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SheffieldResources
LIMITED

Interim Financial Report
For the half year ended 31 December 2021

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CORPORATE DIRECTORY

Directors

Mr Bruce Griffin, Executive Chair
Mr Gordon Cowe, Non-Executive Director
Mrs Vanessa Kickett, Non-Executive Director
Mr Ian Macliver, Non-Executive Director
Mr John Richards, Lead Independent Non-Executive Director

Company Secretary

Mr Mark Di Silvio

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Solicitors

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Bankers

Australia and New Zealand Banking Group Ltd (ANZ)
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Auditors

HLB Mann Judd
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Australian Business Number (ABN)

29 125 811 083

DIRECTORS' REPORT

The Directors present their report on Sheffield Resources Limited (Sheffield, parent entity or the Company) and its controlled entities (collectively known as the Group or consolidated entity) for the half year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The principal activities during the half year were mineral sands exploration and development within Australia.

DIRECTORS

The Directors of the Company during the half year and until the date of this report (unless otherwise stated) are:

Name	Period of Directorship
Mr Bruce Griffin	Executive Chair
Mr Gordon Cowe	Non-Executive Director
Mrs Vanessa Kickett	Non-Executive Director (appointed 1 January 2022)
Mr Ian Macliver	Non-Executive Director
Mr John Richards	Lead Independent Non-Executive Director
Mr Bruce McFadzean	Non-Executive Director (resigned 6 September 2021)

REVIEW OF OPERATIONS

Kimberley Mineral Sands Pty Ltd (KMS) (Sheffield interest – 50%)

During the reporting period, KMS continued to advance the Thunderbird Mineral Sands Project (Thunderbird, Project or Thunderbird Project), located near Derby in the Canning Basin region of Western Australia. Activities including mine access road construction, village accommodation and site clearance, completion of a second mining trial and project engineering and design works were successfully progressed during the reporting period. Technical studies to support an updated Bankable Feasibility Study (BFS) for the Thunderbird Mineral Sands Project, scoping of project financing arrangements with Northern Australian Infrastructure Fund (NAIF) and expressions of interest have advanced with several shortlisted potential commercial lenders including mining credit funds, senior secured bond issuers and royalty/streaming providers.



Figure 1: Mine trial pits 1 & 2 and ore and waste stockpiles



Figure 2: Thunderbird mine access road – culvert installation



Figure 3: Thunderbird village accommodation site clearance activities

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Thunderbird pre-Final Investment Decision (FID) Activities

An early works program including mine access road construction, process site clearance and other non-process infrastructure commenced during the reporting period. The purpose of the early works program is to utilise the 2021 dry season to complete sufficient work to enable commencement of process plant construction at the beginning of the 2022 dry season.

GR Engineering Services (GRES) continued to progress structural and civil design for all plant areas along with earthworks modelling. Piping modelling and electrical design was commenced during the reporting period with an electrical load list and single line drawings issued to KMS by GRES. Formation of an Engineering Procurement Construction (EPC) contract is underway and subject to finalisation of design scope and due diligence, is anticipated for completion in early 2022.

A second phase of trial mining was completed during the reporting period with confirmation of a dozer push process as the preferred mining method. Data acquired during trial mining is being used to refine the mining plan and Mining Unit Plant (MUP) design and to finalise the mining services and waste removal contracts.

