Dr Chris Baker
June 2024

BRIDGE STREET
CAPITAL PARTNERS

SHEFFIELD RESOURCES LTD (SFX AU, $0.315/sh, Market cap A$124m)

A review of Thunderbird's commissioning challenges
Throwing the baby out with the bathwater.

- SFX released a production update for the Thunderbird project in late May and has provided lower price realisation and higher cost guidance. This follows on from throughput issues in the March quarter and is reflective of risks associated with the commissioning of a somewhat unconventional mineral sand project.
- We have further escalated our modelled costs, reduced our concentrate production levels, dropped our short-term zircon concentrate price achievement and have therefore wound back our cashflow, earnings and valuation estimates. Our valuation for SFX has dropped from $1.85 to $1.45/share.
- We remain confident in the quality of the Thunderbird project and believe that attractive zircon concentrate prices will be achieved over the next 12 months. No change to our US$780/t (FOB) long term estimate (now ramping up into late 2026). No change to pricing of ilmenite concentrate.
- The outlook for Thunderbird costs remains less certain, but we'd hope the estimated costs in the recent release ("A$55-60m/quarter") will be no higher. We think the cost blow-out has come as a bit of a surprise for a company with a reputation for conservative disclosure.
- While it's disappointing to have to mark back our earnings and valuation, there is now every reason to think that our estimates are achievable. And if they are, there is still plenty of value to be had in SFX. We are therefore very surprised that the market has treated the share price so harshly.
- The dramatic share price fall suggests to us that some are of the view that Thunderbird is a repeat of Strandline's Coburn issues. We do not share that view. Cashflows over the short term will be tight. However, based on our estimates, we think SFX can proceed through to the completion of commissioning without additional capital, providing the growth in concentrate production, and pricing, meets our revised estimates.
- We see an equity raise by SFX to cover a cashflow shortfall as unlikely based on these assumptions.
- KMS's cash balance at March was $20.9m with a small balance in the cost overrun facility. SFX's cash balance at March was $20.1m.
- We see the March quarter as having been the toughest period for ramp-up and forecast the project to become cashflow positive into the September quarter as Thunderbird moves toward full production.
- Should this be the case, the current share price malaise represents an excellent entry point for what we believe will become a world class source of zircon and TiO_2 feedstock.

We make the following observations:

Mining rates

- The first key issue is to establish that mining rates can achieve levels somewhere close to that proposed in the BFS. According to the recent release, the ramp up of mining rates is now in line with projection with successful modifications of the dry mining unit (DMU). The mining rate in May (750kt) was significantly higher than during the March quarter (which averaged around 370kt/month). According to SFX this rate is *"consistent with the ramp up schedule toward an annualised mining rate of 10mtpa".*

Mining costs

- We were surprised to see the announced 38% to 50% rise in quarterly costs (A$55-60m vs our estimate – and that of the 2022 DFS – of around $40m). We accept that inflation within the WA mining sector has been significant, but there appears to be more at play here.
- The hard ore will be taking its toll on the DMU, machinery, pumps, etc. so maintenance costs will certainly be higher.
- Perhaps we were all lulled into a false sense of security with the completion of the project on budget. Perhaps the operating costs were not looked at closely enough by KMS.
- We had previously assumed ore mining costs at around $3-4/t of ore processed; we infer they will be close to $8/t at full Stage 1 capacity. Processing costs we had estimated just under $4/t. We infer they are now closer to $5/t.

