
THUNDERBIRD STRATEGY REVIEW AND COST MANAGEMENT INITIATIVES

HIGHLIGHTS

- Sheffield Resources pursuing reduced capital cost development options for its world-class Thunderbird Mineral Sands Project.
- Scaled-back activities to preserve the value accrued in Thunderbird, including all required approvals and permits, valued customer relationships and social licence to operate while reducing holding costs.
- Streamlined organisational structure to protect and enhance shareholder value through cost reduction measures providing a runway extending into 2021.
- Cost reduction measures to generate steady state annualised savings of approximately A\$7.5M
- Thunderbird remains one of the largest undeveloped zircon-rich mineral sands deposits in the world; a Tier 1 asset in a Tier 1 jurisdiction, with long-term product demand.

Sheffield Resources Limited (“Sheffield” or “the Company”) (ASX:SFX) has initiated amendments to the development strategy of its world-class Thunderbird Mineral Sands Project (‘Thunderbird’ or ‘Project’), focused on a change of scale and product mix to significantly reduce capital cost and provide a more readily financeable project scope, alongside measured and appropriate corporate and organisational changes to preserve cash resources.

Following a strategic business review, it was determined by the Board to pause the Strategic Partner Process and project financing strategy in its current form, allowing rescoping of the Project to be advanced under a materially lower project capital and corporate cost structure.

Key partners Taurus and NAIF, along with corporate advisors have supported and endorsed this approach with project financing commitment fee arrangements in favour of Taurus suspended from the end of the March quarter until such time that a Final Investment Decision (FID) is reached for Thunderbird.

The Company remains confident that it has the necessary financial resources and skills to execute its proposed development strategy with annualised cost reduction measures representing approximately 60% of the current cost base (and totalling approximately A\$7.5m) to provide a forecast cash runway into 2021. One off reorganisation costs of approximately A\$2m are expected to be incurred as a consequence of these changes. The Company may seek to further strengthen its balance sheet through other activities, including the divestment of non-core assets outside of the Thunderbird Mineral Sands Project and will also consider potential partnerships or joint ventures to support its strategic plan.

Sheffield is disappointed that the Strategic Partner Process had been unable to deliver an equity funding solution in the desired time frame. Nonetheless, discussions will continue with third parties who have expressed an interest in Project investment and have supported existing and alternate strategies for the development of Thunderbird. The alternate strategies will focus on defining and achieving a funded Project by assessing a range of scenarios including a change of scale and product mix to significantly lower the capital cost structure for the Project and enable a low risk entry into the mineral sands market.

The Company is taking appropriate and measured steps to preserve cash and shareholder value and has initiated a number of related personnel changes targeted at retaining the core skills necessary to deliver near term technical and commercial outcomes for Thunderbird while reducing ongoing personnel costs. As a consequence, executive management and employee positions in both Perth and the Kimberley have been substantially reduced in line with the Company's proposed forward work program.

Mr David Archer will resign as an Executive Director and will continue in the role of Non-Executive Director as a part of the previously announced ongoing Board renewal process. Sheffield continues to review the composition of the Board into 2020 with Mr Archer along with Non-Executive Chairman Mr Will Burbury continuing in their non-executive Board roles for a transitional period on a reduced remuneration basis.

These changes are designed to strengthen and consolidate Sheffield's corporate and financial position and support the development of a more readily fundable solution for Thunderbird, in order to take full advantage of consensus views for longer term supply shortages in the zircon and titanium pigment feedstocks market and meet the desire of our customers to have Thunderbird added to the market as a core new supplier.

The initiatives are designed to:

(a) Protect and enhance shareholder value, generating approximately A\$7.5m in annualised cost savings by:

- Restructuring of Board, executive management and employee positions.
- Suspending all third-party project financing & corporate advisory related fees.

(b) Scale-back activities whilst preserving value accrued in Thunderbird by:

- Maintaining the integrity of licences, permits and important relationships with Kimberley stakeholders and Traditional Owners.
- Retaining expertise to assess and evaluate lower capital expenditure development options for the Thunderbird Mineral Sands Project.
- Maintaining engagement with a broader range of potential investment, funding and offtake partners.

Sheffield Managing Director Bruce McFadzean said whilst the Company has been unable to conclude an acceptable equity funding solution for Thunderbird at this time, various important milestones had been achieved in recent years to enable Thunderbird to be construction ready.

