Dr Chris Baker
November 2024

SHEFFIELD RESOURCES LTD (SFX AU, $0.205/sh. Market cap A$81m)

China slowdown impacts sales. Business improvement studies now underway.

Investment view: Our valuation and 12 month earnings outlook has come down following an ongoing decline in zircon concentrate pricing and as we reduce our longer term commodity price assumptions. SFX revenues from the 50%-owned Thunderbird mine are geared to the parlous state of the Chinese property sector which is at its weakest point for many years. A business improvement initiative and review of mining/in-pit processing is underway and will be incorporated in an implementation plan in early 2025. SFX remains inexpensive based on our assumptions with an NPV_8 of $1.25/share (previously $1.45).

- Had Kimberley Mineral Sands (KMS, SFX 50%) sold 100% of its zircon concentrate at last quarter's pricing (US$649/t) total revenues would have been A$56-57m. Cash costs for the quarter were A$55.5m so this could have been a cashflow break-even quarter. But this was not to be.
- The last thing we expected was that all three of its customers for zircon concentrate were unwilling to accept shipments during the September quarter as they too managed inventory in a declining price environment. Weakness of the Chinese economy and a dramatic downturn in the housing sector has impacted demand for a wide range of commodities.
- This saw a significant build in Thunderbird's inventory, now some 50kt of zircon concentrate (valued at ca. A$45m at current prices) and 75kt of ilmenite concentrate (ca. A$14m) at the end of the quarter. A cashflow shortfall was supplemented by a US$14m prepayment for ilmenite from partner Yansteel post quarter's end. This is all about managing working capital in a difficult market during ramp up.

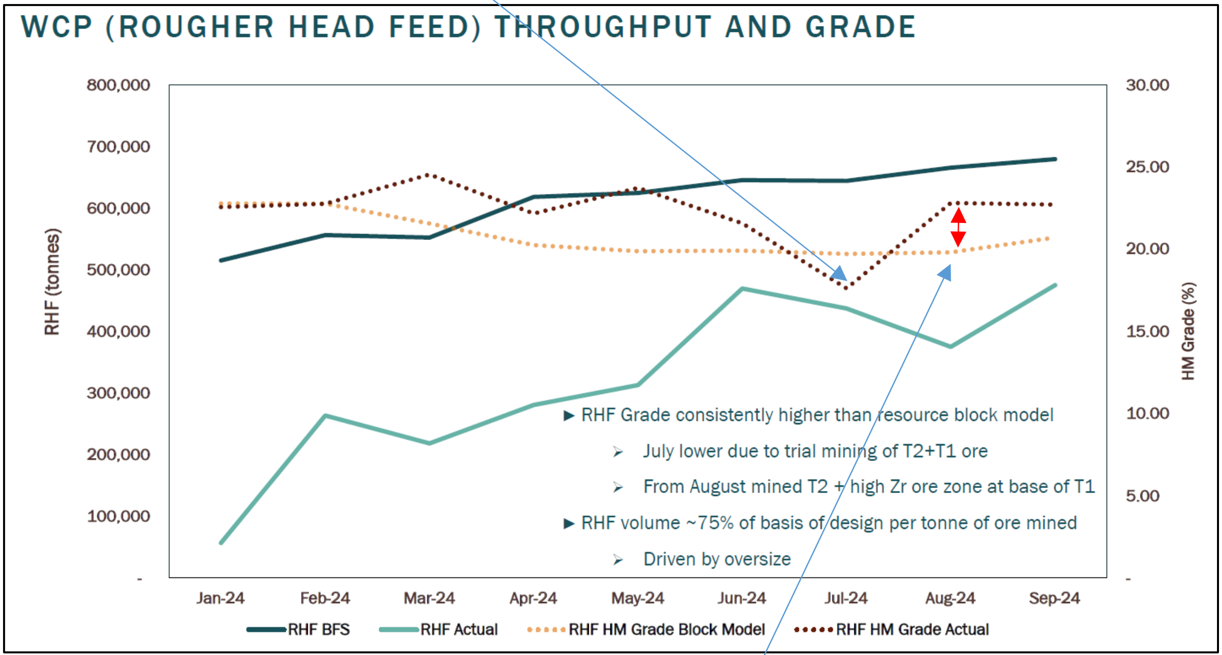
- Further, SFX flagged ongoing weakness in the pricing of zircon concentrate. We are now assuming a 10% reduction in the price recorded in the June quarter (US$649/t). This largely reflects a weak Chinese property market, compounded by low contributions from by-product ilmenite and monazite. We were pleased to see a small uptick in the ilmenite concentrate pricing, to US$130/t (from $125/t).
- With the progressive sale of both zircon and ilmenite concentrates from inventory, we view that the project should be quite strongly cashflow positive in the December quarter. As flagged by the company, shipments of concentrate have occurred during October.
- Note that Thunderbird's zircon and ilmenite concentrate production is backed by take or pay contracts.
- From a production standpoint, the quarter was reasonable (although below our estimates), with mining rates towards the bottom of a 10-12Mtpa target and the 'oversize' issue still restricting volume to the plant (which continues to perform above expectations). Grades, a little lower than expected from trial mining of a shallower section of the orebody, had recovered by the end of the quarter.
- The quarterly outlined a business improvement initiative. KMS is undertaking a review of mining and in-pit processing to provide options to reduce mining costs and increase throughput to ensure sufficient feed can be produced to fill the process plant. These improvements are expected to be initiated in the December and March quarters with an implementation plan due in "early 2025".
- SFX's cash position at quarter end was $9m (against $9.9m at end June).