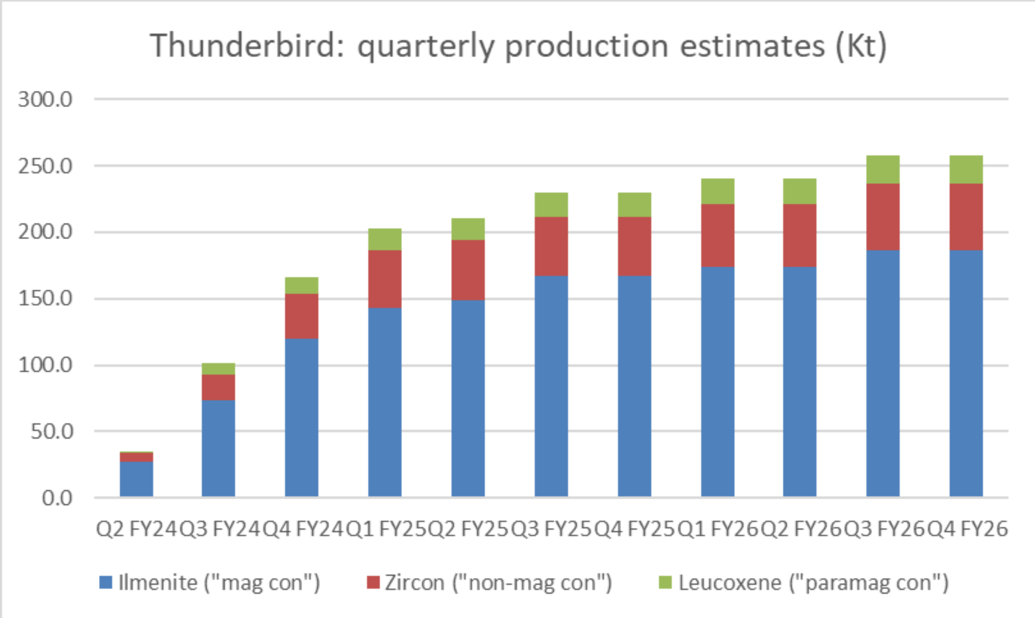
- We have done nothing other than to adopt the midpoint of the SFX-suggested quarterly cost range at A$57.5m (excluding royalties) going forward for Stage 1.
- The company talks to a strong cost focus and that tailings costs will reduce with in-pit disposal. We await further updates from the company.

Metallurgical performance

- The second key issue relates to the performance of the orebody and of the plant itself. The March quarterly reported solid recoveries from the processing plant, demonstrating that the plant is fit for purpose. No change it seems from what was stated in the March quarterly, with (again to quote) *"with higher than design recovery of ilmenite concentrate and zircon concentrate respectively from the ore fed to the WCP spirals, with the over recovery weighted towards ilmenite concentrate."*
- There appears to be some confusion regarding plant recoveries as described by SFX. As we describe in some detail in Appendix 1, the plant is having to deal with a 25% deficit of -2mm feed to the MUP yet is producing only a 15% deficit in mineral concentrate. This is a good result and could be because of one or all of the following:
    - the grades of the undersize are higher than expected (with the oversize depleted in HMC relative to the undersize). This was noted in the original DFS.
    - the met recovery through the WCP is higher than projected.
    - larger tonnes of lower grade concentrates are being produced.
- We have chosen to reduce our near-term production estimates, assuming that there is no remedy to this "-2mm deficit" issue and that the orebody continues to produce 30% untreatable +2mm product. The following table summarises our new estimates out to 2027.

DFS		2024	2025	2026	2027
Ilmenite con	Kt	518	725	740	781
Zircon con	Kt	138	202	208	219
BSCP (revised)*					
Ilmenite con	Kt	440	621	659	659
Zircon con	Kt	124	165	178	178
Difference					
Ilmenite con		-15%	-14%	-11%	-16%
Zircon con		-10%	-18%	-15%	-19%
* Excludes 2023 production					

- We believe dropping production estimates by between 10 and 19% against BFS (2022) estimates as being sufficiently conservative. These estimates must be regarded as preliminary and await further guidance from the company. The June quarterly will be an important release to assist with future estimation.
- The production ramp up is forecast to accelerate into the current quarter. And in fact our estimates of cumulative production levels are not that much lower than that proposed in the 2022 BFS, assisted by an early start to production in the December 2023 quarter. Note that we have excluded the sale of any volume of the so-called Leucoxene concentrate until a market for this material can be established.



Source: SFX March quarterly and BSCP estimates

- The company has spoken about modifying the existing DMU to increase liberation of undersize, and increasing DMU capacity as possible solutions. A second DMU (suggested to be of modest capital cost, perhaps $20m) is a possible solution as well but work needs to be completed to identify the best way forward. No point in considering this as an option until the project is ramped up to maximum capacity, and until the future options are clearer.
- Therefore, we do not incorporate these scenarios into our estimates. However, it might be a logical and low capex approach, should there remain excess capacity within the MUP and CUP.
- We look forward to commentary from the company – at the right time – regarding performance of the orebody, especially grade reconciliation. No doubt the geologists on site are monitoring this closely.

