount of A\$348m as set out in ASX release dated 24 March, 2017

⁵ The Co-Existence Agreement will become binding on the Traditional Owners once it is signed by them. This will only happen if it is approved at an Authorisation Meeting to be convened by the Kimberly Land Council to consider and approve the Agreement

⁶ EPC contract remains subject to finalisation and execution by the parties

Current EPC contract negotiations include scope changes which are intended to result in a more robust project. Key improvements include upgrades to throughput, utilisation, inter-plant operability and stockpile management which, collectively, materially de-risk the Project. Scope changes are expected to result in additional capital expenditure of approximately A\$50m⁷ relative to the estimated amount in the March 2017 Bankable Feasibility Study (BFS).

Sheffield's funding strategy well-advanced

Sheffield's funding strategy is well-advanced, and currently proposed to include:

- a. US\$175m debt facility to be provided by Taurus Mining Finance Fund and Taurus Mining Finance Annex Fund ("**Taurus**") (refer to Schedule 1 for a summary of some of the key terms)⁸
- b. Long term debt facilities totalling A\$95m to be provided by the State of Western Australia⁶ and in respect of which the Northern Australia Infrastructure Fund ("**NAIF**") Board has made an Investment Decision⁹

NAIF Facilities

NAIF is a corporate Commonwealth entity that was established under the NAIF Act 2016 to provide assistance to the states of Queensland, Western Australia and the Northern Territory for the construction of infrastructure to benefit Northern Australia.

Subject to definitive documentation being entered into and customary conditions precedent to drawdown (including State of Western Australia approval), the NAIF facilities will include a A\$30m Project Development Facility ("**Tranche C**") and a A\$65m Infrastructure Development Facility ("**Tranche D**").

The NAIF facilities provide long tenor (15 and 20 years for Tranche C and Tranche D, respectively) at competitive cost of funding (commercial terms confidential, but based on customary market rates).

Importantly, the proposed NAIF facilities would provide Sheffield with enhanced flexibility via infrastructure ownership not previously contemplated in the BFS. Sheffield's BFS contemplated the provision of on-site power generation and accommodation facilities by third parties on an outsourced Build-Own-Operate ("**BOO**") basis, requiring payment of capital recovery charges to third party service providers.

The NAIF facilities would now enable the Company to acquire power generation, gas storage, accommodation facilities and other key infrastructure, as well as reduce overall operating costs, following removal of BOO-related capital recovery charges. These changes would be expected to reduce project operating costs by an amount equal to the BOO capital recovery charge (estimated at A\$7.5m for each of Stage 1 and Stage 2). The additional capital expenditure associated with these changes is approximately A\$65m.

Updated total stage 1 capital cost estimate

The March 2017 BFS Stage 1 capital cost estimate was A\$348m. As set out above, improvements in project scope are expected to result in an increase in capital cost from this level of approximately A\$50m¹⁰, and a transition from a BOO model to infrastructure ownership is expected to result in a further increase of approximately A\$65m, funded by the proposed NAIF facilities.

⁷ Stated increase in expected capital cost are based on current EPC contract negotiations, which are subject to finalisation and execution by the parties

⁸ The Taurus facility is non-binding and subject to definitive documentation being entered into

⁹ Under a back-to-back loan from NAIF. Tenor and other terms for the NAIF facilities are non-binding and subject to definitive documentation being entered into

¹⁰ Stated increase in expected capital cost are based on current EPC contract negotiations, which are subject to finalisation and execution by the parties

Based on these changes, Sheffield's current estimate of the total Stage 1 capital requirement is A\$463m (being a A\$115m increase over the March 2017 BFS total Stage 1 capital cost estimate). Importantly, approximately 80% increase in capital costs is expected to be covered by the proposed NAIF facilities. As a result, the Project requires A\$20m of additional equity funding compared to the previous estimate, representing a less than 6% increase in the capital cost to shareholders over the past two years. This amount does not include ramp up working capital, corporate overheads or financing costs.

Mineral sands pricing environment has strengthened

The zircon and TiO₂ price environment has strengthened due to ongoing supply constraints and global economic growth. This has resulted in material improvements in pricing relative to the March 2017 BFS assumptions:

- March 2017 BFS: US\$1,381/tonne (FOB) for premium zircon and US\$183/tonne (FOB) for LTR ilmenite (long-term assumption)
- TZMI long term price estimates (March 2018): US\$1,435/tonne (FOB)¹¹ for premium zircon and US\$208/tonne for LTR ilmenite (FOB)
- Spot price (October 2018): US\$1,640/tonne (CIF China) for premium zircon¹²

With first production expected in Q4 of 2020, Thunderbird is ideally positioned to meet emerging supply shortages in the global zircon and TiO₂ market.

