



BRIDGE STREET
CAPITAL PARTNERS

SHEFFIELD RESOURCES LTD (SFX AU, \$0.14/sh. Market cap A\$51.4m)

Record production and improved zircon sales, with inventories continuing to build. Total value of inventory now over A\$60m.

We had forecast that Thunderbird's operating cashflow would be around breakeven for the December quarter – as guided last quarter by SFX - but this was held back by a continued slower than expected ramp-up in zircon concentrate sales –and, disappointingly, a much weaker than expected pricing for zircon.

One zircon concentrate (ZC) shipment of around 15kt was delayed into January which at the realised price represents ca. US\$8m (A\$13m) in lost revenue for the quarter (matching negative operating cashflows for the quarter). The company says quite clearly: if KMS can sell all it produces, the project is cashflow breakeven or better. In the meanwhile, KMS's cashflow shortfall continues to be supported by pre-payments by JV partner and ilmenite off-taker, Yansteel.

Our 2025 and 2026 earnings estimates have come back quite strongly, largely reflecting a reduction in ZC pricing over that period (partly offset by a reduction in A\$/US\$ assumptions). However, we have prices returning to historic highs from 2027, reflecting a downturn in production from a mature industry. Our valuation has dropped from \$1.25 to \$1.20/share.

As we discuss in this report, December was a strong production quarter from Thunderbird with concentrate output reaching record levels. The KMS marketing team is forecasting a much stronger March quarter, with 15kt ZC (40% of last quarter's shipments) already through the port and more shipments shortly we believe. Demand for zircon concentrate seems to be rebounding but only at a price. Fingers crossed for a bumper quarter.

The March quarter will be important for SFX's 50%-owned Kimberley Mineral Sands. Hopefully mechanical issues associated with the DMU are now behind them, and with changes to waste stripping, production may hit new records. Cost pressures should also begin to ease.

We now await an update regarding the means by which in-pit mining rates can deliver higher feed rates to the still-underutilised plant. We have the impression from management's webinar, that a solution is at hand, and it should be a relatively low capex solution. There seems to be no need for a second DMU at this stage. It has been clearly demonstrated that the coarser oversize is depleted in valuable heavy minerals. Pre-screening to further reduced the proportion of low grade oversize should allow greater volumes to be fed to the plant, thereby increasing production of concentrate.

As we said following the previous quarter, we don't see the need for new equity to fund working capital. We stay with that view. New equity may be required in the future to deliver higher production levels from Thunderbird.

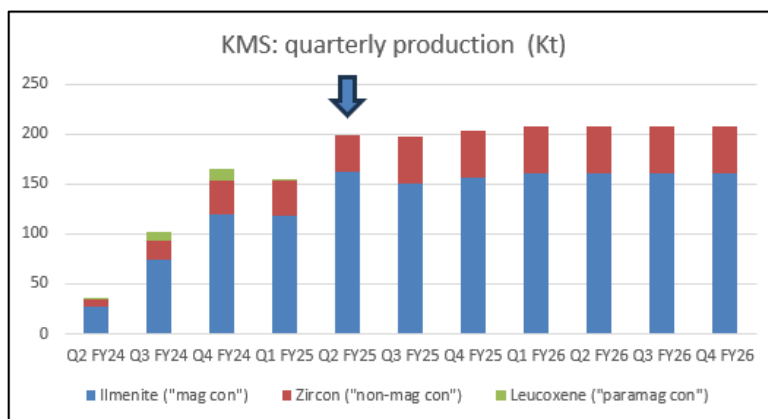
				Reported	Forecast		
Thunderbird, 100% basis*		Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25	Q1 FY26
Ore processed (75% of mined)	Mt	1.9	1.9	2.5	2.2	2.3	2.3
Concentrate production/sales							
Ilmenite	Kt	120	119	161	151	156	161
Zircon	Kt	33	34	37	46	47	46
Zircon concentrate sales	Kt	28	-	23	52	59	46
Revenue ("P&L")	A\$m	54.6	22.3	57.2	69.0	82.8	67.8
Revenue (Cashflow statement)		34.7	37.9	54.3	-	-	-
Revenue, US\$/t zircon concentrate	US\$/t	649	-	542	542	580	580
AUD/USD		0.66	0.67	0.62	0.63	0.65	0.65
Operating costs ("P&L")	A\$m	55.6	55.5	59.0	55.5	53.3	53.3
Operating costs (Cashflow statement)	A\$m	(53.5)	(47.5)	(64.6)	-	-	-
EBITDA (P&L)		(1.0)	(33.2)	(1.8)	13.6	29.6	14.6
Operating cost per tonne processed (C1 basis)	A\$/t	26.6	24.4	26.4	25.5	23.7	23.7
Operating cost per tonne of concentrate (C1 basis)	A\$/t	352	360	310	245	222	257
* Excluding interest payments on debt facility							