Concentrate pricing

- Lower than expected price achievement for zircon concentrate in the March quarter (US$702/t, A$1,016/t vs our previous long-term assumption of US$800/t, A$1,140) was disappointing. This appeared to have been a result of lower zircon concentrate grades than expected (37% vs 39% we think), a lesser proportion of premium zircon (typically defined by ZrO_2, iron and TIO_2 content) and lower than expected contributions from byproducts (TiO_2 minerals and monazite).
- Surprisingly, in SFX's recent release, the company flags a further 10% (approx.) reduction in price achievement for the zircon concentrate. This discount has been applied as Asian off-takers work out how to optimise processing of this new concentrate. As well lower credits from ilmenite and monazite by-products have been confirmed.
- SFX noted in a recent webinar that the zircon concentrate quality could be improved by an acid wash (removing impurities such as iron staining on the crystal surfaces). We understand this is being examined by some off-takers.
- SFX has said that it expects the discount to unwind over the course of FY2025. KMS has an experienced marketing team with key players who introduced zircon concentrates into China for Iluka. Their key aim has been to keep customers honest and maximise received concentrate price, and we see no reason why this approach will not be maintained.
- KMS have off-take agreements with three upgraders, so it may be possible to play one against the other going forward as well as new off-takes for the 25% of the concentrate that is not under contract.
- We retain a positive pricing view for zircon, and see more upside going forward given the parlous state of SFX's competitors. We have lifted our premium zircon price assumption by US$50/t to US$1800/t (long term, real basis, CIF). We note that industry consultants TZMI continues to run with a long-term estimate of around a similar number. Any number lower than this in our view does not reflect the severe supply squeeze which will face the ceramics industry over the next 2 years.

- We only need to look at Iluka's March quarterly to see the ongoing downward spiral in zircon production from the company. ILU reported zircon sales at 48kt for the period, nearly twice the previous quarter. Perhaps this is the start of the restocking cycle.
- ILU remains the largest supplier of zircon globally, but with perhaps 1/3 to 1/2 of the volume now being drawn from a 1.5-2 year inventory position. The company's flagship mine, Jacinth-Ambrosia, is approaching closure.

ILUKA MINERAL SANDS PRODUCTION	Q1 23	Q4 23	Q1 24	Q1 24 vs Q4 23	Q1 24 vs Q1 23
	kt	kt	kt	%	
ZIRCON SAND					
Jacinth-Ambrosia / Mid west WA	59.3	39.0	20.6	(47.2)	(65.3)
Cataby/South west WA	-	15.7	3.6	(77.1)	n/a
Total zircon	**59.3**	**54.7**	**24.2**	**(55.8)**	**(59.2)**
ZIC[3]					
Jacinth-Ambrosia / Mid west WA	-	28.9	6.9	(76.1)	n/a
Cataby/South west WA	-	1.3	6.1	369.2	n/a
Total ZIC	**-**	**30.2**	**13.0**	**(57.0)**	**n/a**

Source: ILU March quarterly report

- Despite the woes of the Chinese property sector, prices of premium zircon did not drop much below US$2,000/t (CIF). See chart below. This conflicts with a bearish market tone over recent months.
- It's interesting to note that pricing of Indonesian product has gradually recovered toward levels set by the Australian producers. Indonesian material is typically sold in small cargoes and can be regarded as swing supply.

- We have pulled back our zircon concentrate price achievement to US$630-650/t until end FY2025, then steadily ramping up to a long term price achievement of US$780/t (unchanged) as quality discounts are progressively resolved. We understand estimates from industry experts TZMI for zircon concentrate of this quality is "high US$700s/t".
- We look forward to further pricing guidance for zircon concentrate from SFX. This is an area where, justifiably, the market is uncertain and may therefore chose to price in a 'worst case' scenario. This is unwise, in our view, given the positive supply/demand outlook for zircon.

