
YANSTEEL AND SHEFFIELD SIGN JOINT VENTURE AGREEMENTS

- Sheffield Resources and Yansteel execute binding definitive documents to form a 50:50 Joint Venture on the Thunderbird Mineral Sands Project and associated tenements (Project)
- Formation of the JV, including payment of A\$130.1 million by Yansteel to acquire 50% of the Project, expected over the coming weeks
- Confirms a long term strategic partnership with a large private steel company that underpins their entry into titanium dioxide production
- Demonstrates a credible path to construction and production for Thunderbird, bringing hundreds of jobs and economic opportunities for the Kimberley and the rest of Australia

Sheffield Resources Limited (“Sheffield” or “the Company”) (ASX: SFX) is pleased to advise that potential joint venture partner YGH Australia Investment Pty Ltd (“Yansteel”) and Sheffield executed definitive binding documents for Yansteel’s proposed \$130m investment to acquire 50% of the Thunderbird Mineral Sands Project (“Joint Venture” or “Thunderbird”) on 6 January 2021.

The parties have commenced the process to satisfy the remaining conditions precedent including lender agreement and receipt of the A\$130m investment from Yansteel to finalise the formation of the Joint Venture with completion expected over the coming weeks. Once the Joint Venture is formed a final bankable feasibility study will be completed ahead of concluding project finance arrangements and an expected final investment decision (FID) during 2021.

As part of finalising the financing arrangements for the Joint Venture, Sheffield and Taurus Funds Management Pty Limited (“Taurus”) agreed to terminate their existing financing agreements and to work collaboratively with the JV towards new financing agreements with the Joint Venture. “Taurus looks forward to working with Yansteel and Sheffield to assess and consider new financing facilities for Thunderbird”, said Mike Davies Taurus’ Executive Director.

Sheffield Managing Director Bruce McFadzean said the signing was a major milestone towards the development of the Thunderbird Minerals Sands Project. “This is another exciting step forward for Thunderbird, our partnership with Yansteel, and for Sheffield Resources’ investors and stakeholders,” Mr McFadzean said.

“In Yansteel we have a partner that is equally committed to the Project and we are both looking forward to a long and productive relationship. What is particularly pleasing is that both parties are committed to creating hundreds of jobs in the Kimberley, for decades to come.”

“Yansteel is pleased to sign the binding documents to form the Joint Venture and looks forward to working with Sheffield to progress towards FID in 2021,” expressed by the Board of Tangshan Yanshan Iron & Steel Co., Ltd the ultimate owner of Yansteel.

This announcement was authorised for release by the Company’s Board of Directors.

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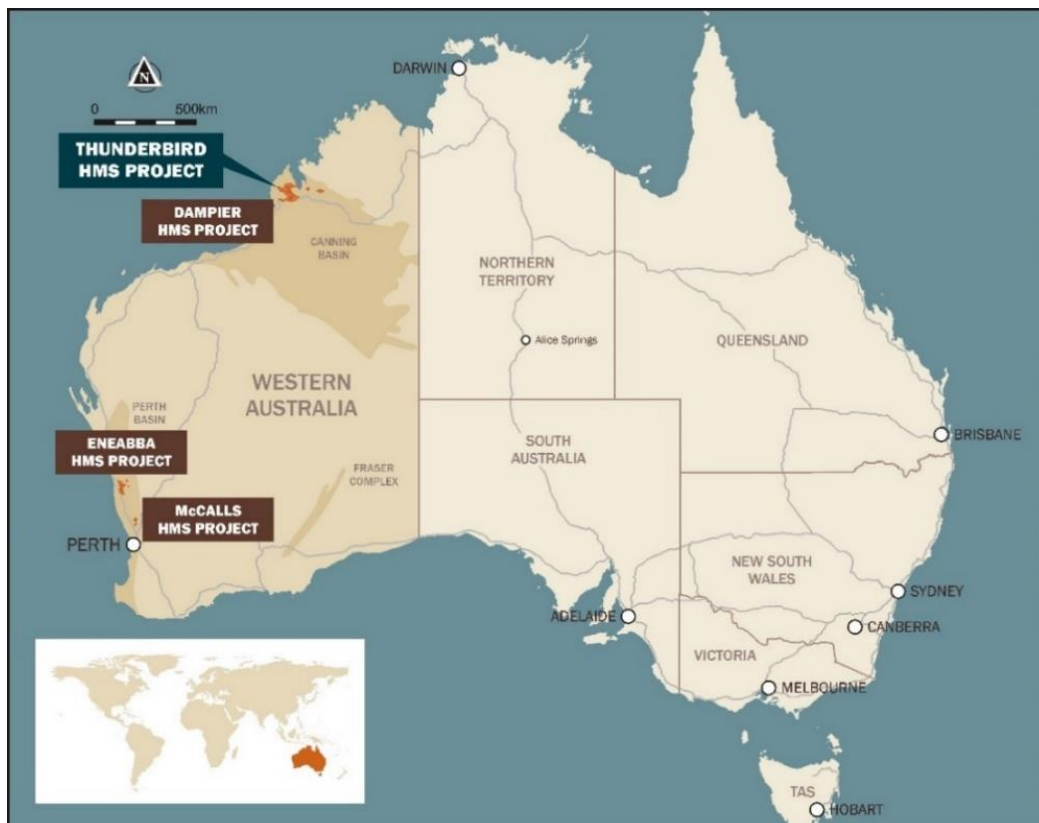