BRIDGE STREET
CAPITAL PARTNERS

Production and sales volumes

		Dec-23	Mar-24	Jun-24	Sep-24	*Ch. Sept/June*	Dec-24e	Mar-25e
Production								
Ore mined	kt	740.6	1056.5	2482	2589.9	*4.3%*	2600	2900
Concentrate produced, excl Leucoxene	Kt	33.8	93.2	152.9	153.1	*0.1%*	176.2	196.6
Ilmenite concentrate production	Kt	26.8	73.8	119.7	118.8	*-0.8%*	135.1	150.7
Ilmenite sales	Kt	0	0	149.6	121.6	*-18.7%*	145.1	160.7
Inventory	Kt	26.8	73.8	-29.9	-2.8	*-90.6%*	-10.0	-10.0
Cumulative	*Kt*	*26.8*	*100.6*	*70.7*	*67.9*	*-4.0%*	*57.9*	*47.9*
Zircon concentrate production	Kt	7.1	19.4	33.2	34.3	*3.3%*	41.1	45.9
Zircon sales	Kt	0	15.9	27.9	0	*-100.0%*	43.1	51.9
Inventory	Kt	7.1	3.5	5.3	34.3	*547.2%*	-2.0	-6.0
Cumulative	*Kt*	*7.1*	*10.6*	*15.9*	*50.2*	*215.7%*	*48.2*	*42.2*

- Ore mined during the quarter by Kimberley Mineral Sands (KMS) was up 4% with the mine is still targeting a rate of 10-12Mtpa. We had assumed production to be a little stronger, but we understand there had been some interruptions to mining with pump issues.
- We have mine production increasing toward the top end of this range early next year as mining issues are addressed.
- Concentrate production – excluding the leucoxene product – was in line with the previous quarter, despite a decline in feed grade as an upper mining section was tested. The mine has now moved back to the higher grade section. Production levels were lower than our estimates.



- **Importantly, that the grade of the orebody continues to overcall the reserve model**.
- **No change to the "oversize issue"** with feed to the plant remaining around 75% of feed level. As we've discussed in previous reports, it is possible that the oversize is lower grade than the -12mm fraction, thereby upgrading the plant feed.
- **Met. recoveries of both zircon and ilmenite remained above DFS levels** as did the ZrO_2 level of zircon concentrate and TiO_2 content of ilmenite.
- **Shipments during the quarter were well under our estimates**. The last thing we expected was that all KMS's three customers for zircon concentrate were unwilling to accept shipments during the September quarter as they managed their own inventory position.