- Pricing of ilmenite-rich magnetic concentrate remains unchanged at US$123/t for a 5 year term. This is is a useful contributor, currently making up around 40% of revenues.

Short term project cashflows

- Revisions to cost and revenue inputs now leaves our project-level estimates for the June 2024 quarter at around A$15-20m cashflow negative. But it must be stressed, this is a difficult figure to estimate as it is very much driven by timing of shipments and payment terms, not to mention timing of payments to service providers.

				Current					
Thunderbird, 100% basis*		**Q2 FY24**	**Q3 FY24**	**Q4 FY24**	**Q1 FY25**	**Q2 FY25**	**Q3 FY25**	**Q4 FY25**	**Q1 FY26**
Ore mined/processed	Mt	0.7	1.1	1.8	2.4	2.5	2.8	2.8	2.8
Concentrate sales									
Ilmenite	Kt	27	74	120	143	149	167	167	174
Zircon	Kt	7	19	33	43	45	44	44	47
Total	Kt	34	93	153	186	194	211	230	241
Revenue	A$m	12.6	14.0	54.6	65.0	68.3	72.6	73.8	81.2
Revenue, US$/t zircon concentrate	*US$/t*	*n/a*	*702.0*	*630.0*	*640.0*	*650.0*	*680.0*	*700.0*	*750.0*
Operating cost (C1)	A$m	(14.8)	(44.2)	(57.8)	(56.3)	(57.4)	(56.7)	(56.7)	(56.7)
Operating cost + royalties	A$m	(15.4)	(44.9)	(60.5)	(59.5)	(60.8)	(60.3)	(60.3)	(60.7)
Operating cost per tonne processed	*A$/t*	*19.9*	*40.2*	*33.0*	*23.4*	*22.9*	*20.2*	*20.2*	*20.2*
Operating cost per tonne of concentrate	*A$/t*	*430*	*423*	*376*	*302*	*295*	*268*	*246*	*235*
Project capex	A$/t	(30.1)	(8.0)	(10.0)	-	-	-	-	-
Working capital		(1.3)	-	-	-	-	-	-	-
Free cashflow	A$m	(34.3)	(38.9)	(16.0)	4.0	6.1	10.8	12.0	19.0
* Excluding interest payments									

- Improving production rates into the next four quarters and progressive improvements in zircon concentrate pricing should see project cashflows steadily move up toward the A$20m/quarter mark.
- The March and June quarters will have been the toughest. On top of the project cashflow shortfall, a A$6m/quarter interest charge against the debt will need to be taken.
- Based on our estimates the June quarter is therefore forecast to be cashflow negative to the tune of -$20-25m, including interest payments. At the end of the March quarter KMS's cash position was A$20.9m with around $5.6m in the cost overrun facility, so in theory sufficient to cover the deficit.
- Should our estimates be light, shareholders (SFX and Yansteel) may be required to subscribe equity into KMS. SFX's cash balance was A$20.4m at March 2024, so we see little balance sheet risk for the company.
- We see an equity raise by SFX to cover a cashflow shortfall as unlikely.
- Based on our estimates the project moves into positive cashflow from the September 2024 quarter which will take pressure off the shareholders.
- Our FX forecasts of 0.70 going forward provides some comfort that cashflows might be a little stronger than this (unless the A$ breaks out of its current range).

Our valuation

Our valuation has dropped to $1.45/share based on the following modelling adjustments:

- A slower than expected ramp up in zircon concentrate pricing (but our US$780/t for the long term remains unchanged).
- Reduced production of zircon and ilmenite concentrate, as described above.
- Higher costs for Thunderbird Stage 1, as described above.
- 15% increase in capex for Thunderbird Stage 2 (now estimated at A$374m in real terms to double the plant with construction starting in 2028/29).
- 20% increase in costs for Thunderbird Stage 2.

BRIDGE STREET
CAPITAL PARTNERS

BRIDGE STREET
CAPITAL PARTNERS

+61 (0) 2 9002 5414
info@bridgestreetcapital.com.au
LEVEL 14, 234 GEORGE STREET
SYDNEY NSW 2000
BRIDGESTREETCAPITAL.COM.AU

FINANCIAL SUMMARY — Sheffield Resources Limited (SFX.AX)

Share Price	A$/sh	0.315
Shares on Issue	m	393
Market Cap (A$m)	A$m	124
Net Debt / (Cash) (A$m)	A$m	(23)
Enterprise Value (A$m)	A$m	101

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.