"The Thunderbird Mineral Sands Project is a world-class asset that is fully permitted, construction ready and perfectly positioned to meet the market need," Mr McFadzean said.

"The continued strong support of our key partners Taurus, NAIF and other corporate advisors has been a critical part of this achievement.

"We have terrific relationships with all of our stakeholders including Traditional Owners, with whom we will respectfully maintain communications with, along with the Kimberley community.

"And while this change will be difficult for our employees and other stakeholders, it's important to acknowledge their significant commitment and contribution to date locally, regionally and internationally."

Following a decade-long tenure, Mr David Archer will resign from his position as Executive Technical Director, effective from 28 February 2020 and will remain on the Board as Non-Executive Director for a transitional period. Mr Archer has provided an invaluable level of service to the Company from its inception, guiding the Company through the discovery of Thunderbird and positioning the Project in its construction ready state as it stands today. The Board wishes to extend its sincere thanks and gratitude

to Mr Archer for his valued contributions in his executive role and his continue guidance and support during the next exciting stage.

“I want to draw specific attention to the invaluable counsel and guidance provided by founding director, Mr Archer, and sincerely thank him for his support,” Mr McFadzean said.

“His tremendous achievements from discovery of Thunderbird through to where it stands today as a world class asset speaks volumes.”

Mr McFadzean outlined the potential upside that a rescoped Thunderbird Project would deliver to shareholders while acknowledging an acceptable equity funding solution had not been secured for the Project within the desired time frame.

“We continue to engage with potential funding partners and other third parties to develop the Project. We also remain open to pursuing alternate funding and project development strategies to support near term construction of Thunderbird,” Mr McFadzean said.

“We are very confident our plans will preserve and enhance the substantial value of the Thunderbird Mineral Sands Project for shareholders and, in time, allow us to develop the Project as a leading global supplier.”

ENDS

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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 Update 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 and Primary Ilmenite suitable for the paint pigment industry.

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 continuing discussions with third parties who have expressed an interest in investment in the Project and which have been supportive of alternative strategies for the development of Thunderbird in align with consensus emerging supply deficit in global zircon markets.

ASX Code:	SFX	Market Capitalisation:	A\$59m
Issued shares:	309.0m	Cash (unaudited, 31 Dec 2019):	A\$11.0m

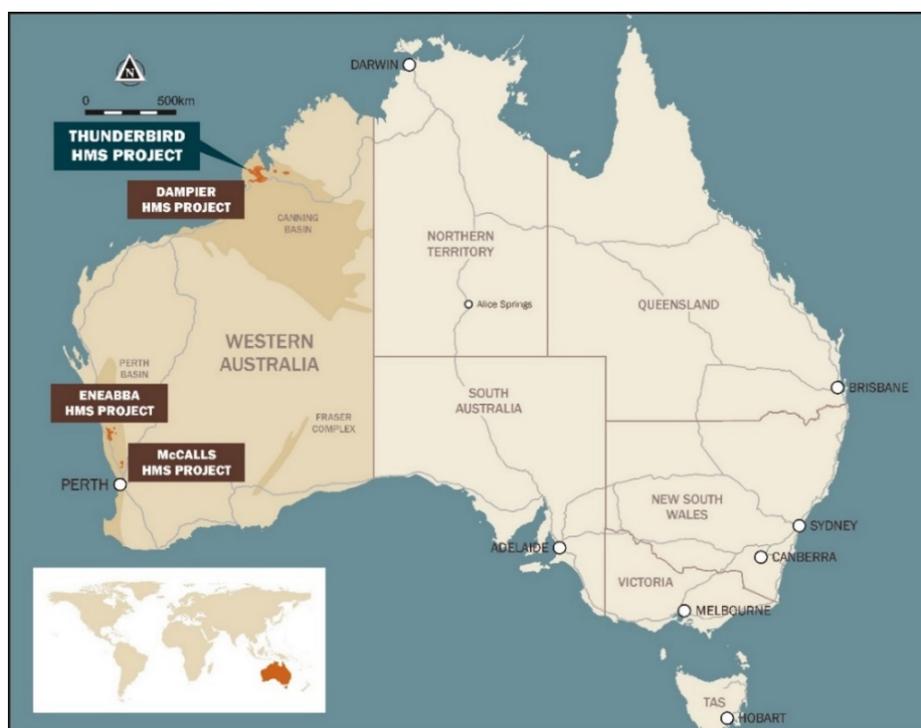


Figure 1: Location of Thunderbird Mineral Sands Project