ASX AND MEDIA RELEASE
10 December 2018

SHEFFIELD SUCCESSFULLY COMPLETES INSTITUTIONAL PLACEMENT TO PROGRESS THE THUNDERBIRD MINERAL SANDS PROJECT

NOT FOR RELEASE TO US WIRE SERVICES OR DISTRIBUTION IN THE UNITED STATES

Sheffield Resources Limited ("Sheffield", "the Company") (ASX:SFX) is pleased to announce it has successfully completed an equity raising of approximately A$16 million before costs, by way of a placement of fully paid ordinary shares ("**Shares**") to professional, sophisticated and other institutional investors (**"Placement"**).

Together with Sheffield's current cash balance, the proceeds of the Placement will enable the Company to:

- formally evaluate and progress potential strategic partner interest, received from a range of credible parties, to develop the Thunderbird Project ("**Thunderbird**", "**Project**"), including funding alternatives;
- advance the detailed engineering and design for Thunderbird that has been well progressed by GR Engineering Services Limited during 2018;
- continue key early works including design and scheduling activities in advance of the construction of the accommodation village, Project access roads and other Project infrastructure; and
- fund the Company's corporate administration costs (including transaction costs).

The Placement will be followed by an offer to eligible shareholders with registered addresses in Australia and New Zealand to participate in a Share Purchase Plan ("**SPP**") to seek to raise at least A$3 million. The SPP will not be underwritten.

POTENTIAL STRATEGIC PARTNERS

Thunderbird is now fully permitted and construction ready, with an executed fixed price EPC contract and loan facilities substantially in place. With Thunderbird materially de-risked and with the commencement of the wet season, the Company will now consider and progress a range of development alternatives, including with potential strategic partners.

While the Company has progressed its offtake strategy and advanced the permitting of Thunderbird, it has continued to hold discussions with a broad range of interested parties. Interest from a number of credible strategic parties, including in relation to the funding for the Project, has increased following completion of key permitting and debt funding milestones.

Therefore, the Sheffield board intends to initiate a structured, formal process to evaluate and progress this interest and identify whether the introduction of a strategic party would assist in achieving the Company's objective of optimising the outcome to shareholders through Thunderbird's development.

The introduction of a strategic party to Thunderbird via this process could have the effect of reducing the residual equity funding requirement attributable to Sheffield, as the strategic partner may acquire an ownership interest either through investing in Sheffield or at the project level. In the case of a project level investment, the strategic partner would likely be responsible for their proportionate share of the residual capital requirements.

INSTITUTIONAL PLACEMENT

Under the terms of the Placement, Sheffield will issue 24,970,812 new Shares at A$0.65 per Share ("**Offer Price**"), to raise approximately A$16 million before costs. The Shares issued under the Placement ("**Placement Shares**") will be within the Company's existing placement capacity under ASX Listing Rule 7.1. Therefore, no shareholder approval will be required. Once issued, the Placement Shares will rank equally with existing Sheffield Shares on issue. The Placement is underwritten up to approximately A$15 million.

The Offer Price of A$0.65 per Placement Share represents a discount of:

- 13.3% to Sheffield's closing price of A$0.75 on the ASX as at 5 December 2018 (being the closing price of Shares prior to Sheffield going into halt for the purposes of the Placement); and
- 16.7% to Sheffield's 10 day Volume Weighted Average Price ("**VWAP**") of A$0.78 on the ASX up to and including 5 December 2018.

Funds raised from the Placement and SPP will be allocated to one or more of the use of funds outlined in the table below.

SOURCES AND USES OF PROCEEDS

The Company's planned sources and uses of proceeds from the Placement are set out in the table below:

Sources of funds	A$m
Cash as at 31 October 2018	9
Gross proceeds of Placement	16
Total Sources	25

Uses of funds	A$m
Detailed engineering and design	6
Key early works	7
Corporate, working capital and admin (including debt and equity transaction costs)	12
Total Uses	25

Table 1: Sources and Uses of Funds

Detailed Engineering and Design

As announced on 12 November 2018, Sheffield has executed a A$366 million fixed price, lump sum engineering, procurement and construction ("**EPC**") contract with GR Engineering Services Limited ("**GRES**") for the design and construction of the Thunderbird mineral processing plant, supporting infrastructure and associated facilities ("**EPC Contract**").

Engineering and design activities undertaken by GRES throughout 2018 have enabled Sheffield to assess several design developments focussed on increasing throughput, operational efficiencies and the functionality of the processing plant, substantially de-risking metallurgical performance and overall project execution.

As at 31 October, detailed engineering and design was approximately 30% complete, and the proceeds to be raised from the Placement will enable Sheffield to continue the detailed engineering and design activities.

Key Early Works

The proceeds raised from the Placement will also enable Sheffield to continue key early works including design and scheduling activities in advance of the construction of the mine accommodation village and mine site access roads which, by necessity, must be completed prior to the commencement of the full construction program.

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THUNDERBIRD'S FUNDING REQUIREMENTS

Funding Strategy well advanced

Sheffield has obtained A$335 million in loan facilities[1] as described below. These loan facilities represent a key component of Thunderbird's overall funding:

- As announced on 12 November 2018, Sheffield has secured a US$175 million (A$240 million[2]) fully underwritten, syndicated facility agreement with Taurus Mining Finance Fund and Taurus Mining Finance Annex Fund ("**Taurus**") for a seven-year term loan ("**Facility Agreement**"); and

- In addition, the Northern Australia Infrastructure Fund ("**NAIF**") Board has made an Investment Decision to provide long term debt facilities totalling A$95 million[3] ("**NAIF Facilities**"). The Company is currently working with NAIF to progress definitive documentation with respect to this facility and currently expects a binding agreement to be formalised during Q1 2019.

Drawdown under both the Taurus and NAIF Facilities is subject to a range of Conditions Precedent which are typical for a financing arrangement of this nature. These include raising the required equity that would, in conjunction with the A$335 million debt facilities noted above, allow the Company to fully fund the estimated construction costs of Thunderbird Stage 1 (Stage 1 capital expenditure estimated at A$463 million[4]), plus a provision of approximately 30% of the estimated capital expenditure to cover start-up working capital requirements, corporate overheads and other customary lender requirements during the two year construction period (including cost over-run provision, financing fees, interest on drawn debt and debt service reserve account funding). The proceeds of the Placement, set out in Table 1 above, plus the proceeds of the Share Purchase Plan, form a component of this equity requirement.

SHARE PURCHASE PLAN

As mentioned above, following completion of the Placement, Sheffield will also offer Shares pursuant to the SPP. Only eligible shareholders with registered addresses in Australia and New Zealand who are registered holders of Sheffield Shares at 7.00pm (Sydney time) on the record date of 7 December 2018 will be entitled to participate in the SPP.

The SPP price will be A$0.65 per Share which is equal to the Offer Price of the Placement. Eligible shareholders will be invited to subscribe for up to a maximum of A$15,000 worth of additional Shares ("**SPP Shares**"), free of transaction and brokerage costs. The SPP will aim to raise at least A$3 million and will not be underwritten. If A$3 million is raised under the SPP, then 4,615,384 SPP Shares will be issued under the SPP. No shareholder approval will be required in respect of the SPP.