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Key points from the quarter:

Production. Record production of nearly 200kt concentrate

- From a production point of view, this is a good set of numbers. The mining rate remains around the 10mtpa rate, with the promise of “productivity enhancing measures”.
- The first of these will be to take control of waste mining activities from an underperforming contractor. This has happened.
- Next will be the introduction of selective drill and blast/truck and excavator removal of overburden which had been constraining mining rates. This has just commenced.
- DMU had mechanical issues in November which slowed production rates. This sounds as though it was a fairly minor maintenance issue.
- Grades remain in line with expectations and are continuing to overcall reserve estimates.
- The plant continues to perform well, with recoveries in line with or above BFS projection.
- No change to the “oversize issue”, with plant feed remaining around 75% of design, performing well. The plant is performing well with throughput (driven by the mine) trending up.
- In summary, a record production quarter from KMS with total production up 30%.
- Production of ilmenite, as a percentage of total, is significantly higher than we’ve seen in the past, and up 36% on September.
- Zircon concentrate production was up 9%.



Sales. Record ilmenite sales. ZC sales recovering

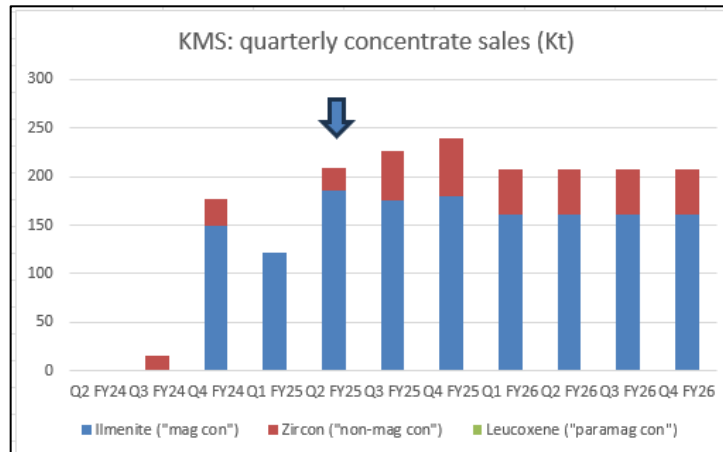
- Despite some optimistic projections in the previous quarter, the volume of ZC sales were well behind expectations: 23kt against our estimate of 41kt.
- This is partly a timing issue with some 15kt having left the port in early January.
- Sales of ilmenite concentrate to Yansteel were up over 50% on the previous quarter.

Sales guidance. Sales forecast to double into the March quarter

- Shipments have been made to 4 customers (previously 3) and export permits are now in place for 11. SFX commented that there are a surprising number of new sales inquiries.
- This is forecast to see zircon sales improve dramatically. Guidance for the March quarter is 40-60kt for zircon, so potentially more than double that sold in December.
- We are assuming 52kt ZC for the March quarter and 175kt of ilmenite concentrate.
- An interesting point was made regarding the very large volumes of ZC produced by KMS. This is an important point of difference with other ZC/ZIC producers, many of which produce only small volumes of concentrate.
- See over for chart of concentrate sales.

Pricing. Zircon concentrate prices below our expectation, continuing into March.