Timeline to FID

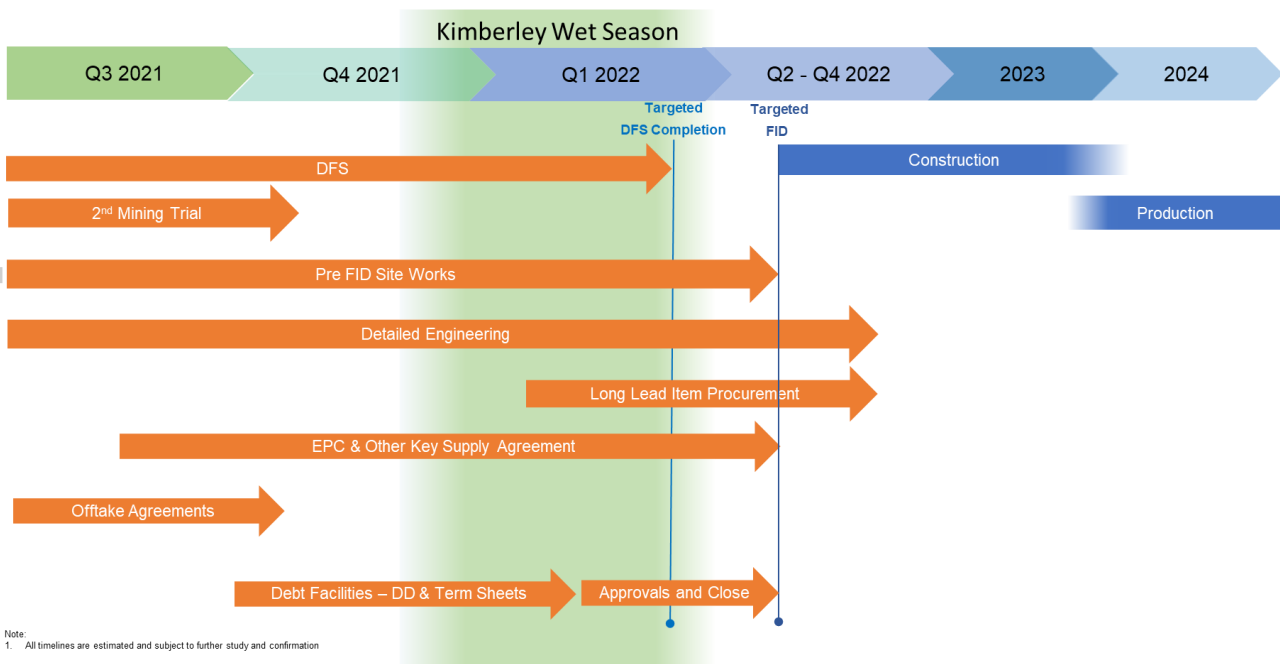
First production is targeted during Q1 2024, and anticipated Stage 1 direct capital expenditure remains within previously reported estimates.

Independent technical experts SRK and TZMI were engaged during the reporting period, undertaking broad due diligence activities that are expected to satisfy potential project financier requirements. Detailed engineering, design and early works activities undertaken to date are likely to result in modest contingency provisions being applied in relation to forecast total capital expenditure to deliver the project. Due diligence activities have included a review of more recent modifications to the proposed Thunderbird flowsheet and underlying plant design aligned with the assumptions to be contained in the BFS.

Project financing requirements were advanced with NAIF during the reporting period, with NAIF completing a positive strategic assessment of the Thunderbird Project. Subject to finalisation of due diligence activities, it is anticipated that NAIF will proceed to secure a NAIF Board investment decision in Q1 CY2022, with customary Ministerial consent to follow thereafter.

In parallel with the NAIF financing process, KMS invited a number of parties including mining credit funds, senior secured bond issuers and royalty/streaming providers to submit in expressions of interest to provide commercial financing to complement NAIF financing structure and satisfy the project finance required for the Thunderbird Project. It is anticipated that assessment and selection of commercial project finance will be concluded in the forthcoming quarter, in preparation for the commencement of plant construction activities scheduled for the 2022 Kimberley dry season.

A timeline to FID and First Production is shown below.



Note:
1. All timelines are estimated and subject to further study and confirmation

Figure 4: Timeline to FID and First Production

Community Engagement

Consultation and community engagement included heritage artefact clearance activities during the reporting period. The Kimberley Mineral Sands team engaged in a number of community consultation processes throughout the region, providing community, government representatives and traditional owners with a progress update on activities underway at Thunderbird.

A large proportion of the early site works have been undertaken by Kimberley based businesses. Development and operation of Thunderbird is expected to see growth in participation and partnering with indigenous businesses across the mine life, consistent with KMS commitment to the local Kimberley community.

Products and Offtake Agreements

Two additional concentrate products containing valuable zircon, titanium and other minerals that can be recovered from the existing flowsheet at minimal additional cost have been identified during the course of BFS development. Preliminary discussions with potential customers indicate that these concentrates will be saleable, and the intention is to include the revenue stream within the BFS. They are expected to be priced lower than the zircon concentrate reflecting the composition, quality and recovery of final products from these concentrates.