Sheffield may decide to raise a higher amount or scale back applications under the SPP at its absolute discretion. SPP Shares issued under the SPP will rank equally with the existing Sheffield Shares on issue.

Full details of the SPP will be set out in the SPP Offer Booklet, which will be lodged with the ASX and sent to eligible shareholders on or around the date set out in the indicative timetable for the Placement and SPP which is contained on the next page.

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1 The NAIF Facilities are non-binding and subject to definitive documentation being entered into.

2 Assumes AUD: USD exchange rate of $0.73 : $1.00

3 The NAIF Facilities are non-binding and subject to definitive documentation being entered into.

4 Refer to ASX announcement dated 19 October 2018

ENDS

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INDICATIVE TIMETABLE

Event	Date
Trading Halt	5 December 2018
Bookbuild Closes	7 December 2018
SPP Record Date	7 December 2018
Trading Halt lifted and Shares resume trading	10 December 2018
Settlement of the Placement	12 December 2018
Issue and Quotation of Placement Shares under the Placement	13 December 2018
SPP Offer opens and Booklet dispatched	14 December 2018
SPP Closing Date	25 January 2019
Issue and Quotation of SPP Shares under the SPP	1 February 2019

The above timetable is indicative only and subject to change without notice. All references to time are to Sydney time and are subject to change. Quotation of Placement Shares and the SPP Shares under the SPP is subject to confirmation from ASX. Subject to the requirements of the *Corporations Act 2001* (Cth), ASX Listing Rules and other applicable laws, Sheffield reserves the right to amend this timetable at any time.

ADDITIONAL INFORMATION

This announcement has been prepared by Sheffield in connection with (i) the Placement of Placement Shares to certain professional, sophisticated and other institutional investors in accordance with section 708A of the *Corporations Act 2001* (Cth) ("**Corporations Act**"); and (ii) an offer of SPP Shares to eligible shareholders under the SPP, as further described in this announcement (the Placement and SPP together being the "**Equity Raising**"). The SPP will be conducted in accordance with ASIC Class Order [CO 09/425].

SUMMARY INFORMATION IN RELATION TO SHEFFIELD

This announcement contains summary information about Sheffield, its subsidiaries and their activities which is current as at the date of this announcement, unless otherwise indicated. The information in this announcement remains subject to change without notice, and Sheffield is not responsible for updating, nor does it undertake to update, it. This announcement should be read in conjunction with Sheffield's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange ("**ASX**"), which are available at http://www.sheffieldresources.com.au/irm/content/asx-announcements1.aspx?RID=398 or www.asx.com.au.

NOT AN OFFER

This announcement, and the information contained in it, is provided for information purposes only and is not an offer or solicitation or invitation or recommendation to subscribe for, acquire or buy any securities in Sheffield, including the Placement Shares and SPP Shares (as applicable), or any other financial products or securities in any jurisdiction. To avoid any doubt, this announcement is not a prospectus, product disclosure statement or other disclosure or offer document under the Corporations Act or other offering document under any other Australian law, or any law of any other jurisdiction. Accordingly, this announcement does not contain all the information that would be required to be included in a prospectus, product disclosure statement or other disclosure or offer document prepared in accordance with the requirements of the Corporations Act and has not been lodged with the Australian Securities and Investments Commission ("**ASIC**") or any other financial services or securities regulator.

This announcement does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or any other jurisdiction in which such an offer would be unlawful. The Placement Shares and SPP Shares (as applicable) have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended ("**U.S. Securities Act**") or the securities laws of any State or other jurisdiction of the United States. Accordingly, the Placement Shares and SPP Shares (as applicable) may not be offered or sold, directly or indirectly, in the United States or to any person in the United States unless they have been registered under the U.S Securities Act (which Sheffield has no obligation to do or procure) or are offered and sold in a transaction exempt from, or not subject to, the registration requirements of the U.S Securities Act and any other applicable state securities laws.

The distribution of this announcement (including an electronic copy) in the United States and other jurisdictions outside Australia may also be restricted by law and any such restrictions should be observed. Persons who come into possession of this announcement who are not in Australia should seek advice on and observe any such restrictions. Any non-compliance with such restrictions may contravene applicable securities laws.

Sheffield reserves the right to withdraw the Placement or the SPP or to vary the timetable for the Placement or SPP without notice.

NOT FINANCIAL PRODUCT ADVICE

This announcement, and the information provided in it, does not constitute, and is not intended to constitute, investment or financial product advice (nor tax, accounting or legal advice) or any recommendation to acquire Placement Shares and SPP Shares (as applicable). This announcement does not, and will not, constitute or form any part of any contract for the acquisition of Placement Shares and SPP Shares (as applicable). This announcement should not be relied upon as advice to investors or potential investors and has been prepared without taking account of any person's individual investment objectives, financial situation or particular needs. Any investment decision should be made based solely upon appropriate due diligence. Before making an investment decision, prospective investors should consider the appropriateness of the information having regard to their own investment objectives, financial situation and needs and seek legal, accounting and taxation advice appropriate to their jurisdiction. Recipients of this announcement are advised to consult their own professional advisers. Cooling off rights do not apply to the acquisition of Placement Shares and SPP Shares (as applicable).

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 announcement regarding estimates or future events are forward-looking statements. They involve risk and uncertainties that could cause actual results to differ from estimated results (refer to the section headed "Key Risks" in Appendix 1 of this announcement). Forward-looking statements include, but are not limited to, statements concerning plans, strategies and objectives of management, the Company's expected production dates, commencement of a full construction program, Stage 1 capital expenditure estimates, exploration programme, outlook, 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.

Any forward-looking statements are also based on assumptions and contingencies which are subject to change without notice and which may ultimately prove to be materially incorrect. Investors should consider the forward-looking statements contained in this announcement in light of this and not place reliance on such statements. The forward-looking statements in this announcement are not guarantees or predictions of future performance and may involve significant elements of subjective judgment, assumptions as to future events that may not be correct, known and unknown risks, uncertainties and other factors, many of which are outside the control of Sheffield. The forward-looking statements are based on information available to Sheffield as at the date of this announcement.

To the maximum extent permitted by law, Sheffield and its directors, officers, employees, advisers, agents and intermediaries and the other Limited Parties (as defined below) disclaim any obligation or undertaking to release any updates or revisions to the information to reflect any change in expectations or assumptions, or any change in events, conditions or circumstances on which any such information or statement is based. Nothing in this announcement will, under any circumstances (including by reason of this presentation remaining available and not being superseded or replaced by any other presentation or publication with respect to Sheffield or the subject matter of this announcement), create an implication that there has been no change in the affairs of Sheffield since the date of this announcement. To the maximum extent permitted by law, neither Sheffield, nor any other Limited Party (as defined below), makes any representation or warranty (express or implied) as to the fairness, accuracy, reliability, currency or completeness of any forward-looking statements contained in this announcement.

INVESTMENT RISK

As noted above, an investment in Sheffield securities (including Placement Shares and SPP Shares (as applicable)) is subject to investment and other known and unknown risks, a number of which are beyond the control of Sheffield. Sheffield (nor its related bodies corporate) does not guarantee any particular rate of return or the performance of the Company, nor does it guarantee the repayment of capital from Sheffield or any particular tax treatment. Prospective investors should have regard to the risk factors outlined in this announcement, including in the section of this announcement headed "Key Risks" in Appendix 1 of this announcement, when making their investment decision and should make their own enquiries and investigations regarding all information in this announcement, including but not limited to the assumptions, uncertainties and contingencies which may affect future operations of Sheffield and the impact that different future outcomes may have on Sheffield.