- This has seen the full 34kt of zircon concentrate produced adding to inventory which sits at around 50Mt of zircon concentrate and 68kt of ilmenite concentrate. This represents just around A$60m in revenue deferred to future periods. It is not yet clear how long it will take to unwind this inventory, but shipments have started to flow, with 6300t shipped early this month. SFX state in its quarterly: *"….shipments for the December quarter are expected to exceed forecast quarterly production."*
- In our initial assessment, we have assumed that the inventory will be unwound over the next 3 quarters. This, of course, will be driven by demand from the customers.
- **It is important to remember that KMS's three customers are bound by 'take or pay' contracts. In a recent presentation SFX's CEO conceded that to force delivery on customers could be counterproductive. Pricing of zircon concentrate is already under significant pressure.**
- Ilmenite shipments represented a little more than that produced, with the Yansteel contract also "take or pay". We are expecting shipments to increase into the current quarter as the inventory is further run down.

Revenue

Revenue		**Dec-23**	**Mar-24**	**Jun-24**	**Sep-24**	***Ch. Sept/June***	***Dec-24e***	***Mar-25e***
Sale price								
Ilmenite	US$/t	0	123	123	130	*5.7%*	125	125
Zircon	US$/t	0	702	649	0	*-100.0%*	584	584
FX		0.67	0.67	0.67	0.67	*0.0%*	0.67	0.67
Sales revenue	US$m	0.0	20.2	32.8	15.4	*-53.0%*	42.8	50.0
	A$m	0.0	30.2	49.0	23.1	*-53.0%*	63.8	74.6
Cumulative	*A$m*				*102.3*			
Receipts (cashflow statement)	A$m	0.4	14.0	34.7	37.9	*9.2%*		
Cumulative	*A$m*				*87.0*			
Value of inventory	US$m	8.3	11.5	-0.2	19.5	*n/a*		
Sales revenue + inventory	US$m	8.3	31.8	32.6	35.0	*7.3%*		
	A$m	12.4	47.4	48.6	52.2	*7.3%*		
Cumulative	*A$m*				*160.6*			

- **Revenues for the quarter were hit hard in the absence of zircon concentrate shipments**. We assume that the large invention position will be unwound over the forthcoming quarters. However, timing will depend on demand from the existing end users, and whether KMS can ship significant volumes to new customers. Trial shipments to several new customers are expected in the December quarter.
- SFX note that there have been delays in securing new customers in China with increasing bureaucracy from Canberra around "KYC" issues for Chinese upgraders. This we understand relates to the U+Th content of the zircon concentrate.
- Pricing is far from exciting, with **SFX flagging further downside to zircon concentrate prices**. We have assumed US$584/t – down 10% on the June quarter - for the next 2 quarters, well under our earlier forecasts.
- **Ilmenite concentrate revenue was assisted with a higher price achievement**, a result of higher TiO_2 content of the concentrate. A small win here.

Costs

Costs		Dec-23	Mar-24	Jun-24	Sep-24	Ch. Sept/June	Dec-24e	Mar-25e
Costs from $/t concentrate costs, excl. inventory adj.	A$m	n/a	43.1	58.0	55.5	*-4.3%*	54.2	55.5
Total, to end Sept 24					**156.6**			
Costs, cashflow statement	A$m	n/a	52.2	53.5	47.5	*-11.3%*		
Total, to end Sept 24					**153.3**			
Costs from $/t concentrate costs, incl. inventory adj.	A$m	n/a	43.0	55.6	29.0	*-47.8%*	54.2	55.5
Total, to end Sept 24					**127.6**			

- **Total mine costs for the quarter were down just over 4% on the June quarter**. With costs still well above those forecast in the BFS, this must remain a core focus for KMS.
- There is quite reasonable consistency between costs reported in the cashflow statement and those quoted for the mining operation for the 9 months ending September 2024. As always in cashflow statements there will always be timing differences which is why we see significant variability on a quarter-by-quarter basis.
- Based on the quoted $/t of concentrate produced we see that mining and processing costs have moved up, but G&A reduced. There may be some cost classification issues here. Reduced logistic costs no doubt relates to the reduction in zircon shipments.