Profit & Loss	Units	Jun-24e	Jun-25e	Jun-26e	Jun-27e	Jun-28e
Sales and Other Income	A$m	41	140	170	178	178
Expenses	A$m	(60)	(120)	(122)	(122)	(122)
EBITDA	**A$m**	**(20)**	**19**	**48**	**56**	**56**
D&A	A$m	(15)	(13)	(13)	(13)	(13)
EBIT	**A$m**	**(35)**	**7**	**36**	**44**	**44**
Financing Costs	A$m	(12)	(17)	(16)	(14)	(12)
Tax	A$m	14	3	(6)	(9)	(10)
NPAT	**A$m**	**(33)**	**(7)**	**14**	**21**	**22**

Cashflow	Units	Jun-24e	Jun-25e	Jun-26e	Jun-27e	Jun-28e
Cash From Operations	A$m	(20)	19	48	56	56
Interest	A$m	(12)	(17)	(16)	(14)	(12)
Tax	A$m	-	-	(11)	(13)	(13)
Working Capital	A$m	(1)	-	-	-	-
Net Cash From Operations	**A$m**	**(33)**	**3**	**21**	**29**	**31**
Capex	A$m	(43)	(3)	(3)	(3)	(3)
& Other	A$m	-	-	-	-	-
Free Cash Flow	**A$m**	**(76)**	**(0)**	**18**	**26**	**28**
Borrowings	A$m	52	8	(18)	(26)	(28)
Equity	A$m	-	-	-	-	-
Dividend	A$m	-	-	-	-	-
Net Increase / (Decrease) in Cash	**A$m**	**(24)**	**8**	**0**	**0**	**-**

Balance Sheet	Units	Jun-24e	Jun-25e	Jun-26e	Jun-27e	Jun-28e
Cash	A$m	5	13	13	13	13
Receivables	A$m	3	11	14	15	15
Inventory	A$m	3	7	9	9	9
PP&E	A$m	235	225	216	206	197
Other	A$m	61	61	61	61	61
Assets	**A$m**	**306**	**317**	**311**	**303**	**293**
Creditors	A$m	5	17	21	22	22
Borrowings	A$m	167	175	157	131	103
Provisions	A$m	10	10	10	10	10
Other	A$m	59	59	59	59	59
Liabilities	**A$m**	**241**	**261**	**247**	**222**	**194**
Net Assets	**A$m**	**65**	**55**	**64**	**81**	**100**

Liquidity & Leverage	Units	Jun-24e	Jun-25e	Jun-26e	Jun-27e	Jun-28e
Borrowings	A$m	167	175	157	131	103
Net Debt / (Cash)	A$m	162	163	144	119	90
Gearing: Net Debt / (Net Debt + Equity)	%	71%	75%	69%	60%	48%
Net Debt / EBITDA	x	(8.2)x	8.4x	3.0x	2.1x	1.6x
EBIT Interest Cover	x	(2.9)x	0.4x	2.2x	3.1x	3.8x

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

Per Share Data	Jun-24e	Jun-25e	Jun-26e	Jun-27e	Jun-28e
Shares Out (m)	393	393	393	393	393
EPS (¢)	(8.4¢)	(1.7¢)	3.5¢	5.2¢	5.7¢
Dividend (¢)	-	-	-	-	-
Payout Ratio (%)	0%	0%	0%	0%	0%
Book Value (A$/share)	0.17	0.14	0.16	0.21	0.25
Operating Cash Flow (A$/share)	(0.08)	0.01	0.05	0.07	0.08
Free Cash Flow (A$/share)	(0.19)	(0.00)	0.05	0.07	0.07
EBITDA (A$/share)	(0.05)	0.05	0.12	0.14	0.14