DISCLAIMER

Please refer to Appendix 2 for a further disclaimer.

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.

APPENDIX 1: KEY RISKS

There are a number of risks, both specific to Sheffield and of a general nature, which may, either individually or in combination, affect the operational and financial performance of Sheffield, the industry in which Sheffield operates, and the value of Sheffield shares. This Appendix describes some, but not all, of the risks associated with an investment in Sheffield which prospective investors should consider together with publically available information (including this announcement) about Sheffield before making any investment decisions.

1. RISKS SPECIFIC TO SHEFFIELD AND THE THUNDERBIRD PROJECT

1.1 Thunderbird Project

First production from the Project is expected in or around Q4 of 2020, with the first full year of production and first significant financial contribution (from production) expected in 2021. Sheffield's performance is dependent on the successful completion of Stage 1 of the proposed Project, and thereafter, a future investment decision to enable Stage 2 development. The completion of both stages is subject to a number of risks and uncertainties. For Stage 1, such risks include, but are not limited to the following:

- Slippage in the Stage 1 completion schedule as a result of delays in obtaining, or a failure to obtain government permits or approvals, shortages of or delays in the procurement of materials, or other items necessary for the construction and operation of Stage 1 of the Project, or delays in the negotiation of key contracts or the engagement of personnel.
- Escalation in capital costs for the construction, commissioning, ramp up and development of Stage 1 of the Project.
- Failure to agree definitive debt financing agreements with the State of Western Australia under back-to-back loans from NAIF in respect of the proposed A$95 million NAIF Facilities. Any failure to access all of the debt funding the subject of the NAIF Facilities (in addition to any additional debt or equity funding gap of the kind contemplated below and in the risks titled "Additional requirements for capital", "Taurus royalty risk" and "Underwriting risk") will require Sheffield to source alternate financing to complete the development of Stage 1 of the Project.
- Failure to satisfy conditions precedent to drawdown in respect of the US$175 million Facility Agreement. The conditions to drawdown under the Facility Agreement include (among others) Sheffield raising the required equity that would, in conjunction with the Facility Agreement and NAIF Facilities, allow the Company to fully fund:
    - the estimated construction costs of Thunderbird Stage 1 (Stage 1 capital expenditure estimated at A$463m as set out in ASX announcement dated 19 October 2018); plus
    - a provision of approximately 30% of the estimated capital expenditure to cover start-up working capital requirements, corporate overheads and other customary lender requirements during the two year construction period (including cost over-run provision, financing fees, interest on drawn debt and debt service reserve account funding) (together the **"Equity Contribution"**).

  The NAIF Facilities will also be subject to the same condition precedent to drawdown. Accordingly, the Equity Raising will not be sufficient, in and of itself, to satisfy this condition precedent to drawdown and Sheffield will not be able to drawdown under the Facility Agreement and the NAIF Facilities unless and until the Equity Contribution condition is satisfied.

- Entry into definitive agreements in respect of the NAIF Facilities is a condition precedent to drawdown under the Facility Agreement. As such, if Sheffield does not enter into such definitive agreements in respect of the NAIF Facilities, Sheffield will not be able to drawdown on the Facility Agreement unless alternate funding sources are secured. For further details about the risk of additional funding requirements, refer to paragraph 1.2 of this Appendix 1.
- Failure to comply with environmental conditions placed on environmental approvals obtained by Sheffield in connection with mine development and operation.
- Inability to secure the development of Stage 1 of the Project within the timeframe and budget on which the Project's development model is predicated.

- Unforeseen geological, physical, environmental, engineering, construction or economic conditions or challenges that make completion of Stage 1 the Project impossible or economically unfeasible or unattractive.
- Unanticipated natural disasters, accidents, political opposition, litigation or other events associated with construction, development or operation of the Project.
- Lack of water, if the current source proves to be insufficient, and technical risks related to dewatering as mining commences and progresses.

Any of these risks or uncertainties could delay, or increase the costs associated with, Stage 1 of the Project or otherwise negatively impact the Project's development or operations, which, in turn, could have a material adverse effect of Sheffield's financial and operational performance.

In addition, any of the aforementioned risks or uncertainties in relation to Stage 1 of the Project may also give rise to an increase in the costs associated with, or delay, Stage 2 of the Project. No assurance can be given that the capital cost and development timeline estimates for Stage 1 or Stage 2 the Project will ultimately be achieved.

The scope, timing and estimated capital costs for Stage 2 of development of the Project are management estimates based on the BFS and the EPC Contract. The specific scope, timing and estimated capital costs for Stage 2 will be confirmed prior to any future investment decision being made. Accordingly, no assurances can be given in relation to those matters or in relation to the achievement of the currently indicated operating cost, revenue and production profile for Stage 2 that is included (for illustrative purposes) in this announcement.

1.2 Additional requirements for capital

Sheffield's capital requirements for Stage 1 of the Project depend on a number of factors.

Even assuming successful completion of the Equity Raising, Sheffield will not have sufficient funding for the development and ramp up of Stage 1 of the Project. Sheffield only expects to have sufficient funding for the development and ramp up of Stage 1 of the Project (during its two-year construction period) if the conditions precedent required to access funds under the NAIF Facilities (once definitive agreements have been entered into) and the Facility Agreement have all been satisfied; because only at that point in time would Sheffield have also satisfied the Equity Contribution condition, which is a condition to drawdown of those facilities.

Accordingly, Sheffield will require further equity financing in the future to satisfy the Equity Contribution condition. Any additional issues of equity are likely to dilute the holdings of existing shareholders and may be undertaken at lower prices than the current market price of Sheffield shares (or than the price at which existing shareholders acquired some or all of their Sheffield shares, including under this Equity Raising). By way of example, shareholders' holdings in Sheffield may be diluted if Sheffield determines that a pro rata entitlement offer alone is not the most appropriate method of raising further equity financing or to the extent that shareholders elect not to participate in such an entitlement offer.

While appropriate investigation and due consideration has been applied to estimating the capital costs and other start-up related costs for Stage 1 of the Project, including a degree of contingency, the actual costs incurred in developing Stage 1 of the Project may vary from current estimates. Additionally, the amounts raised under the Placement and SPP (as well as any further amounts to be raised to satisfy the Equity Contribution condition), and the amounts that may become available to Sheffield under the Facility Agreement and the proposed NAIF Facilities (once the conditions to drawdown in respect of both facilities have been satisfied), would be applied to fund only Stage 1 of the Project.

Sheffield is likely to require further financing in the future, including to fund Stage 2 of the Project, to fund other development or ongoing activities or because operating costs for the Project are different to those anticipated. To the extent that, in combination, the amounts: (1) raised under the Equity Raising and to be raised to satisfy the balance of the Equity Contribution condition; (2) available to Sheffield under its debt facilities; or (3) to be sourced from Sheffield's future operating cash flow, are not sufficient to meet its capital or operating expenditure or future funding requirements, Sheffield may be required to fund this expenditure or these requirements through asset divestitures, further equity issues, procuring additional debt funding from its financiers or a combination of each.