A$m*	Q4 FY24	Q1 FY25
Mining	23.1	27.2
Processing	6.5	6.8
Outbound logistics	12.8	9.3
Site G&A	15.6	12.2
Total	58.0	55.5
*Excludes inventory adjustment		

- No change to our cost estimates going forward which remain around $55m/quarter.

Mine cashflows

Notional EBITDA		Dec-23	Mar-24	Jun-24	Sep-24		Dec-24e	Mar-25e
Based on sales excl inventory adjustment	A$m	n/a	-12.9	-9.0	-32.4	*260.6%*	9.6	19.1
					-54.3			
Based on sales + inventory	A$m	n/a	4.3	-9.4	-3.3	*-64.7%*		
Total, to end Sept 24	A$m	n/a			-8.3			
Based on cashflow statement	A$m	n/a	-38.2	-18.8	-9.6	*-49.0%*		
Cash balance at end of period	A$m	n/a	20.9	15.4	5.6		24.4	27.3

- The table above presents a number of cashflow ‘scenarios’. During a ramp-up period the numbers can be highly variable. Based on sales less the quoted mine cash costs, in aggregate the notional EBITDA for the 9 months ending September could be stated as -$54m.
- However, add the value of mineral sands in inventory (at current spot pricing) and the EBITDA reduces to -$8.3m. Had KMS been able to sell all it produced in the September quarter, the mine would have almost broken even, as we had expected.
- Cash at end of the quarter for KMS was tight at A$5.6m (down from $15.4m and the end of June).
- **Note that this excludes a US$14m (ca. A$21m) Yansteel pre-payment** which was made available in early October. (Shareholders should be pleased that KMS has such a strong partner to assist with funding working capital). As well there was an early October shipment of zircon concentrate which could add an additional A$6-7m, but payment terms were not disclosed.
- **We understand that the quarterly interest payment of around A$7.3m was paid after the end of the quarter.**
- As shown in our analysis above, we infer that subsequent quarters will be cashflow positive. With so many “moving parts” and with uncertainty regarding the timing of the unwind of the zircon inventory, it is difficult to forecast cashflows going forward with any confidence.
- The greatest uncertainty surrounds pricing of zircon concentrate with SFX stating:

“The weaker macro-economic conditions in China have resulted in softer zircon market conditions prevailing throughout the September quarter, with KMS expecting future realised prices for zircon concentrate in the December quarter to be below the US$649/t realised in the June quarter.”

- We have assumed US$584/t for the next 2 quarters progressively ramping up to long term forecast levels. This represents the biggest risk to our forecasts.

BRIDGE STREET
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Business Improvement Initiative

The recent quarterly outlines a business improvement initiative, which was launched in September. As SFX has said on many occasions, it is not possible for Thunderbird to operate in a hand-to-mouth fashion, inhibited by lower production levels, higher costs than were forecast in the BFS and with a soft outlook for zircon.

SFX states that based on the analysis of the oversize issue, several operating and minor equipment modifications have been identified that may marginally improve the recovery of fine material from the oversize, with modifications being implemented in the December quarter.