As previously reported, KMS has concluded a number of zircon concentrate and ilmenite take or pay offtake agreements with counterparties, accounting for over 80% of forecast production volume for the initial five year production period for Thunderbird.

Markets

The strong near, mid and long term market outlook for all Thunderbird products is flowing through to actual and forecast prices. The most recent 2021 TZMI price forecast update indicates an increase of ~20% for zircon during 2024/25 compared to the previous June 2021 TZMI price forecast. This higher forecast price for zircon is expected to translate into higher forecast revenues in the initial years of the forecast production.

Zircon supply has remained tight during 2021 with resulting in prices steadily increasing throughout the year. Premium zircon from major producers has moved from c.US\$1350 per tonne through to c.US\$1800-US\$1900 per tonne by the end of 2021. Current spot market prices are above US\$2000 per mt and with tight supply forecast for the short to mid-term, pricing is expected to remain buoyant for the foreseeable future.

Throughout 2021, the titanium feedstock market saw little market disruption from COVID-19 with increase in demand occurring across all products. Sulfate ilmenite pricing across 2021 has increased from c.US\$300 per tonne to above US\$400 by the end of 2021. Demand for sulfate ilmenite remains strong and positioned for growth in the near term. Longer-term, high-grade pigment feedstock demand for production of chloride grade pigment is forecast to grow, and chloride slag (produced from sulfate ilmenite) is the most likely source of new supply.

The commodity price strength evidenced throughout 2021 represents a positive outlook for the Thunderbird project, with increased forecast pricing for zircon expected to translate into higher forecast revenues during the initial forecast production years for Thunderbird.

Other Projects (Sheffield – 100%)

Eneabba Project

The Eneabba Project is located approximately 230km north of Perth in Western Australia's Midwest region. The Eneabba Project has a Mineral Resource inventory totalling 211.4 million tonnes @ 3.0% HM containing 6.3 million tonnes of Valuable Heavy Mineral above various HM cut-offs (Measured, Indicated and Inferred) (refer to ASX announcement 3 October 2018 and 24 September 2019). The mineralisation is across seven Mineral Resources including Yandanooka, Durack, Drummond Crossing, Robbs Cross, Thomson, West Mine North, Ellengail and Corridor.

The updated scoping study was completed during the reporting period and confirmed economic development options for the Eneabba Project. Thereafter, the Company commenced a process to seek expressions of interest to acquire its 100% interest in the Eneabba project. Sheffield announced a binding and definitive agreement with Image Resources NL for the sale of its 100% owned Eneabba Project for total cash consideration of \$24m. Cash consideration of \$23m associated with the transfer of exploration tenements was subsequently received on 19 January 2022 (refer ASX announcement 19 January 2022), with the \$1m balance of proceeds payable subject to the transfer of mining tenements, Foreign Investment Review Board (FIRB) approval and other customary conditions. The remaining elements of the transaction and remittance of a further \$1m is expected to close in the forthcoming March 2022 quarter.

Cash proceeds from the transaction will be applied toward Sheffield's \$10m obligation to Kimberley Mineral Sands Pty Ltd (KMS) payable within 60 days following a Final Investment Decision for the Thunderbird Mineral Sands Project as well as general corporate purposes.



Figure 5: (L to R) Mr Patrick Mutz of Images Resources NL with Mr Bruce Griffin

McCalls Project

The McCalls Mineral Sands Project (McCalls) is located 110km to the north of Perth near the town of Gingin. Across two deposits (McCalls and Mindarra Springs) the Project has a Mineral Resource of 5,800 million tonnes @ 1.4% HM above a 1.1% HM cut-off (Indicated and Inferred). The McCalls Project contains 67 million tonnes of chloride ilmenite grading 59-66% TiO₂ and is considered a longer-term strategic asset (refer to ASX announcement 3 October 2018 and 24 September 2019). Both HM deposits in the McCalls Project have retention status.

TZMI completed an updated scoping study during the reporting period which covers the Company's tenement package at McCalls. Sheffield has initiated a commercial process seeking expressions of interest from third parties to acquire all or part of the McCalls Project. Non-binding proposals from third parties are expected to be received in early 2022.