Sheffield has already entered into the Facility Agreement and has agreed certain non-binding terms in respect of the NAIF Facilities, key terms of which are described elsewhere in this announcement. The terms that debt financiers are willing to offer may vary from time to time depending on (among other things) macro-economic conditions, the performance of Sheffield and an assessment of the risks associated with the debt, including the intended use of funds. Any additional debt financing, if available, may involve restrictions on Sheffield, including its financing and operating activities, or its business strategy.

As noted above, any additional equity issues may dilute the holdings of existing shareholders and may be undertaken at lower prices than the current market price of Sheffield shares (or the price at which existing shareholders acquired some or all of their Sheffield shares, including under this Equity Raising).

1.3 Commodity price volatility

Following the commencement of production at the Project, Sheffield's financial performance will rely on the sale of its mineral sands products to customers under offtake agreements. Mineral sands prices may fluctuate as a result of a number of factors beyond Sheffield's control, including changes to global supply, demand, currency exchange rates, general economic conditions and other factors. For further details in respect of the supply risk and demand risk, refer to paragraphs 1.4 and 1.5 of this Appendix, respectively. Currency exchange rates are relevant because mineral sands prices are denominated in United States dollars and the income and expenditures of Sheffield are predominantly taken into account in Australian dollars. Therefore, Sheffield will be exposed to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined in international markets.

As noted elsewhere in this announcement, Sheffield already has in place a number of conditional offtake agreements with proposed customers. The price that Sheffield will receive for the supply of mineral sands products under those offtake agreements will be determined predominantly through periodic pricing negotiations. The offtake agreements have a fall-back position if the parties cannot agree on a negotiated price – in most instances, referring to industry prices as published or determined by TZ Minerals International Pty Ltd (**"TZMI"**). Accordingly, Sheffield's revenues are directly affected by fluctuations in price, and its ability to maintain its pricing position through those negotiations (including having regard to applicable developments in commodity prices generally). For the reasons mentioned above, Sheffield can give no assurances as to the prices it will achieve for any of its mineral sands products in the future. Any extended or prolonged decrease in the prices for mineral sands (particularly zircon and ilmenite) could have a material adverse effect on Sheffield's the results of the Project's operations and could make the development or operation of the Project uneconomic.

1.4 Supply risk and competition

The mineral sands industry is a concentrated market with a relatively small number of large producers dominating the market, coupled with a variety of much smaller producers.

According to analysis undertaken by TZMI, the mineral sands industry is expected to see a sustained curtailment in supply, particularly within the zircon sector, for the foreseeable future. However, there is no certainty that such supply shortages will exist in the future.

Sheffield competes with other mineral sands producers on the basis of price, quality and reliability of delivery. Sheffield's main competitors include major international mineral exploration and mining companies, such as Richards Bay Minerals, Rio Tinto QIT Fer et Titane Inc, Tronox, Iluka and Lomon Billions. These competitors are well established and have significantly greater financial resources than Sheffield. In addition, consolidation among any of Sheffield's competitors could enhance their business, financial resources, competitive position or ability to bring resources from development projects to market faster than Sheffield.

Discoveries by others of large mineral sands deposits or the development or expansion of projects undertaken by Sheffield's competitors, including those capable of establishing very large projects or those capable of completing projects more quickly than Sheffield, could create a material increase or oversupply in the market and a significant market imbalance. In addition, Sheffield's own actions in developing the Project are expected to increase supply and may have an impact on prices. Sheffield can give no assurances that there will not be an oversupply of its products, particularly zircon and ilmenite. Any oversupply of mineral sands could have a material adverse effect on mineral sands prices and therefore the results of the Project's operations.

Sheffield also faces competition from smaller mineral sands producers that operate in countries where labour and other costs are lower than in Australia, such as Indonesia. If Sheffield is unable to successfully compete in the markets in which it operates or is unable to establish a competitive position, this could have a material adverse effect on its business, financial condition and results of its future operations.

1.5 Demand risk

A sustained reduction in demand for mineral sands would reduce Sheffield's market and adversely affect prices.

Sheffield can give no assurances that there will be sufficient demand for its mineral sands products following the commencement of production at the Project. In addition, it is possible that substitutes to Sheffield's mineral sands products could be developed. If technological change resulted in affordable alternatives to Sheffield's products and Sheffield's offtake partners and/or targeted future customers switched to use of the alternative, demand for Sheffield's products could fall. Any substantial or extended decrease in demand for Sheffield's mineral sands products could have a material adverse effect on Sheffield's the results of the Project's operations and could make the development or operation of the Project uneconomic.

1.6 Title risk

Interests in tenements in Australia are governed by applicable State-based legislation and are evidenced by the granting of licences or leases. Each licence or lease is for a specific term and carries with it annual expenditure and reporting commitments, as well as other terms and conditions. Consequently, there is a risk that Sheffield could lose title to or its interest in its tenements, including the tenements comprising the Project, if any conditions are not met or (for example) if insufficient funds are available to meet expenditure commitments.

All of the tenements in which Sheffield has or may (in the future) have an interest, including the tenements comprising the Project, will be subject to renewal in accordance with their terms of grant. Such renewals are or will be at the discretion of the relevant government bodies and ministries in the jurisdiction, and often depend on Sheffield being successful in obtaining other required statutory approvals for its proposed activities. There is no assurance that such renewals or subsequent grants will be made, or that they will be granted or renewed without different or further conditions attached. If any of the tenements are not renewed for any reason, Sheffield may suffer loss (including through loss of opportunity to develop) and its financial position and performance may be materially adversely impacted as a result or otherwise.

1.7 Regulatory risk

The proposed operations of Sheffield at the Project will be subject to various Federal, State and local laws and policies, including (but not limited to) those relating to prospecting, development, mining, permit and licence requirements, industrial relations, environment, land use and access, royalties, water, native title and cultural heritage, mine safety and occupational health. Approvals, licences and permits required to comply with such laws and policies may, in some instances, be subject to the discretion of the applicable government or government officials, and, in some cases, the local community or other stakeholders. No assurance can be given that Sheffield will be successful in obtaining any or all of the various approvals, licences and permits or maintaining such authorisations in full force and effect without modification or revocation. To the extent such authorisations are required and not obtained or retained in a timely manner or at all, Sheffield may be curtailed or prohibited from continuing or proceeding with development, mining and/or exploration activities (at the Project or otherwise).

Mining development and operations can be subject to public and political opposition. Opposition may include legal challenges to exploration, development and mining permits, political and public advocacy, electoral strategies, ballot initiatives, media and public outreach campaigns and protest activity, all of which may delay or halt development, operations or expansion. For example, native title claimants (or determined native title holders) may oppose the validity or grant of existing or future tenements held by Sheffield in Australia, which may potentially impact Sheffield's future operations and plans. For tenements in Australia (that may be subject to registered native title claims or determinations) to be validly granted (or renewed), there are established statutory regimes that will need to be followed in connection with those grants (or renewals).

1.8 Contract and counterparty risk

As mentioned elsewhere in this announcement, Sheffield has contracts with various counterparties with respect to the sale of Stage 1 product from the Project. These contracts currently do not cover all product expected to be produced from the Project. There is no guarantee that Sheffield will be able to reach agreement on terms satisfactory to it for the sale of product not presently contracted. If Sheffield cannot reach agreement on satisfactory terms, this may have an adverse effect on Sheffield's future revenues.