As we commented in our August report, following a site visit to Thunderbird, we formed the view that there may be several focus areas to be addressed. In that report we posed the following questions:

- Are there significant volumes of fines or potential fines that could be liberated carrying over into the coarse material, and therefore now being rejected?
- What is the valuable heavy mineral (VHM) content and therefore value of any fines being carried over to the oversize?
- How much, if any, of this fine carry-over can be recovered by modifications to the DMU?
- The attritioning action during pumping from the DMU to the WCP ensures much, if not all, fine material is liberated. Is it possible to increase the maximum particle size (and therefore the volume) pumped to the plant from 12mm to say 15-20mm and liberate more fine material. How much additional fines material could therefore be recovered?
- What is the cost of possible modifications to the dry mining unit (DMU) and can it be cost effectively modified to increase recovery of the fine material?

Clearly there is no point in considering any modifications to the DMU, nor the installation of additional capacity, until these issues are researched and fully understood.

As SFX states in the September quarterly this review is expected to continue throughout the December quarter with some proposed operational changes and improvement initiatives to be implemented during the quarter. The remaining initiatives to maximise process plant throughput will be incorporated into an implementation plan by early 2025.

Is there a need for more capital in 2024?

While the September quarter was disappointing, with virtually no income from zircon concentrate, KMS has been able to manage its working capital with US$14m made available with a pre-payment from partner Yansteel. Assuming zircon sales resume in the current quarter – and SFX state that it hopes to sell more than it produces in the quarter – the KMS balance sheet should be fine. Cashflows we estimate will be tight, but there should be no need for equity capital in 2024.

In our August report we asked the question, what is the future for Thunderbird and future expansions and when might new capital be required? In its current configuration Thunderbird Stage 1 should still be a solid project, but it will be high cost compared with DFS projections (perhaps mid-curve) and is strongly leveraged to the price of zircon concentrate. It is a relatively high grade project, so it should be better than this.

KMS management is working hard to understand the scale of the mining issue, and the plant's capacity and will invest in additional capacity accordingly. In our view the real strength of the project, other than the immense size of the orebody, is the processing plant itself. To our eye the Thunderbird plant offers all sorts of opportunities for low capital expansion (we think the plant might already be able to deliver 20% capacity above nameplate and perhaps +40-50% with modest capex).

But to match this will either be (1) a progressive improvement in the mining conditions or (2) additional mining capacity. Quite possibly both. It's entirely possible that a move into a new section of the orebody over the next 12 months might see less oversize and therefore increase input into the WCP. But this remains to be seen.

Should mining capacity remain the bottleneck, we ask the question: would it make sense to ultimately replicate the DMU (helping with maintenance, spares, etc)? Current capacity of say 800-900tpa might jump to 1600-1700tpa, more than enough to cover say a 20% increase in plant capacity (which could be available for very low capex). This could justify a modest capex spend in the plant to crank it to 1400-1500tpa, which could be twice June's throughput.

We see a "Stage 1 => Stage 1A => Stage 1B => Stage 1C = Stage 2" model as a much more logical way to think about how the inevitable expansion of the world class Thunderbird deposit will occur. In other words, a progressive debottlenecking of the current operation.

How would this be funded? The existing DMU is leased from the earthmoving contractor over a 9 year term. Is this a possible funding mechanism for a second DMU? The capital cost of the DMU is around $20m. So, to increase concentrate production by 20-30% might require only modest capital. To achieve a 60-70% increase in concentrate production, the Stage 2 production level, might not require the mega capex spend we are forecasting (A$250m).

Note that our valuation, now $1.25/share (NPV$_8$, see table below) includes the expansion of the Thunderbird mine, effectively duplicating Stage 1. Capex for Stage 2 was estimated in the 2022 at a PFS level at $258m (and included a 25% contingency). For this analysis, we have escalated Stage 2 capex by 40% to $370m with the start of construction in 2029 and first production from 2030.

Sheffield's other projects

As flagged last quarter, the agreement between SFX and the owner of the **South Atlantic project ("RGM") in Brazil** has been adjusted to extend the option period by 12 months (to August 2025). In addition to a payment of US$2.5m for 20% of RGM SFX will provide a further contribution of US$1.5m and assist with further due diligence. (The $1.5m is deductable from the US$12.5m to move ownership to 20%).