ORE RESERVES AND MINERAL RESOURCES

Sheffield announced an updated Ore Reserve totalling 748 million tonnes @ 11.2% HM for the Thunderbird deposit, in the Kimberley Region of Western Australia, on 31 July 2019, and has completed a Bankable Feasibility Study Update for development of the Thunderbird Mineral Sands Project, on 31 July 2019. The Ore Reserve estimate is based on the current, July 2016 Thunderbird Mineral Resource estimate, announced to the ASX on 5 July 2016. Measured and Indicated Mineral Resources were converted to Proved and Probable Ore Reserves respectively, subject to mine design, modifying factors and economic evaluation.

Ore Reserve for Dampier Project as at 31 December 2021

Dampier Project Ore Reserve ^{1,2,3,4}

Deposit	Ore Reserve Category	Material (Million Tonnes)	In-situ HM (Million Tonnes) ⁷	Total HM Grade (%)	Valuable HM Grade (In-situ) ⁵					
					Zircon (%)	HiTi Leuc (%)	Leuc (%)	Ilmenite (%)	Slimes (%)	Oversize (%)
Thunderbird	Proved	219	30.0	13.7	1.02	0.30	0.28	3.68	16.1	14.0
	Probable	529	53.4	10.1	0.79	0.26	0.27	2.87	14.5	10.5
	Total	748	83.8	11.2	0.86	0.27	0.27	3.11	15.0	11.6

Deposit	Ore Reserve Category	Material (Million Tonnes)	In-situ HM (Million Tonnes) ⁷	Total HM Grade (%)	HM Assemblage ⁶					
					Zircon (%)	HiTi Leuc (%)	Leuc (%)	Ilmenite (%)	Slimes (%)	Oversize (%)
Thunderbird	Proved	219	30.0	13.7	7.4	2.2	2.0	26.9	16.1	14.0
	Probable	529	53.4	10.1	7.8	2.6	2.7	28.4	14.5	10.5
	Total	748	83.8	11.2	7.7	2.4	2.4	27.8	15.0	11.6

Note 1: The Ore Reserve estimate was prepared by Entech Pty Ltd and first disclosed under the JORC Code (2012), refer to ASX announcement 31 July 2019 for further details. Ore Reserve is reported to a design overburden surface with appropriate consideration of modifying factors, costs, mineral assemblage, process recoveries and product pricing.

Note 2: Ore Reserve is a sub-set of Mineral Resource

Note 3: HM is within the 38µm to 1mm size fraction and reported as a percentage of the total material, slimes is the -38µm fraction and oversize is the +1mm fraction.

Note 4: Tonnes and grades have been rounded to reflect the relative accuracy and confidence level of the estimate, thus the sum of columns may not equal.

Note 5: The in-situ assemblage grade is determined by multiplying the percentage of HM by the percentage of each valuable heavy mineral within the heavy mineral assemblage at the Resource block model scale.

Note 6: Mineral assemblage as a percentage of HM Grade, it is derived by dividing the in-situ grade by the HM grade.

Note 7: The contained in-situ tonnes derived from HM and material tonnes from information in the Mineral Resource tables

The Ore Reserve estimate was prepared by Entech Pty Ltd, an experienced and prominent mining engineering consultancy with appropriate mineral sands experience in accordance with the JORC Code (2012 Edition). The Ore Reserve is estimated using all available geological and relevant drill hole and assay data, including mineralogical sampling and test work on mineral recoveries and final product qualities.

The Company is not aware of any new information or data that materially affects the information included in the Ore Reserve estimate and confirms that all material assumptions and technical parameters underpinning the estimate continue to apply and have not materially changed.

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Mineral Resources for Dampier Project as at 31 December 2021