Sheffield will rely on a contracted customer base to generate its revenue. Such exposure will be increased if Sheffield markets to customers in developing countries. If key customers default, exercise termination rights, cease dealing with Sheffield or reduce their demand for Sheffield's product once it has commenced mining, the ability of Sheffield to generate revenue from the Project may be adversely impacted (unless Sheffield is able to find and agree terms with replacement customers), and there can be no guarantee that Sheffield would be able to recover the full amount of any loss through legal action.

However, Sheffield has commercial practices in place designed to ensure that contracts for the sale of products are entered into with customers with an appropriate credit history or rating – or that otherwise have provided guarantees in the form of irrevocable letters of credit or parent company guarantees from parent companies which have an appropriate credit rating.

Additionally, a number of material contracts, including a mining services agreement, a gas supply agreement, and certain downstream power and gas arrangements, are currently being negotiated between Sheffield and the applicable proposed counterparties. There is a risk that these contracts will not be agreed, or will be agreed only on terms that are less favourable to Sheffield than anticipated, which could have a material adverse effect on Sheffield's financial and operational performance.

The conditions precedent to drawdown under the Facility Agreement include Sheffield securing the Equity Contribution and the entry into by Sheffield of definitive agreements in respect of certain material contracts, including a mining services agreement and gas supply agreement. Accordingly, Sheffield will not be able to drawdown under the Facility Agreement unless the Equity Contribution condition is satisfied and the relevant material contracts are agreed.

1.9 Key contractors

Sheffield has appointed GRES as its EPC contractor, and is currently using, and will in the future use, other external contractors or service providers for many of its activities, including mining services. As such, the failure of any current or proposed contractors, subcontractors appointed by its current or proposed contractors or other service providers to perform their contractual obligations may negatively impact the business of Sheffield. Whilst Sheffield has selected its appointed key contractors carefully and with suitable regard to their performance and delivery track record, Sheffield cannot guarantee that such parties will ultimately fulfil their contractual obligations and there is no guarantee that Sheffield would be successful in enforcing any of its contractual rights through legal action. Disagreements between Sheffield and key contractors or a failure of a key contractor to adequately manage a project poses a further risk of financial loss or legal or other disputes. Further, the insolvency or managerial failure by any such contractors or other service providers may pose a significant risk to Sheffield's future operating and financial performance and financial position.

1.10 Reliance on key personnel

Sheffield is dependent on the experience, skills and knowledge of its senior management team and key employees, including to manage the day-to-day requirements of its business. Such senior managers and key employees provide expertise and experience in the implementation of its strategy, and are important to Sheffield's ability to carry out its business and to attract and maintain key relationships. The loss of any of Sheffield's existing senior management or key employees, or the inability to recruit relevant staff, as needed, may cause a significant disruption to Sheffield and adversely affect Sheffield's business, cash flow, financial condition and results of its proposed operations at the Project.

In addition, Sheffield's proposed Project is located in a relatively remote area where lack of access to skilled labour could be an issue. Any inability by Sheffield or its key contractors to obtain skilled workers when required could have a material adverse effect on Sheffield's business, financial condition and future results of operations.

1.11 Interest rate risk

The interest on Sheffield's debt facilities includes fixed and floating interest rates.

Up to US$75 million of debt will have an interest rate based on LIBOR plus a margin. Accordingly, any significant or sustained increase in LIBOR may have a material adverse effect on Sheffield.

Up to US$100 million of debt will have a fixed interest rate.

Subject to Sheffield and NAIF entering into definitive agreements in respect of the NAIF Facilities, up to A$95 million of debt will have a concessional interest rate at commencement, that may be subject to step-ups to bring it in line with commercial rates after a fixed period of time has elapsed or (if earlier) the Stage 1 development for the Project has completed if certain interest cover ratios hurdles are exceeded, or at any time if Sheffield materially breaches certain obligations.

1.12 Taurus royalty risk

If certain default events occur under the Taurus royalty deed (including, amongst others, non-payment or breach of other obligations by Sheffield under the royalty deed), each royalty holder has an option to terminate future royalty obligations that are owing to it and instead demand a termination payment from Sheffield. In order to constitute a trigger for a termination payment, such default event must also remain un-remedied for at least 6 months and the default event must be likely to have a material adverse effect on Sheffield or the value of the royalty or likely to cause material loss to the royalty holder.

If a termination payment is demanded, it will be calculated by reference to the projected value of the remaining royalty payments. The amount of any such termination payment may be significant and therefore any requirement for Sheffield to pay this amount may have a material adverse effect on Sheffield's financial position and performance, and Sheffield may be required to source additional debt or equity funding to meet its obligation to pay the termination payment, and there can be no assurance that any such funding would be available to Sheffield or that it would be available on terms that are acceptable to Sheffield. For further details in respect of the risk of additional funding requirements, refer to paragraph 1.2.

1.13 Reserves and resources

Sheffield's JORC Code-compliant ore reserves ("**Ore Reserves**") and mineral resources ("**Mineral Resources**") for the Project are expressions of judgement based on industry practice, experience and knowledge and are estimates only. Estimates of Ore Reserves and Mineral Resources are necessarily imprecise and depend to some extent on interpretations which may prove inaccurate. No assurance can be given that the estimated Ore Reserves and Mineral Resources are accurate or that the indicated level of zircon, ilmenite or any other mineral will be produced. Such estimates are, in large part, based on interpretations of geological data obtained from drill holes, and geological testing and sampling techniques. Actual mineralisation or geological conditions may be different from those predicted. Furthermore, no assurance can be given that any or all of Sheffield's Mineral Resources constitute or will be converted into Ore Reserves.

Actual Ore Reserves and Mineral Resources may differ from those estimated, which could have a positive or negative effect on Sheffield's financial performance. Commodity price fluctuations as well as increased production and capital costs may render Sheffield's Ore Reserves unprofitable to develop at a particular site or sites for periods of time or may render Ore Reserves containing relatively lower grade mineralisation uneconomic. Estimated Ore Reserves may have to be recalculated based on actual production experience. Any of these factors may require Sheffield to reduce its respective Ore Reserves and Mineral Resources, which could have a negative impact on Sheffield's financial results and the expected operating life of the Project.

1.14 Operational risks

Sheffield's proposed operations at the Project following the commencement of production may be affected by various factors, including (but not limited to):

- failure to locate or identify mineral deposits;
- failure to achieve expected grades in exploration and mining;
- unanticipated operational and technical difficulties encountered in mining and production activities;
- difficulties in commissioning and operating plant and equipment;
- mechanical failure of operating plant and equipment;
- interruption or loss of power, fuel or spare parts;

- unanticipated metallurgical problems which may affect extraction costs;
- seasonal weather patterns, storms, heavy rains and floods, bushfires, high winds and cyclone activity and other natural disasters;
- industrial and environmental accidents, industrial disputes, work stoppages and other events;
- the level of experience of the workforce;
- unexpected shortages or increases in the costs of labour, consumables, spare parts, plant and equipment and certain commodities necessary to Sheffield's proposed mining process (such as water, fuel, gas and electricity);
- inability to obtain necessary consents or approvals;
- increased or unexpected reclamation and rehabilitation costs;
- health and safety risks; and
- changes to applicable laws and regulations.