A 10,000m drill program was completed at Retiro and Bujuru during the quarter. Resource estimates for both are due in the current quarter. The PFS is delayed and will be completed during 2025.

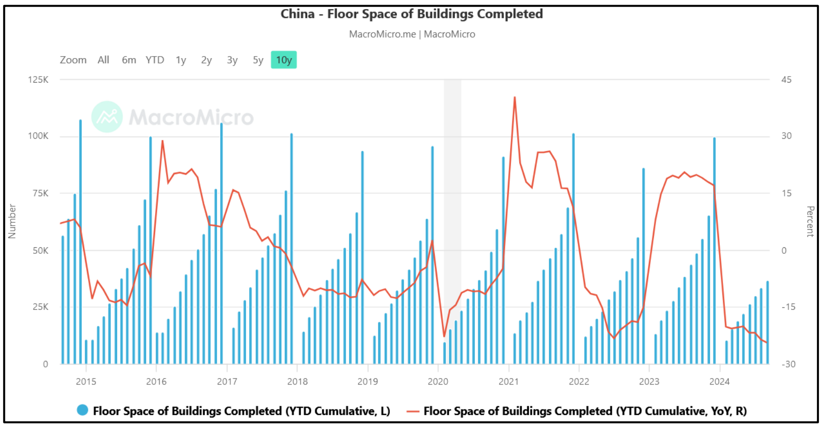
Our recent visit to a lithium operation in the mining-dominated state of Minas Gerais in Brazil provided a compelling case for mining investment in Brazil. The state is characterised by low power and labour costs and very attractive fiscal terms. RGM is located in the southernmost state of Brazil, Rio Grande do Sul and we look forward to understanding this state's view on the mining industry and the real opportunity this project could present to SFX.

Capital Metals plc, where SFX holds a 10% equity interest, has slowed exploration activities at the request of the local Geological Survey, until Presidential elections have been undertaken. The CMET.L share price collapsed during mid 2024 in response to SFX's withdrawal from the proposed JV (in order to minimise its cash spend on the project). CMET now sits at a significant discount to the price paid by SFX (3.6p vs current price of 1.9p).

Commodity comment

SFX's Executive Chair, Bruce Griffin, made the observation in a recent presentation that zircon demand (together with that of pigment titanium dioxide) is most closely correlated with housing completions (rather than housing starts). Both commodities are used toward the end of construction: zircon for ceramic tiles and bathroom fittings and TiO_2 for paints and coatings.

As shown in the following chart, housing completions in China now sit at their lowest levels for 10 years. The chart also illustrates the highly volatile nature of housing completions and the impact of economic stimuli on the rate of completions. This is evident following a 6 trillion yuan stimulus towards the end of the COVID19 pandemic. At the end of 2020, housing completions were up over 40% YoY (admittedly from a very low base) and continued in positive territory for all of 2022. Since then, housing completions have gone only one way.



Source: Macromicro

The Chinese Ministry of Finance has recently laid out a substantive four-part stimulus framework to support real estate investment, address local government debt, boost bank lending into the real economy, and support consumers. The government has already announced that it will issue bonds to local governments to allow them to buy back idle land and unsold new homes from developers. Interest rates have also been reduced. Might this see a repetition of the property boom which accompanied the 4 trillion yuan stimulus following the GFC in 2008 and the post COVID pump prime? It seems reasonable to think we are close to the bottom of the housing cycle in China.

Our long term view on zircon pricing remains unchanged. As supply from the world's major zircon producers decline progressively over the next 2-3 years, we continue to foresee a supply shortfall. The demand side will remain subject to the highly volatile Chinese property sector. This is clearly a risk for SFXs cashflows going forward.

Commodity price assumptions

We have reduced our short term pricing assumptions for zircon concentrate to US$584/t to early 2025, then ramping back toward historic levels as global demand for zircon improves and as supply from this mature industry is further constrained. We have also edged down our long term pricing from US$780/t to $750/t. No change to our price assumptions for ilmenite concentrate, nor FX.