Figure 1: Location of Thunderbird Mineral Sands Project

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 assess other regional exploration opportunities.

ABOUT YANSTEEL

Yansteel is a wholly-owned subsidiary of Tangshan Yanshan Iron & Steel Co., Ltd, a privately owned steel manufacturer headquartered in Hebei, China producing approximately 10mt per annum of steel products and has annual revenues of ~A\$6bn.

Construction of a 500ktpa integrated titanium dioxide processing facility including a titanium slag smelter has commenced by the company. This complex will consume the Low Temperature Roast (“LTR”) ilmenite offtake from Stage 1 of the Thunderbird Mineral Sands Project.

THUNDERBIRD MINERAL SANDS

Thunderbird is one of the largest and highest grade mineral sands discoveries in the last 30 years. Sheffield's 2019 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 spanning multiple decades.

Thunderbird will generate a high-quality suite of mineral sands products with specifications suited to market requirements. These products include a zircon products and ilmenite suitable for manufacturing titanium dioxide pigment or smelting into chloride slag.

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.

THUNDERBIRD JOINT VENTURE

In August 2020 Sheffield and Yansteel executed a Non-Binding Term Sheet for the formation of a 50:50 Joint Venture to own and develop the Thunderbird Mineral Sands Project and adjacent tenements on the Dampier Peninsula. The parties have agreed that the development concept for Stage 1 of the Project will be a 10.4mt per annum mine and process plant producing a zircon rich non-magnetic concentrate and LTR ilmenite.

Yansteel will subscribe for a 50% interest in the Joint Venture and provide A\$130.1m in project equity funding. Sheffield will fund any project equity shortfall between A\$130.1m and A\$143m, less Project costs incurred prior to a Final Investment Decision ("FID"). The Joint Venture will secure project finance and, if required, project equity in excess of A\$143m will be funded 50:50 by Yansteel and Sheffield.

The Yansteel A\$130.1m project equity investment via the Joint Venture transaction, together with the A\$12.9m funding under the Yansteel Share Placement completed on 12 August 2020 and combined with project financing is expected to deliver a fully funded project.

The Joint Venture will be governed by a four person Board of Directors with Sheffield and Yansteel each nominating two directors. Key Joint Venture decisions will require unanimous approval of both shareholders. The Joint Venture will be operated as a standalone entity with its own management and employees, with selected Sheffield personnel to be appointed as part of the key management persons upon the formation of the Joint Venture.

The Joint Venture agreements will include customary dispute resolution, default, dilution and pre-emption terms and these have been defined in-principle within a Non-Binding Term Sheet.

The FIRB process was completed on 15 December 2020 and no other regulatory approvals are required.

The formal Joint Venture agreements were signed on 6 January 2021.

The formation of the Joint Venture is subject to completion of various steps defined in the formal Joint Venture agreements including payment of the \$130.1m in project equity by Yansteel.

YANSTEEL OFFTAKE AGREEMENT

Yansteel and Sheffield have entered into a binding life of mine take or pay offtake agreement for 100% of the LTR ilmenite from Stage 1 at market price. Yansteel has a first right of refusal to purchase ilmenite from later stages.

In the unlikely event that the Joint Venture cannot be formed for any reason, the offtake will convert automatically to a minimum 7 + 3 year take or pay offtake agreement for 100% of the ilmenite produced from Stage 1 of the Project.