Sheffield Managing Director, Bruce McFadzean said:

"We are delighted with the progress made by the Sheffield team to continue to de-risk and improve the basis for the development of the world-class Thunderbird Project. Recently achieved milestones build on earlier progress and pave the way for the construction of Thunderbird to commence in the near term."

"The NAIF facilities provides us with a fantastic opportunity to capture important improvements to the BFS. Firstly, we have significantly improved plant throughput and operability, whilst in-sourcing our infrastructure requirements enables a reduction to our life of mine operating costs with improved margins. With a mine life of 42 years, this makes Thunderbird a financially more robust project."

"Myself and all the Sheffield team are excited at the potential of Thunderbird and look forward to realising its potential as a world-class mineral sands project for the benefit of all our shareholders and the community in which we operate."

ENDS

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¹¹ TZMI's most recent published long-term price assumptions for Thunderbird products, as at March 2018

¹² Pricing is on a CIF China basis, which includes freight costs. Sheffield estimates zircon freight costs from Broome to China on a break bulk basis to be US\$32-45/tonne, based on a quote from a broker and is for discharge in the port of Xiamen

ADDITIONAL INFORMATION

PREVIOUSLY REPORTED INFORMATION

The information was extracted from the Company's previous ASX announcements as follows

- "FEDERAL ENVIRONMENTAL APPROVAL GRANTED FOR THUNDERBIRD" 28 September 2018
- "MINING LEASE GRANTED OVER THUNDERBIRD MINERAL SANDS PROJECT" 26 September 2018
- "NAIF APPROVES LOAN FACILITIES TOTALLING A\$95M" 19 September 2018
- "STATE MINISTER FOR ENVIRONMENT APPROVES THUNDERBIRD MINERAL SANDS PROJECT" 13 August 2018
- "SHEFFIELD ANNOUNCES EPC PREFERRED CONTRACTOR" 19 October 2017
- "SHEFFIELD MANDATES TAURUS FOR US\$200M DEBT FACILITY" 18 October 2017
- "EPA RECOMMENDS APPROVAL OF THUNDERBIRD" 9 October 2017
- "THUNDERBIRD BFS DELIVERS OUTSTANDING RESULTS" 24 March 2017

FORWARD LOOKING AND CAUTIONARY STATEMENTS

Some statements in this report regarding estimates or future events are forward-looking statements. They involve risk and uncertainties that could cause actual results to differ from estimated results. Forward-looking statements include, but are not limited to, statements concerning the Company's expected production dates, Stage 1 capital expenditure estimates, exploration programme, outlook, construction and commissioning dates, target sizes and mineralised material estimates. They include statements preceded by words such as "anticipated", "expected", "targeting", "likely", "scheduled", "intends", "potential", "prospective" and similar expressions.

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 is positioned to generate strong cash margins from globally significant levels of production over an exceptionally long mine life of 42 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 and LTR Ilmenite which will be one of the highest-grade sulfate feedstocks available globally.

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 potential customers.

The Company is targeting initial production in Q4 of 2020. The initial planned production profile is aligned with expected emerging supply gaps in global mineral sands markets.

ASX Code:	SFX	Market Capitalisation:	A\$246m
Issued shares:	229.8m	Cash (unaudited, 30 June 2018):	A\$23.1m

SCHEDULE 1: KEY TERMS OF PROPOSED TAURUS FACILITY AGREEMENT

Facility Amount	<p>Term Loan: US\$175 million</p> <ul style="list-style-type: none"> • Tranche A: US\$75 million • Tranche B: US\$100 million
Tenor	Approximately 7 years. The termination date is 30 September 2025, subject to a 6 month extension (if approved by Taurus)
Security	Senior secured facility
Availability	From satisfaction of Conditions Precedent until 3.5 years after signing
Interest Rate/Issuance Fee	<p>Tranche A: USD Libor + 4.5%p.a</p> <p>Tranche B: 8.5% p.a.</p>
Upfront Fee	Customary for a facility of this nature (50% due upon signing and the balance due on satisfaction of certain conditions precedent to drawdown of the facility)
Royalty	<p>Revenue royalty (FOB basis) of:</p> <ul style="list-style-type: none"> • 0.50% (years 1 – 4, starting on first sale of product from the Project) • 0.75% (years 5 – 22.5) <p>The royalty is documented under a separate royalty deed.</p>
Conditions Precedent to drawdown	Generally customary for a facility of this nature, including completion of due diligence, execution of other finance and project documents and minimum equity requirements
Repayment Schedule	<ul style="list-style-type: none"> • Interest only for 3.5 years • Tranche A repayable between Year 3.5 and Year 7 • Tranche B repayable at end of Year 7 • Additional sweep of available cashflow in certain circumstances