Key Assumptions	Jun-24e	Jun-25e	Jun-26e	Jun-27e	Jun-28e
Non-mag Concentrate (US$/t)	676	597	720	750	750
Mag Con (US$/t)	125	126	125	125	125
Paramagnetic Concentrate (US$/t)	-	13	50	50	50
AUDUSD	0.68	0.67	0.70	0.70	0.70

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FINANCIAL SUMMARY — Sheffield Resources Limited (SFX.AX)

Share Price	A$/sh	0.205
Shares on Issue	m	393
Market Cap (A$m)	A$m	81
Net Debt / (Cash) (A$m)	A$m	(10)
Enterprise Value (A$m)	A$m	71

Target Price	-
Upside / (Downside)	-
Dividend Yield	0%
Total Return Forecast	-

Our SFX forecasts are based on a 50% equity share of KMS which owns 100% of the Thunderbird project. The data displayed represents 50% of all components of the production, P&L, cashflow and balance sheet (adding assets as at December 2021). Accounting standards will require SFX to equity account its interest in KMS, which will therefore report dividend and interest income and overhead costs only. This standard provides limited transparency and so we have decided to proceed with this more visible reporting method.

Per Share Data	Jun-24e	Jun-25e	Jun-26e	Jun-27e	Jun-28e
Shares Out (m)	393	393	393	393	393
EPS (¢)	(10.1¢)	(2.5¢)	2.4¢	7.1¢	5.5¢
Dividend (¢)	-	-	-	-	-
Payout Ratio (%)	0%	0%	0%	0%	0%
Book Value (A$/share)	0.26	0.22	0.21	0.28	0.33
Operating Cash Flow (A$/share)	(0.11)	0.02	0.06	0.11	0.09
Free Cash Flow (A$/share)	(0.23)	(0.01)	0.05	0.10	0.08
EBITDA (A$/share)	(0.03)	0.05	0.10	0.14	0.14

Profit & Loss	Units	Jun-24e	Jun-25e	Jun-26e	Jun-27e	Jun-28e
Sales and Other Income	A$m	36	131	152	178	179
Expenses	A$m	(48)	(111)	(114)	(123)	(123)
EBITDA	**A$m**	**(12)**	**19**	**38**	**55**	**56**
D&A	A$m	(9)	(16)	(16)	(16)	(16)
EBIT	**A$m**	**(21)**	**3**	**21**	**39**	**40**
Financing Costs	A$m	(19)	(13)	(12)	(11)	(9)
Tax	A$m	-	-	-	-	(9)
NPAT	**A$m**	**(40)**	**(10)**	**9**	**28**	**22**

Valuation Metrics	Jun-24e	Jun-25e	Jun-26e	Jun-27e	Jun-28e
P/E (x)	(2.0)x	(8.2)x	8.7x	2.9x	3.7x
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%
EV / Sales	2.0x	0.5x	0.5x	0.4x	0.4x
EV / EBITDA	(5.9)x	3.7x	1.9x	1.3x	1.3x
EV / EBIT	(3.4)x	21.2x	3.3x	1.8x	1.8x
FCF Yield (%)	-110.1%	-2.8%	23.9%	48.2%	38.6%

Cashflow	Units	Jun-24e	Jun-25e	Jun-26e	Jun-27e	Jun-28e
Cash From Operations	A$m	(29)	19	38	55	56
Interest	A$m	(13)	(13)	(12)	(11)	(9)
Tax	A$m	-	-	-	-	(12)
Working Capital	A$m	-	-	-	-	-
Net Cash From Operations	**A$m**	**(42)**	**6**	**25**	**44**	**35**
Capex	A$m	(46)	(9)	(6)	(5)	(4)
Exploration & Other	A$m	(1)	-	-	-	-
Free Cash Flow	**A$m**	**(89)**	**(2)**	**19**	**39**	**31**
Borrowings	A$m	49	11	(16)	(8)	(8)
Equity	A$m	8	-	-	-	-
Dividend	A$m	-	-	-	-	-
Net Increase / (Decrease) in Cash	**A$m**	**(33)**	**8**	**4**	**31**	**24**