Dampier Project Mineral Resources ^{1,2,3}

Deposit (cut-off)	Mineral Resource Category	Cut-off (Total HM%)	Material (Million Tonnes)	In-situ HM (Million Tonnes) ⁷	Total HM Grade (%)	HM Assemblage				Slimes (%)	Oversize (%)
						Zircon (%)	HiTi Leuc ⁶ (%)	Leuc (%)	Ilmenite (%)		
Thunderbird ⁴ (low-grade)	Measured	3.0	510	45	8.9	8.0	2.3	2.2	27	18	12
	Indicated	3.0	2,120	140	6.6	8.4	2.7	3.1	28	16	9
	Inferred	3.0	600	38	6.3	8.4	2.6	3.2	28	15	8
	Total	3.0	3,230	223	6.9	8.3	2.6	2.9	28	16	9
Night Train ⁵ (low-grade)	Inferred	1.2	130	4.2	3.3	14	5.4	46	22	8.7	2.2
	Total	1.2	130	4.2	3.3	14	5.4	46	22	8.7	2.2
All Dampier (low-grade)	Measured	3.0	510	45	8.9	8.0	2.3	2.2	27	18	12
	Indicated	3.0	2,120	140	6.6	8.4	2.7	3.1	28	16	9
	Inferred	Various	730	42	5.8	8.9	2.9	7.5	27	13	7.2
	Total	Various	3,360	227	6.8	8.4	2.7	3.7	28	15	8.7
Thunderbird ⁴ (high-grade)	Measured	7.5	220	32	14.5	7.4	2.1	1.9	27	16	15
	Indicated	7.5	640	76	11.8	7.6	2.4	2.1	28	14	11
	Inferred	7.5	180	20	10.8	8.0	2.5	2.4	28	13	9
	Total	7.5	1,050	127	12.2	7.6	2.3	2.1	27	15	11
Night Train ^{5,6} (high-grade)	Inferred	2.0	50	3.0	5.9	14	5.6	49	18	10.2	2.2
	Total	2.0	50	3.0	5.9	14	5.6	49	18	10.2	2.2
All Dampier (high-grade)	Measured	7.5	220	32	14.5	7.4	2.1	1.9	27	16	15
	Indicated	7.5	640	76	11.8	7.6	2.4	2.1	28	14	11
	Inferred	Various	230	23	9.7	8.8	2.9	8.6	27	12	7.2
	Total	Various	1,090	130	11.9	7.8	2.4	3.2	27	14	11

Note 1: Night Train: The Mineral Resources estimate was prepared by Optiro Pty Ltd and first disclosed under the JORC Code (2012) refer to ASX announcement 31 January 2019 for further details. The Mineral Resource reported above 1.2% HM cut-off is inclusive of (not additional to) the Mineral Resource reported above 2.0% HM cut-off. Thunderbird: The Mineral Resource estimate was prepared by Optiro Pty Ltd and first disclosed under the JORC Code (2012) refer to ASX announcement 5 July 2016 for further details including Table 1. The Dampier Project Mineral Resources are reported inclusive of (not additional to) Ore Reserves. Thunderbird: The Mineral Resource reported above 3.0% HM cut-off is inclusive of (not additional to) the Mineral Resource reported above 7.5% HM cut-off.

Note 2: HM is within the 38µm to 1mm size fraction and reported as a percentage of the total material, slimes is the <38µm fraction and oversize is the +1mm fraction.

Note 3: Tonnes and grades have been rounded to reflect the relative accuracy and confidence level of the estimate, thus the sum of columns may not equal.

Note 4: Thunderbird: Estimates of Mineral Assemblage are presented as percentages of the Heavy Mineral (HM) component of the deposit, as determined by magnetic separation, QEMSCAN™ and XRF. Magnetic fractions were analysed by QEMSCAN™ for mineral determination as follows: Ilmenite: 40-70% TiO₂ >90% Liberation; Leucoxene: 70-94% TiO₂ >90% Liberation; High Titanium Leucoxene (HiTi Leucoxene): >94% TiO₂ >90% Liberation; and Zircon: 66.7% ZrO₂+HfO₂ >90% Liberation. The non-magnetic fraction was submitted for XRF analysis and minerals determined as follows: Zircon: ZrO₂+HfO₂/0.667 and High Titanium Leucoxene (HiTi Leucoxene): TiO₂/0.94.