The occurrence of any of these circumstances could result in Sheffield not realising its development, commissioning or operational plans, or such plans costing more than expected or taking longer to realise than expected. Any of these outcomes could have a material adverse effect on the Project's (and therefore Sheffield's) financial and future operational performance.

1.15 Infrastructure, transportation and remoteness of operations

The product from the Project will need to be to be transported to customers internationally. Each stage of the transportation process poses risks, including, as a result of the remoteness of the Project. Fuel costs, unexpected delays and accidents could materially impact Sheffield's financial position. Further, there are risks associated with the availability of adequate trucking and port facilities and the process for obtaining approvals to access these facilities (including the timing and conditions on which access may be granted). If Sheffield is not able to access the required infrastructure within a certain time period or at a reasonable cost, this could adversely affect Sheffield's proposed operations and financial performance. The price of sea freight, smelting and refining charges are market driven and can vary throughout the life of the Project. These will also impact on the overall profitability of Sheffield.

1.16 Native title

In relation to tenements in which Sheffield has an interest or will in the future acquire such an interest (including through a tenement application and grant process), there may be areas over which native title rights exist, or are found to exist in the future. If native title rights do exist, the ability of Sheffield to gain access to tenements (through obtaining consent of any relevant landowner), or to progress from the exploration phase to the development and mining phases of operations may be adversely affected. Sheffield has entered into a native title agreement covering the grant of M4/459 and associated activities with the Mount Jowlaenga #2 People ("**Mining Agreement**"), and a separate native title agreement covering the grant of L4/82 and L4/83 and associated activities with the Walalakoo Aboriginal Corporation on behalf of the Nyikina Mangala People ("**Infrastructure Agreement**") (together, the "**Agreements**"). The Agreements cover future renewals or replacements of M4/459, L4/82 and L4/83, but do not otherwise cover the grant of other tenure.

Where native title rights may or do exist, Sheffield cannot do anything that may affect native title without first complying with the applicable procedural provision of the *Native Title Act 1993* (Cth) (**NTA**) (otherwise, the relevant "act" will be invalid as it affects native title (eg, the grant of a new tenement)). Where native title rights may or do exist, and Sheffield applies for the grant of new tenements by the State that may affect native title (eg mining leases, prospecting licences, miscellaneous licence), the State may be unable or unwilling to grant the tenure until the relevant NTA procedural requirement has been discharged.

However, once the NTA procedural requirement has been discharged and the tenement validly granted to it, Sheffield can then exercise its rights pursuant to those tenements.

Where Sheffield acquires (or already holds) an existing interest, that interest will only be valid (from an NTA perspective) if – when it was granted or last renewed, if applicable – the relevant NTA procedural requirement was complied with. Under the Agreements, the respective native title groups have agreed not to challenge the validity of M4/459, L4/82 and L4/83.

Under the NTA, determined native title holders whose native title has been (or is, in the future) affected (eg by the grant of, and development on, a mining lease), are in certain circumstances entitled to compensation for the impact on their native title. While the Commonwealth, State and Territory governments are predominantly responsible for native title compensation under the NTA, there are also circumstances where that liability has or can be passed on to proponents (for example, see s125A of the Mining Act 1978 (WA)).

In relation to the Project, native title claims have been registered and/or determined, and further claims may be lodged and registered, over certain areas of mining tenements in which Sheffield has an interest.

Under the NTA, where a proposed "act" (eg, the grant of a mining lease) attracts the "right to negotiate" NTA procedure, Sheffield is required to negotiate in good faith for at least 6 months with the Native Title claimants/holders with the aim of reaching agreement as to whether the proposed "act" can be done. Future Sheffield projects may require tenure that attracts the "right to negotiate" procedure. Should negotiations not result in an agreement, an application may then be made to the National Native Title Tribunal (**"NNTT"**) for a determination that the grant proceed, notwithstanding an agreement was not reached (the relevant NTA procedure does not require an actual agreement be entered into, it requires that the parties negotiate in good faith towards that end). If the NNTT can be convinced that the "right to negotiate" procedure has been properly discharged, the NNTT will determine that the relevant grant can proceed (following which, the State will proceed to grant the tenement).

For various reasons, Sheffield may elect to negotiate and enter into an agreement with native title claimants or determined native title holders (such as the Agreements referred to above). Such agreements often go beyond native title consents, and can cover matters such as cultural heritage, environmental approvals, monitoring, the payment of compensation, etc. Should agreements be reached, those agreements may be extensive and costly to perform, depending on the outcome of negotiations.

The Agreements referred to above cover a number of significant matters aside from the grant of tenure, including among other things cultural heritage matters, environmental matters, employment and training opportunities, business development and contracting opportunities, and the payment of compensation.

If Sheffield is required to litigate a native title matter (for example: (a) it may need to seek a determination from the NNTT that the "right to negotiate" procedural requirement has been discharged, (b) it may need to contest a native title determination where the native title claim group allege existing Sheffield tenure is invalid as it affects native title, or (c) it may be the respondent party in a native title compensation claim), or if Sheffield enters into a costly agreement with a Native Title claim group or determined holders, this could have a material adverse effect on Sheffield's business, financial condition or results of its future operations.

Where Sheffield is entering into a contractual agreement with a native title claim group (that have not had their claim determined), there is always a risk that a competing native title claim may be filed that overlaps the existing claim. If that new/overlapping claim meets the NNTT's registration test (as set out in the NTA), the applicable procedural requirements of the NTA (eg for the grant of new tenure), would need to be discharged in respect of both claims. Where Sheffield has an agreement with one claim group, but not the other, Sheffield will not have the benefit of the contractual consents from the new/overlapping group, which may cause significant costs and delays (eg to the grant of the proposed tenement). This could potentially apply in relation to the Mining Agreement with the Mount Jowlaenga #2 People, although the grant of M4/459 has already been secured. This would not apply to the Infrastructure Agreement with the Walalakoo Aboriginal Corporation, as the relevant native title claim has already been determined.

1.17 Aboriginal heritage

In Western Australia, the *Aboriginal Heritage Act 1972* (WA) (**"AHA"**) protects Aboriginal remains, relics and ethnographic sites from undue interference. The AHA makes it an offence for any person to excavate, destroy, damage, conceal or in any way alter any "Aboriginal site" without authorisation from the Registrar of Aboriginal Sites or the consent of the Minister for Aboriginal Affairs.

The *Aboriginal and Torres Strait Islander Heritage Protection Act 1984* (Cth) (**"HPA"**) provides for the preservation and protection of "significant Aboriginal areas" and "significant Aboriginal objects" throughout Australia which are of particular significance to Aboriginal persons in accordance with Aboriginal custom. The HPA does not provide blanket protection to any area or object that meets the statutory requirements (unlike the AHA). Protection is instead afforded to an area or object when the Minister or an "authorised officer" makes a declaration in respect of that area or object upon an application by an Aboriginal person. Such a declaration has the effect of prohibiting injury to, or the desecration of, the relevant "area" or "object" specified in the declaration.