Valuation Metrics	Jun-24e	Jun-25e	Jun-26e	Jun-27e	Jun-28e
P/E (x)	(3.8)x	(18.3)x	9.1x	6.0x	5.5x
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%
EV / Sales	2.5x	0.7x	0.6x	0.6x	0.6x
EV / EBITDA	(5.1)x	5.2x	2.1x	1.8x	1.8x
EV / EBIT	(2.9)x	14.6x	2.8x	2.3x	2.3x
FCF Yield (%)	-61.4%	-0.1%	14.7%	20.8%	22.9%

Operating Metrics (%)	Jun-24e	Jun-25e	Jun-26e	Jun-27e	Jun-28e
EBITDA Margin	-49%	14%	28%	31%	31%
EBIT Margin	-86%	5%	21%	24%	24%
Net Profit Margin	-81%	-5%	8%	12%	13%
ROIC	-15%	3%	17%	22%	23%
Return on Assets	-11%	-2%	4%	7%	8%
Return on Equity	-51%	-12%	21%	25%	22% Exploration
Effective Tax Rate	30%	30%	30%	30%	30%

Key Assumptions	Jun-24e	Jun-25e	Jun-26e	Jun-27e	Jun-28e
Non-mag Concentrate (US$/t)	666	668	765	780	780
Mag Con (US$/t)	125	125	125	125	125
Paramagnetic Concentrate (US$/t)	-	-	-	-	-
AUDUSD	0.69	0.70	0.70	0.70	0.70

Production - 100% Basis	Jun-24e	Jun-25e	Jun-26e	Jun-27e	Jun-28e
Mag Con (kt)	221	627	720	745	745
Non-mag Concentrate (kt)	60	176	194	201	201
Paramagnetic Concentrate (kt)	0	19	83	86	86

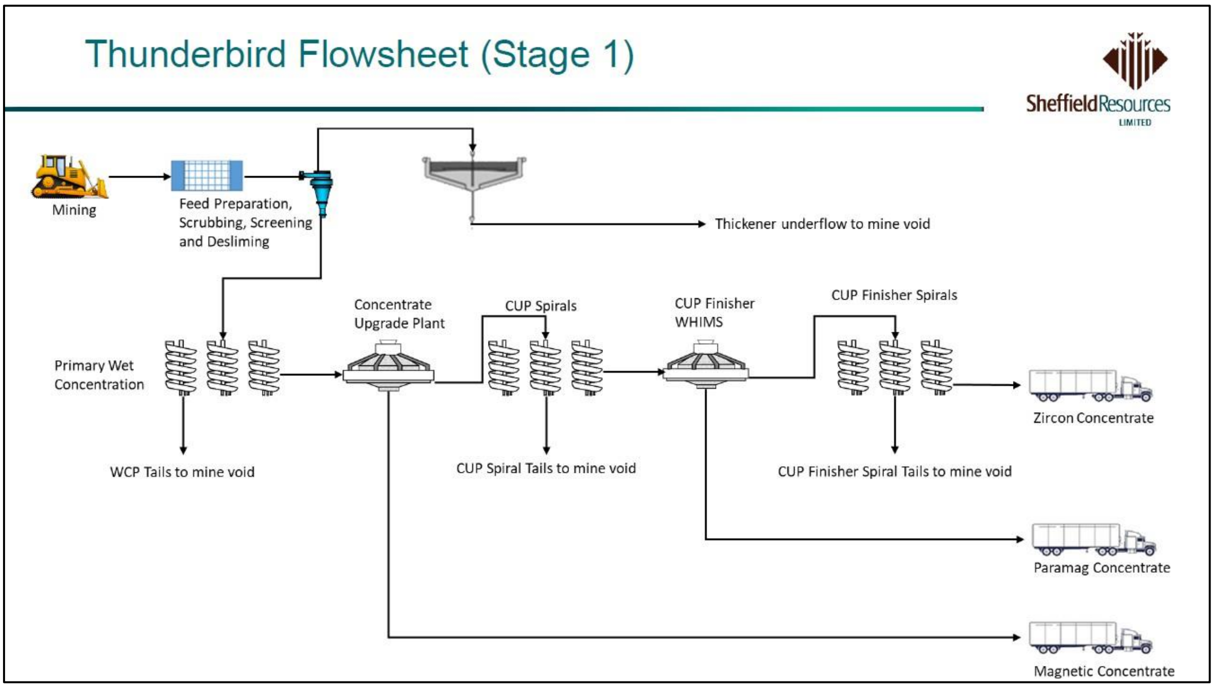
Valuation	A$m	Equity	Risk	A$m	A$/share
Kimberly Mineral Sands (KMS)					
Thunderbird	1,391	50%	100%	696	1.74
Exploration	50	50%	100%	25	0.06
Debt	(324)	50%	100%	(162)	(0.41)
Cash	20	50%	100%	10	0.02
SFX					
Corporate Costs	(26)	100%	100%	(26)	(0.07)
Debt	-	100%	100%	-	-
Cash	23	100%	100%	23	0.06
Exploration	10	100%	100%	10	0.02
Total	**1,144**			**565**	**1.45**
Discount rate					**8.0%**
FPO Shares					393
Options					2
Performance Rights					5
Fully Diluted SOI					**400**