- Zircon concentrate price achieved was US\$542, significantly lower than our estimate of \$584/t.
- Confirms ILU's comments from last week, that the zircon market globally remains soft.
- Housing completions in China, KMS's main market, remain depressed.
- SFX warns that prices are forecast to remain depressed into the March quarter.



- So, certainly a much better quarter than September where there was no zircon concentrate shipped.

Inventories. Increasing, but the December quarter should be the peak.

- SFX states that the ilmenite inventory is around 75kt (significantly higher than we had estimated) and zircon over 60kt (in line with our estimate of 65kt).
- The value of this inventory is an astonishing \$65m based on 2Q25 pricing.
- "Normal" inventory levels are suggested to be around 15kt ZC and 30-40kt ilmenite.

Costs. Higher than we were expecting

- At \$59m for the quarter, P&L costs were at the top end of guidance, impacted by the organisational restructuring and the demobilisation of the waste mining contractors.
- According to the cashflow statement costs were over \$70m, which relate to timing of payments. We look forward to these numbers normalising as Thunderbird moves to steady state.
- Costs on a per tonne of concentrate basis, excluding inventory movements, were A\$297/t (against \$360/t in September) reflecting the increased concentrate production. We note G&A costs were down from \$80/t to \$20/t, but this reflects a change in accounting treatments we understand.
- Guidance is for costs to remain in a A\$270-300/t range.

Cashflow: Continuing support from Yansteel

- We had hoped that the December quarter would be cashflow positive. However, with a slower-than-expected ramp-up of zircon sales, the mine was still cashflow negative.
- Operating cashflows from the cashflow statement were -\$13m with a further \$10m spent of PP&E. We assume this largely related to the construction of the in pit tailings dam.
- Other negative cashflow items include repayment of lease liabilities (-\$5.6m, mainly the power station) and the quarterly interest payment, as expected (\$7.4m).
- As noted in the September quarterly, negative project cashflows are supported by 50% JV partner Yansteel by way of pre-payments. These totalled A\$35.1m for the quarter.
- Note that some 15kt of zircon was shipped in January (valued at around \$13m), so as in previous quarters timing of shipments needs to be considered.
- KMS cash at the end of the quarter was \$4.8m.
- SFX's cash position was \$8.4m.

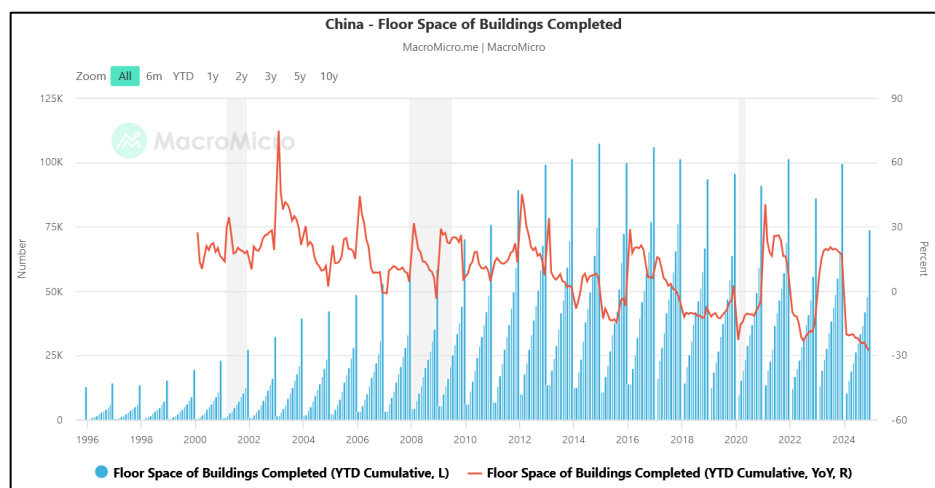
Outlook for the March quarter: we forecast modest positive operation cashflow for the March quarter.