Although there is a State register of known Aboriginal sites maintained by the Department of Planning, Lands and Heritage, it is not comprehensive and Aboriginal sites are protected whether or not they have been identified on the register. Agreements negotiated with traditional owners in relation to heritage, and processes associated with identifying (and seeking statutory consents to impact, where available) Aboriginal heritage sites, could have a material adverse effect on Sheffield's business, financial condition or results of its future operations.

The Agreements contain processes for conducting heritage surveys for proposed activities, which are ultimately either 'cleared' or not 'cleared' by the relevant native title group. There are some carve-outs under the Agreements for certain activities conducted within certain areas which are taken to be cleared as a result of previous surveys.

In relation to the Project, there is some level of risk that the relevant native title groups may refuse to clear proposed activities on M4/459, L4/82 or L4/83 under the Agreements so that they cannot proceed. However, no Aboriginal sites are known to exist following extensive surveying spanning several years. This assists in reducing the likelihood of material heritage issues being raised including as part of surveys conducted under the Agreements.

1.18 Environmental risks

Mining and exploration can be potentially environmentally hazardous, giving rise to potentially substantial costs associated with environmental rehabilitation, damage control and other losses. Sheffield is subject to State and Federal environmental laws and regulations in connection with Sheffield's activities and intended operations at the Project. There is a risk of environmental damage arising from Sheffield's proposed operations, including through accident, which may give rise to liabilities and costs for Sheffield. As a result, Sheffield could be subject to liabilities and the potential for its proposed Project operations to be delayed, suspended or shut down due to risks inherent in its activities, including as a result of unforeseen circumstances or events.

Additionally, environmental laws and regulations are increasingly evolving to require stricter standards and enforcement behaviours, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility (and liability) for companies and their officers, directors and employees. Changes in environmental laws and regulations deal with air quality, water and noise pollution and other discharges of materials into the environment, plant and wildlife protection, the reclamation and restoration of mining properties, greenhouse gas emissions, the storage, treatment and disposal of wastes, the effects of mining on the water table and groundwater quality. Changes in environmental legislation could increase the cost of Sheffield's exploration, development and mining activities or delay or preclude those activities altogether.

1.19 Water sources

Sheffield's proposed mining process will require significant amounts of water. Climate-related changes to precipitation patterns in Australia could exacerbate water stress in some areas and therefore potentially have a negative impact on Sheffield's ability to access fresh water and process ore at its Project.

Sheffield is seeking to extract water from borefields within the Project site to access the Broome aquifer. Total extraction of the aquifer is immaterial relative to its size and hydrological structure. Notwithstanding this, where water shortages are present, the effects of changes in rainfall patterns, water allocations and storm patterns and intensities may adversely impact the cost, production and financial performance of Sheffield's future operations, as well as its ability to mine certain deposits in future.

2. GENERAL RISKS

2.1 Market conditions

There are general risks associated with investments in equity capital. The trading price of Sheffield shares may fluctuate with movements in equity capital markets in Australia and internationally, and may also be influenced by a number of factors, some of which are specific to Sheffield and its proposed operations and some of which affect listed companies generally.

Generally applicable factors which may affect the market price of shares include:

- general movements in Australian and international stock markets;
- changes in investor sentiment toward particular market sectors;
- general Australian and international economic conditions and outlook;
- changes in interest rates and the rate of inflation;
- the demand for, and supply of, capital;
- changes in government regulation and policies;
- announcement of new technologies; and
- geo-political instability, including international hostilities and acts of terrorism.

The market price of shares can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource stocks in particular. This may result in the market price for the Placement Shares and SPP Shares (together, the "**New Shares**" (as applicable)) being less or more than the Offer Price. No assurances can be given that the new shares offered under the Equity Raising will subsequently trade at or above the Offer Price or will continue to do so even if they do initially. Neither Sheffield nor its directors warrant the future performance of Sheffield, Sheffield shares or any return on an investment in Sheffield (whether under the Equity Raising or otherwise).

2.2 Liquidity risk

There can be no guarantee that there will always be an active market for Sheffield's shares or that the price of Sheffield's shares will increase. There may be relatively few buyers or sellers of shares on ASX at any given time, and the demand for Sheffield shares specifically is subject to various factors, many of which are beyond Sheffield's control. This may affect the stability or volatility of the market price of Sheffield shares, and may also affect the prevailing market price at which Sheffield shareholders are able to sell their Sheffield shares at any given time. This may result in Sheffield shareholders receiving a market price for their Sheffield shares that is less or more than the price paid for New Shares under the Placement or SPP (as applicable).

2.3 Taxation

Future changes in taxation law, including changes in the interpretation or application of the law by the courts or taxation authorities, may affect taxation treatment of an investment in Sheffield shares or the holding and disposal of those shares. Further, changes in tax law, or changes in the way tax law is expected to be interpreted, in the various jurisdictions in which Sheffield operates, may impact the future tax liabilities and performance of Sheffield.

2.4 Litigation

As at the date of this announcement, Sheffield is not aware of any material disputes or litigation with respect to it or its activities. However, like any company operating in the resources sector, it is possible that Sheffield may be involved in disputes and litigation in the course of its future operations. There is a risk that any material or costly dispute or litigation (including any compensation or damages ultimately payable by Sheffield) could adversely impact the financial position or performance of Sheffield.

3. RISKS ASSOCIATED WITH THE EQUITY RAISING

3.1 Dilution

As a result of the issue of Placement Shares, assuming the Underwriting Agreement is not terminated and no convertible securities are converted into Sheffield shares prior to the last issue date of Placement Shares under the Placement, the number of Sheffield shares will increase from 230,471,056 to approximately 255,441,868. This means the number of Sheffield shares on issue will increase by up to approximately 10.8% on completion of the Placement. If the Company raises A$3 million under the SPP, a further 4,615,384 Sheffield shares will be issued.

As a result of the Placement, the holdings of all existing Sheffield shareholders (other than those, if any, participating in the Placement) will be diluted, regardless of whether they apply for their full entitlement of A$15,000 worth of SPP Shares under the SPP.

If eligible shareholders do not apply for their full entitlement of A$15,000 worth of SPP Shares under the SPP, then, on completion of the Placement and SPP, their percentage holding in Sheffield will be further diluted by not participating to the full extent available under the SPP. The holdings of shareholders who are not eligible to participate in the SPP will also be further diluted as a result of the issue of SPP Shares by Sheffield under the SPP (in addition to the dilution of their holdings as a result of the Placement).

Sheffield expects to offer and issue further shares in the future to raise additional equity capital to satisfy the Equity Contribution condition, which is likely to cause future dilution (depending, in part, on the structure of the raising undertaken).

3.2 Underwriting risk

Sheffield has entered into an underwriting agreement with Credit Suisse (Australia)_Limited and Royal Bank of Canada (trading as RBC Capital Markets) (together, the "Joint Lead Managers"), under which the Joint Lead Managers have agreed to underwrite the Placement up to approximately A$15 million (**"Underwriting Agreement"**), subject to the terms and conditions of the Underwriting Agreement.

The Co-Lead Manager of the Placement is Bridge Street Capital Partners.