Appendix 1
Clarification of production reporting for the March quarter

There has been some confusion around the numbers reported by SFX in the quarterly, specifically…

- 75% of the expected undersize was delivered to the plant due to an increased proportion of "oversize".
- Despite this the project produced around 85% of the expected volume of concentrate

First it's important to understand the process flow sheet…



1. The ore is ripped with a dozer (if required) and pushed into the dry mining unit (DMU). Large blocks are removed from a 300mm grizzly. The remaining ore passes through the grizzly onto an apron feeder then down a chute where the ore is sprayed with water before dropping on the screens.
2. This material is screened at 80mm and then 12mm with the +12mm staying in the pit and the -12mm pumped to the wet concentration plant (WCP). Here the material is screened again to 2mm. The -2mm is deslimed to remove undersize and the sand is fed into the spirals and the heavy mineral concentrate (HMC) separated. The HMC can either be stockpiled or fed directly to the concentrate upgrading plant (CUP). The +2mm and the WCP tails are deposited into the tailings dam.
3. The CUP produces a magnetic concentrate (mainly ilmenite), a non-magnetic concentrate (mainly zircon) and a small volume of an intermediate product (paramag or leucoxene con).

It has always been known that Thunderbird ore will produce "oversize material" (ie +2mm). Thunderbird is not a conventional mineral sand (or beach sand) deposit. Rather the deposit is a weathered mineral sand accumulation within a unit of the very old Canning Basin (ca. 100m years old).

The ore reserves have allowed for around 12% of "oversize" and around 15% of "slimes", the very fine sand which is not treatable.

The following table describes a worked example of what SFX means by "75% of the expected undersize was delivered to the plant due to an increased proportion of "oversize".

	Expected	Actual	Actual vs Expected
Ore mined	100	100	
Slimes	15	15	
Oversize	12	30	
Ore to WCP	73	55	75%

Quite simply, if the proportion of oversize doubles (which it has in the early stages of the project) the proportion of ore reporting to the spirals in the WCP, net of slimes and oversize decreases from 73 units (out of the original total of 100 units) to 55. 55/73 = 75%.

The reason for the higher than expected levels of oversize may be the following:

- Initial mining inadvertently encountered an area of higher oversized material in the mined product.
- The proportion of oversized material was underestimated during the Resource estimation.
- Less liberation of undersize material through the DMU.

A modest infill drill programme is underway to assist with future mine planning.

Despite only 75% of the expected ore reporting to the WCP, the company reports that it has produced 85% of the expected volume of concentrate products. This is a good result and could be because of one or all of the following:

- the grades of the undersize are higher than expected (with the oversize depleted in HMC relative to the undersize). This was noted in the original DFS.
- the met recovery through the WCP is higher than projected
- larger tonnes of lower grade concentrates are being produced.

The metallurgists on site in conjunction with the geologists will eventually come to an understanding of what is driving these recoveries.

BRIDGE STREET
CAPITAL PARTNERS

Disclosures and disclaimers

Bridge Street Capital Partners Pty Ltd is licensed to provide financial services in Australia; CAR AFSL 456663; Level 14, 234 George Street, Sydney NSW 2000
Bridge Street Capital Partners Pty Ltd is providing the financial service to you.