- Our revised estimates suggest the Thunderbird operation to be modestly cashflow positive (at the P&L level) for the March quarter. This is based on the following assumptions:
 - Zircon concentrate sales at 52kt (100% of production and additional sales from inventory) and ilmenite at 151kt.
 - Comparable A\$ pricing to the December quarter.
 - Site costs of A\$55m for the quarter.
 - Capex of \$9m.
- As we've discovered, timing of payments and receipts will govern what exactly the March quarter cashflows will look like.

Commodity outlook

It's been a tough time for commodities correlated with the housing sector in China. As we've noted before, zircon demand is most closely linked to housing completions, as tiles and sanitaryware are amongst the last components to be installed. The statistics are not yet showing any signs of life with completions back at 2010 levels.

SFX noted that one of the recent economic stimulus programmes is aimed at house/apartment renovation, which may be beneficial ZC demand.



- Comments from the world's largest zircon producer, Iluka, are always of interest (although note that ILU sells little into the ZC market in China). The following points are from the ILU December quarterly:
 - As anticipated, the fourth quarter demonstrated seasonal weakness.
 - In China, the ceramic industry gradually scaled back production, with many factories closing for a period and not planning to resume production until post Chinese New Year.
 - The residential property market in China has shown signs of stabilising.
 - More broadly, stimulus measures in China are likely to have a positive impact on demand, but uncertainty appears to be dominating sentiment at present.
 - Ceramics production in Europe traditionally slows over the fourth quarter based on seasonal demand and end of year working capital considerations.
 - In India, anti-dumping measures introduced on Indian ceramics to the US have led to an increase in finished tile inventories. Manufacturers retain a positive outlook towards opportunities in new export markets. India remains a small but emerging market for Iluka, accounting for less than 5% of sales in 2024.
- As we mentioned above, SFX has seen an increased level of inquiry for KMS/Thunderbird ZC and hopes this will translate into further sales volumes into China.

FINANCIAL SUMMARY

Sheffield Resources Limited (SFX.AX)

Share Price	A\$/sh	0.140
Shares on Issue	m	393
Market Cap (A\$m)	A\$m	55
Net Debt / (Cash) (A\$m)	A\$m	(10)
Enterprise Value (A\$m)	A\$m	45

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

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

Per Share Data	Jun-24e	Jun-25e	Jun-26e	Jun-27e	Jun-28e
Shares Out (m)	393	393	393	393	393
EPS (¢)	(10.1¢)	(5.1¢)	1.0¢	5.9¢	5.3¢
Dividend (¢)	-	-	-	-	-
Payout Ratio (%)	0%	0%	0%	0%	0%
Book Value (A\$/share)	0.26	0.18	0.16	0.22	0.26
Operating Cash Flow (A\$/share)	(0.11)	(0.02)	0.05	0.10	0.09
Free Cash Flow (A\$/share)	(0.23)	(0.05)	0.04	0.09	0.08
EBITDA (A\$/share)	(0.03)	0.03	0.08	0.13	0.14

Profit & Loss	Units	Jun-24e	Jun-25e	Jun-26e	Jun-27e	Jun-28e
Sales and Other Income	A\$m	36	126	147	174	179
Expenses	A\$m	(48)	(117)	(114)	(123)	(123)
EBITDA	A\$m	(12)	10	33	51	56
D&A	A\$m	(9)	(16)	(16)	(16)	(16)
EBIT	A\$m	(21)	(6)	17	35	40
Financing Costs	A\$m	(19)	(14)	(13)	(12)	(10)
Tax	A\$m	-	-	-	-	(9)
NPAT	A\$m	(40)	(20)	4	23	21

Valuation Metrics	Jun-24e	Jun-25e	Jun-26e	Jun-27e	Jun-28e
P/E (x)	(1.4)x	(2.8)x	13.6x	2.4x	2.6x
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%
EV / Sales	1.2x	0.4x	0.3x	0.3x	0.3x
EV / EBITDA	(3.8)x	4.6x	1.4x	0.9x	0.8x
EV / EBIT	(2.1)x	(7.4)x	2.6x	1.3x	1.1x
FCF Yield (%)	-161.2%	-32.3%	25.6%	62.0%	54.1%