If certain conditions contemplated by the Underwriting Agreement are not satisfied or certain other events occur prior to 4.00pm on the date of settlement of the Placement Shares, the Joint Lead Managers may terminate the Underwriting Agreement. Among other events, the Joint Lead Managers may terminate the Underwriting Agreement in circumstances where:

- ASX announces that Sheffield will be removed from the official list or that any Placement Shares will be delisted or suspended from quotation by ASX for any reason.
- Approval of the quotation of the Placement Shares has not been given by ASX by the time required in the timetable.
- A statement contained in any of the public materials issued in connection with the Placement (including ASX announcements) or other public information (including press releases regarding the Placement or Sheffield) (**Placement Materials**) is or becomes misleading or deceptive or likely to mislead or deceive.
- There is a material adverse change, or an event occurs which is likely to give rise to a material adverse change, in the assets, liabilities, financial position, results, condition, operations or prospects of the Sheffield and its subsidiaries (as a whole) from the position disclosed by Sheffield to ASX before the date of this announcement.
- Sheffield alters its capital structure other than pursuant to the Placement or the SPP, without the prior consent of the Joint Lead Managers.
- Sheffield is in breach of any terms or conditions of the Underwriting Agreement or any of its representations or warranties are or become incorrect, untrue or misleading.
- There is a change in the senior management or the board of directors of Sheffield.
- The EPC Contract or the Facility Agreement have been terminated, breached, rescinded or varied without the prior written consent of the Joint Lead Managers.
- At the close of business on any trading day from and including the date of this announcement, the S&P/ASX 300 Index has fallen to or below a specified level with such specified level based on the level of that index on the close of business on the trading day prior to the date of this announcement.
- Hostilities not presently existing commence (whether war has been declared or not) or a major escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, the United States of America, United Kingdom, Japan, North Korea, any member state of the European Union, the People's Republic of China or Hong Kong or a major terrorist act is perpetrated anywhere in the world.

In some cases, the ability of the Joint Lead Managers to terminate the Underwriting Agreement will depend on whether, in the actual and reasonable opinion of the Joint Lead Managers (or the relevant Joint Lead Manager, if applicable), the event has, or is likely to have, a material adverse effect (in individual or in the aggregate) on the marketing, settlement or outcome of the Placement, the value of Sheffield's shares, or the willingness of investors to subscribe for Placement Shares, or on the business, financial position or prospects of Sheffield and its subsidiaries (as a whole), or whether it leads to, or is likely to lead to, a liability of the Joint Lead Managers or a contravention by the Joint Lead Managers, or the Joint Lead Managers being involved in a contravention of, the Corporations Act or any applicable law.

Termination of the Underwriting Agreement would have an adverse impact on Sheffield's ability to raise approximately $16 million under the Placement, if the agreement is terminated before settlement of the Placement and placees in respect of which allocations of Placement Shares have been made subsequently fail to settle. This would, in turn, compromise a material source of funding for Stage 1 of the Project - because it could compromise Sheffield's ability to satisfy the Equity Contribution condition (to drawdown under the Facility Agreement and the NAIF Facilities) - and otherwise meet the current development schedule for the Project. In these circumstances, Sheffield would be required to source additional funding (of the shortfall), by way of additional debt or equity financing (or a combination of each), and there can be no assurance that any such funding would be available to Sheffield or on what terms. For further details in respect of the risk of additional funding requirements, refer to paragraph 1.2.

3.3 Investment speculative

The above risk factors are not an exhaustive summary of the risks faced by Sheffield or by investors in Sheffield. The above factors, and others not specifically referred to in this announcement, may in the future materially affect the financial position and performance of Sheffield and the value of the New Shares offered under the Placement and SPP (as applicable). To avoid any doubt, the New Shares offered under the Placement and SPP (as applicable) carry no guarantee or assurance with respect to the payment of dividends, returns of capital or the market value of those Shares. Potential investors should consider any investment in Sheffield as highly speculative and should consult their professional advisers before deciding whether to apply for New Shares pursuant to the Placement and SPP (as applicable).

APPENDIX 2: DISCLAIMER

No party other than Sheffield has authorised, permitted or caused the issue, lodgement, submission, dispatch or provision of this announcement, or makes, or purports to make, any statements, representations or undertakings in this announcement. None of Sheffield's advisers, Joint Lead Managers, or their respective affiliates, related bodies corporate, directors, officers, partners, employees and agents (each a **"Limited Party"**), have authorised or are responsible for, permitted or caused the issue, submission, dispatch or provision of this announcement and none of them makes or purports to make any statement in this announcement and there is no statement in this announcement which is based on any statement by any of them. The Limited Parties do not make any recommendation as to whether any potential investor should participate in the Equity Raising.

Neither Sheffield nor any Limited Party makes any warranty concerning the offer of Placement Shares and SPP Shares (as applicable) referred to in this announcement. To the maximum extent permitted by law, none of Sheffield, its affiliates and related bodies corporate and their directors, officers, partners, employees and agents, and each Limited Party (together, the **"Sheffield Parties"**) makes any representation or warranty (express or implied) as to the fairness, accuracy, reliability, currency or completeness of the information, opinions and conclusions contained in this announcement by any person. To the maximum extent permitted by law, the Sheffield Parties exclude and disclaim all liability for any statements, opinions, information or matters (express or implied) arising out of, or contained in or derived from this announcement, or for any omissions from this announcement, including without limitation for negligence or for any expenses, losses, damages or costs incurred by you as a result of your participation in the Equity Raising and the information in this announcement being inaccurate or incomplete in any way for any reason, whether by negligence or otherwise.

Further, to the maximum extent permitted by law, no Limited Party accepts any fiduciary obligations to or relation with any investor or potential investor in connection with the offer of the Placement Shares and SPP Shares (as applicable), or otherwise, and by accepting this announcement each recipient expressly disclaims any fiduciary relationship and agrees that it is responsible for making its own independent judgements with respect to the Placement Shares and SPP Shares (as applicable) referred to in this announcement, and any other transaction or other matter arising in connection with this announcement.

The Joint Lead Managers and/or other Limited Parties may have an interest in Sheffield shares, including providing financial advisory services to, Sheffield. Further, they may act as market maker or buy or sell those securities or associated derivatives as principal or agent. The Joint Lead Managers may receive fees for acting in the capacity as joint lead managers, underwriters and/or bookrunners, as applicable, to the Placement referred to in this announcement.

The Sheffield Parties will have no responsibility and disclaim all liability to the maximum extent permitted by the law to persons who trade Placement Shares and SPP Shares (as applicable) they believe will be issued to them before they receive their holding statements, whether on the basis of confirmation of the allocation provided by Sheffield or its share registry or otherwise, or who otherwise trade or purport to trade Placement Shares and SPP Shares (as applicable) in error or which they do not hold or are entitled to.

Investors acknowledge and agree that determination of eligibility of investors for the purposes of the Placement was determined by reference to a number of matters, including legal and regulatory requirements, logistical and registry constraints and the discretion of Sheffield and/or the Joint Lead Managers, and each of Sheffield and the Limited Parties disclaims any duty or liability (including for negligence) in respect of that determination and the exercise or otherwise of that discretion, to the maximum extent permitted by law. The Joint Lead Managers may have relied on information provided by or on behalf of institutional investors in connection with managing, conducting and underwriting the Placement without having independently verified that information and the Joint Lead Managers do not assume responsibility for the accuracy or completeness of that information.