Note 5: Night Train: Estimates of Mineral Assemblage are presented as percentages of the Heavy Mineral (HM) component of the deposit, as determined by magnetic separation, QEMSCAN™ and XRF for one of 12 composite samples. Magnetic fractions were analysed by QEMSCAN™ for mineral determination as follows: Ilmenite: 40-70% TiO₂ >90% Liberation; Leucoxene: 70-90% TiO₂ >90% Liberation; High Titanium Leucoxene (HiTi Leucoxene) and Rutile 90% TiO₂ >90% Liberation, and Zircon: 66.7% ZrO₂+HfO₂ >90% Liberation. The non-magnetic fraction was submitted for XRF analysis and minerals determined as follows: Zircon: ZrO₂+HfO₂/0.667 and High Titanium Leucoxene (HiTi Leucoxene): TiO₂/0.94. HM assemblage determination- was by the QEMSCAN™ process for 11 of 12 composite samples which uses observed mass and chemistry to classify particles according to their average chemistry, and then report mineral abundance by dominant % mass in particle. For the TiO₂ minerals the following breakpoints were used to distinguish between Ilmenite 40% to 70% TiO₂, Leucoxene 70% to 90% TiO₂, High Titanium Leucoxene and Rutile > 90%, Screening of the heavy mineral was not required.

Note 6: HiTi Leucoxene and Rutile (%) combined for Night Train at a >90% TiO₂ (as one assemblage sample utilised=> 90% rutile and HiTi Leucoxene), HiTi Leucoxene for Thunderbird > 94% TiO₂

Note 7: The contained in-situ tonnes for the valuable heavy minerals were derived from information from the Mineral Resource tables. The in-situ assemblage grade is determined by multiplying the percentage of HM by the percentage of each valuable heavy mineral within the heavy mineral assemblage at the Resource block model scale.

Mineral Resources for Eneabba Project as at 31 December 2021

Eneabba Project Mineral Resources ^{1,2}

Deposit	Mineral Resource Category	Cut off (Total HM%)	Material (Million Tonnes)	In-situ HM ¹¹ (Thousand Tonnes)	Total HM Grade (%)	HM Assemblage ^{8,9,10}				Oversize (%)	Slimes
						Zircon (%)	Rutile (%)	Leucoxene (%)	Ilmenite (%)		
Yandanooka ^{4,6,8}	Measured	1.4	2.6	112	4.3	10	2.1	2.3	72	11.3	15
	Indicated	1.4	57.7	1,726	3.0	12	3.6	3.7	69	11.4	15
	Inferred	1.4	0.4	7	1.5	11	3.0	4.4	68	21.9	20
	Total	1.4	60.8	1,845	3.0	12	3.5	3.6	70	11.5	15
Durack ^{4,6,7,8}	Indicated	1.4	20.7	600	2.9	14	2.9	3.7	71	14.7	14
	Inferred	1.4	5.6	148	2.6	14	2.6	7.4	64	18.3	16
	Total	1.4	26.3	748	2.8	14	2.9	4.4	70	15.5	14
Drummond Crossing ^{3,4,6,8}	Indicated	1.4	35.5	838	2.4	14	10.3	3.4	53	7.7	14
	Inferred	1.4	3.3	77	2.3	11	9.0	2.7	56	7.2	12
	Total	1.4	38.8	915	2.4	14	10.2	3.4	54	7.7	14
Robbs Cross ^{5,6,8}	Indicated	1.4	14.0	261	1.9	15	12.7	5.0	47	6.2	6
	Inferred	1.4	3.8	77	2.0	14	10.9	4.1	50	8.1	6
	Total	1.4	17.8	338	1.9	15	12.3	4.8	48	6.6	6
Thomson ^{5,8}	Inferred	1.4	26	516	2.0	19	13.8	5.4	42	6.9	18
	Total	1.4	26	516	2.0	19	13.8	5.4	42	6.9	18
West Mine North ^{3,4,6,9}	Indicated	2.0	10.2	748	7.3	6	6.5	1.8	48	2.3	11
	Inferred	2.0	1.8	48	2.7	9	8.6	2.1	50	3.0	17
	Total	2.0	12.0	796	6.6	6	6.6	1.8	48	2.4	12
Ellengail ^{3,4,9,10}	Indicated	2.0	6.5	346	5.3	10	8.0	10.4	66	3.2	15
	Inferred	2.0	5.3	218	4.1	10	8.2	8.4	62	2.5	15
	Total	2.0	11.8	565	4.8	10	8.1	9.6	64	2.9	15
Corridor ^{11, 12, 13, 14}	Inferred	2.0	18	568	3.1	7	5.5	0.4	47	4.8	14
	Total	2.0	18	568	3.1	7	5.5	0.4	47	4.8	14
Total	Measured	1.4	2.6	112	4.3	10	2.1	2.3	72	11	15
	Indicated	Various	144.6	4,519	3.1	12	6.1	3.9	62	9	14
	Inferred	Various	64.1	1,660	2.6	12	8.7	4.0	50	7	15
	Total	Various	211.4	6,291	3.0	12	6.7	3.9	59	9	14