Operating Metrics (%)	Jun-24e	Jun-25e	Jun-26e	Jun-27e	Jun-28e
EBITDA Margin	-33%	15%	25%	31%	31%
EBIT Margin	-58%	3%	14%	22%	22%
Net Profit Margin	-110%	-7%	6%	16%	12%
ROIC	-10%	1%	10%	19%	21%
Return on Assets	-11%	-3%	3%	8%	6%
Return on Equity	-39%	-11%	11%	26%	17%
Effective Tax Rate	0%	0%	0%	0%	30%

Key Assumptions	Jun-24e	Jun-25e	Jun-26e	Jun-27e	Jun-28e
Non-mag Concentrate (US$/t)	676	597	720	750	750
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Paramagnetic Concentrate (US$/t)	-	13	50	50	50
AUDUSD	0.68	0.67	0.70	0.70	0.70

Balance Sheet	Units	Jun-24e	Jun-25e	Jun-26e	Jun-27e	Jun-28e
Cash	A$m	8	22	26	57	81
Receivables	A$m	12	11	12	15	15
Inventory	A$m	17	21	8	9	9
PP&E	A$m	262	228	218	207	195
Other	A$m	65	61	61	61	61
Assets	**A$m**	**364**	**343**	**324**	**348**	**360**
Creditors	A$m	15	16	19	22	22
Borrowings	A$m	124	171	156	148	141
Provisions	A$m	15	10	10	10	10
Other	A$m	59	59	59	59	59
Liabilities	**A$m**	**262**	**256**	**244**	**239**	**232**
Net Assets	**A$m**	**102**	**86**	**81**	**109**	**128**

Production - 100% Basis	Jun-24e	Jun-25e	Jun-26e	Jun-27e	Jun-28e
Mag Con (kt)	150	593	645	731	731
Non-mag Concentrate (kt)	44	154	183	207	207
Paramagnetic Concentrate (kt)	-	-	-	44	89

Valuation	A$m	Equity	Risk	A$m	A$/share
Kimberly Mineral Sands (KMS)					
Thunderbird	1,253	50%	100%	627	1.57
Exploration	50	50%	100%	25	0.06
Debt	(324)	50%	100%	(162)	(0.41)
Cash	20	50%	100%	10	0.02
SFX					
Corporate Costs	(26)	100%	100%	(26)	(0.07)
Debt	-	100%	100%	-	-
Cash	10	100%	100%	10	0.02
Exploration	10	100%	100%	10	0.02
Total	**993**			**483**	**1.25**
Discount rate					**8.0%**
FPO Shares					393
Options					2
Performance Rights					5
Fully Diluted SOI					**400**

Liquidity & Leverage	Units	Jun-24e	Jun-25e	Jun-26e	Jun-27e	Jun-28e
Borrowings	A$m	124	171	156	148	141
Net Debt / (Cash)	A$m	117	149	130	91	60
Gearing: Net Debt / (Net Debt + Equity)	%	53%	63%	62%	45%	32%
Net Debt / EBITDA	x	(9.8)x	7.7x	3.5x	1.7x	1.1x
EBIT Interest Cover	x	(1.1)x	0.3x	1.8x	3.6x	4.4x

Non-mag con = zircon rich concentrate
Mag con = ilmenite rich concentrate

Note that our valuation includes the expansion of the Thunderbird mine, effectively duplicating Stage 1. Capex for Stage 2 was estimated in the 2022 at a PFS level at $258m (and included a 25% contingency). For this analysis, we have escalated Stage 2 capex by 40% to $370m with the start of construction in 2029 and first production from 2030.

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Appendix 1

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