General Advice Warning
Please note that any advice given by Bridge Street Capital Partners Pty Ltd or its authorised representatives (BSCP) is GENERAL advice, as the information or advice given does not take into account your particular objectives, financial situation or needs. You should, before acting on the advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Prospectus, PDS or like instrument.

Disclaimers
BSCP provides this financial advice as an honest and reasonable opinion held at a point in time about an investment's risk profile and merit and the information is provided by BSCP in good faith. The views of the adviser(s) do not necessarily reflect the views of the AFS Licensee. BSCP has no obligation to update the opinion unless BSCP is currently contracted to provide such an updated opinion. BSCP does not warrant the accuracy of any information it sources from others. All statements as to future matters are not guaranteed to be accurate and any statements as to past performance do not represent future performance. Assessment of risk can be subjective. Portfolios of equity investments need to be well diversified and the risk appropriate for the investor. Equity investments, made by less experienced investors, in listed or unlisted companies yet to achieve a profit or with an equity value less than $50 million should collectively be a small component of a balanced portfolio, with smaller individual investment sizes than otherwise. Investors are responsible for their own investment decisions, unless a contract stipulates otherwise. BSCP does not stand behind the capital value or performance of any investment. Subject to any terms implied by law and which cannot be excluded, BSCP shall not be liable for any errors, omissions, defects or misrepresentations in the information (including by reasons of negligence, negligent misstatement or otherwise) or for any loss or damage (whether direct or indirect) suffered by persons who use or rely on the information. If any law prohibits the exclusion of such liability, BSCP limits its liability to the re-supply of the Information, provided that such limitation is permitted by law and is fair and reasonable.

Disclosures
Dr Chris Baker, an authorised representative of BSCP, certifies that the advice in this report reflects his honest view of the company. He has 36 years investment experience in wholesale capital markets. He worked as a mining analyst for brokers BZW and UBS for 11 years and has a further 16 years' experience as a mining analyst and portfolio manager with Colonial First State and Caledonia Investments. He now provides independent financial advice on a part time basis. He may own securities in companies he recommends but will declare this when providing advice. He currently owns shares in SFX. He is remunerated by BSCP but is not paid a specific fee for providing this report. BSCP, its directors and consultants may own shares and options in SFX and may, from time to time, buy and sell the securities of SFX.

BSCP has earned fees from this and other capital raisings undertaken by SFX. BSCP are Corporate Advisors to the company and receive fees from this company for services provided.

By downloading this report you acknowledge receipt of our Financial Services Guide, available on our web page www.bridgestreetcapital.com.au.

Appendix 1

US Disclaimer: This investment research is distributed in the United States by Bridge Street Capital Partners Pty Ltd and in certain instances by Enclave Capital LLC (Enclave), a U.S.-registered broker-dealer, only to major U.S. institutional investors, as defined in Rule 15a-6 promulgated under the U.S. Securities Exchange Act of 1934, as amended, and as interpreted by the staff of the U.S. Securities and Exchange Commission. This investment research is not intended for use by any person or entity that is not a major U.S. institutional investor. If you have received a copy of this research and are not a major U.S. institutional investor, you are instructed not to read, rely on or reproduce the contents hereof, and to destroy this research or return it to Bridge Street Capital Partners Pty Ltd or to Enclave. The analyst(s) preparing this report are employees of Bridge Street Capital Partners Pty Ltd who are resident outside the United States and are not associated persons or employees of any U.S. registered broker-dealer. Therefore, the analyst(s) are not subject to Rule 2711 of the Financial Industry Regulatory Authority (FINRA) or to Regulation AC adopted by the U.S. Securities and Exchange Commission (SEC) which among other things, restrict communications with a subject company, public appearances and personal trading in securities by a research analyst. Any major U.S. institutional investor wishing to effect transactions in any securities referred to herein or options thereon should do so by contacting a representative of Enclave.

Enclave is a broker-dealer registered with the SEC and a member of FINRA and the Securities Investor Protection Corporation. Its address is 19 West 44th Street, Suite 1700, New York, NY 10036 and its telephone number is 646-454-8600. Bridge Street Capital Partners Pty Ltd is not affiliated with Enclave or any other U.S. registered broker-dealer