Cashflow	Units	Jun-24e	Jun-25e	Jun-26e	Jun-27e	Jun-28e
Cash From Operations	A\$m	(29)	7	33	51	56
Interest	A\$m	(13)	(14)	(13)	(12)	(10)
Tax	A\$m	-	-	-	-	(12)
Working Capital	A\$m	-	-	-	-	-
Net Cash From Operations	A\$m	(42)	(7)	20	39	34
Capex	A\$m	(46)	(11)	(6)	(5)	(4)
Exploration & Other	A\$m	(1)	-	-	-	-
Free Cash Flow	A\$m	(89)	(18)	14	34	30
Borrowings	A\$m	49	18	(16)	(8)	(8)
Equity	A\$m	8	-	-	-	-
Dividend	A\$m	-	-	-	-	-
Net Increase / (Decrease) in Cash	A\$m	(33)	(0)	(1)	27	22

Operating Metrics (%)	Jun-24e	Jun-25e	Jun-26e	Jun-27e	Jun-28e
EBITDA Margin	-33%	8%	23%	29%	31%
EBIT Margin	-58%	-5%	12%	20%	22%
Net Profit Margin	-110%	-16%	3%	13%	12%
ROIC	-10%	-3%	8%	17%	21%
Return on Assets	-11%	-6%	1%	7%	6%
Return on Equity	-39%	-27%	6%	27%	20%
Effective Tax Rate	0%	0%	0%	0%	30%

Balance Sheet	Units	Jun-24e	Jun-25e	Jun-26e	Jun-27e	Jun-28e
Cash	A\$m	8	14	12	39	61
Receivables	A\$m	12	10	12	14	15
Inventory	A\$m	17	20	7	9	9
PP&E	A\$m	262	231	221	209	197
Other	A\$m	65	61	61	61	61
Assets	A\$m	364	335	313	332	343
Creditors	A\$m	15	16	18	21	22
Borrowings	A\$m	124	178	163	155	148
Provisions	A\$m	15	10	10	10	10
Other	A\$m	59	59	59	59	59
Liabilities	A\$m	262	263	250	246	239
Net Assets	A\$m	102	72	63	86	104

Key Assumptions	Jun-24e	Jun-25e	Jun-26e	Jun-27e	Jun-28e
Non-mag Concentrate (US\$/t)	676	416	645	725	750
Mag Con (US\$/t)	125	126	125	125	125
Paramagnetic Concentrate (US\$/t)	-	13	50	50	50
AUDUSD	0.68	0.64	0.68	0.70	0.70

Liquidity & Leverage	Units	Jun-24e	Jun-25e	Jun-26e	Jun-27e	Jun-28e
Borrowings	A\$m	124	178	163	155	148
Net Debt / (Cash)	A\$m	117	165	151	116	87
Gearing: Net Debt / (Net Debt + Equity)	%	53%	69%	71%	57%	45%
Net Debt / EBITDA	x	(9.8)x	16.6x	4.5x	2.3x	1.5x
EBIT Interest Cover	x	(1.1)x	(0.4)x	1.3x	2.9x	3.9x

Production - 100% Basis	Jun-24e	Jun-25e	Jun-26e	Jun-27e	Jun-28e
Mag Con (kt)	150	662	645	731	731
Non-mag Concentrate (kt)	44	134	183	207	207
Paramagnetic Concentrate (kt)	-	-	-	44	89

Valuation	A\$m	Equity	Risk	A\$m	A\$/share
Kimberly Mineral Sands (KMS)					
Thunderbird	1,244	50%	100%	622	1.55
Exploration	50	50%	100%	25	0.06
Debt	(324)	50%	100%	(162)	(0.41)
Cash	20	50%	100%	10	0.02
SFX					
Corporate Costs	(26)	100%	100%	(26)	(0.07)
Debt	-	100%	100%	-	-
Cash	10	100%	100%	10	0.02
Exploration	10	100%	100%	10	0.02
Total	983			479	1.20

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

Discount rate	8.0%
FPO Shares	393
Options	2
Performance Rights	5
Fully Diluted SOI	400

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