Note 1: The Mineral Resource estimates were prepared by Optiro Pty Ltd and first disclosed under the JORC Code (2012). Refer to ASX announcement 3 October 2018 for Yandanooka, Durack, Drummond Crossing, West Mine North, Ellengail for further details. Refer to December 2017 Quarterly Activities Report for Robbs Cross and Thomson deposits for further details.

Note 2: All tonnages and grades have been rounded to reflect the relative uncertainty of the estimate, thus the sums of columns may not equal.

Note 3: HM %: Samples from 1989 and 1996 (Drummond Crossing, Ellengail and West Mine North) were analysed using a -75 µm slimes / +2 mm oversize screen. Separation of HM% was by heavy liquid TBE (density 2.84 g/ml) from the -710µm+75µm fraction.

Note 4: HM %: RGC samples from 1998 and Iluka samples (Drummond Crossing, Durack, Ellengail, West Mine North and Yandanooka) were analysed using a -53 µm slimes / +2 mm oversize screen. Separation of total HM% was by heavy liquid TBE (density 2.90 g/ml) from the -710µm+53µm fraction.

Note 5: HM %: Samples from Robbs Cross and Thomson analysed by Diamantina Laboratories in Perth using a -45 µm slimes / +1 mm oversize screen (method DIA_HLS_45µm_1mm). Separation of total HM% was by heavy liquid TBE (density 2.96g/ml) from the -45 µm+1mm fraction.

Note 6: HM %: Samples from Drummond Crossing, Durack, West Mine North and Yandanooka were analysed by Western Geolabs in Perth using a -53 µm slimes / +1 mm oversize screen. Separation of total HM% was by heavy liquid TBE (density 2.96 g/ml) from the +53µm-1mm fraction.

Note 7: Reported below an upper cut-off grade of 35% slimes.

Note 8: Estimates of mineral assemblage are presented as percentages of the total heavy mineral (THM) component of the deposit, as determined by QEMSCAN analysis. For the TiO₂ minerals specific breakpoints are used to distinguish between rutile (>95% TiO₂), leucoxene (85-95% TiO₂) and ilmenite (<55-85% TiO₂).

Note 9: At West Mine North and Ellengail mineral assemblage data determined by Iluka using Method 4 (HMC is separated into magnetics and non-magnetics) was used with the Sheffield QEMSCAN™ data.

Note 10: At Ellengail mineral assemblage data determined by Iluka using Method 3 (magnetic separation and XRF analysis) was used with the Sheffield QEMSCAN™ data and Iluka Method 4 data.

Note 11: THM % is the total heavy minerals from within the -2mm+75µm fraction (45% of the input data), the -710µm+53µm fraction (49% of the input data) and the -1mm+53µm fraction (6% of the input data) and is reported as a percentage of the total material.

Note 12: Slimes is measured from the -53 µm fraction (55% of the input data) and the -75 µm fraction (45% of the input data) and oversize is measured as the +2 mm (94% of the input data) and -1 mm (6% of the input data) fraction

Note 13: All tonnages and grades have been rounded to reflect the relative uncertainty of the estimate, thus the sums of columns may not equal.

Note 14: Estimates of mineral assemblage are presented as percentages of the T HM component of the deposit, as determined from historical data.

Note 15: The contained in-situ tonnes for the valuable heavy minerals were derived from information from the Mineral Resource tables. The in-situ assemblage grade is determined by multiplying the percentage of HM by the percentage of each valuable heavy mineral within the heavy mineral assemblage at the Resource block model scale.

Mineral Resources for McCalls Project as at 31 December 2021

McCalls Project Mineral Resources ^{1,2,3,4,7}

Deposit (cut-off)	Mineral Resource Category	Cut off (Total HM%)	Material (Million Tonnes)	In-situ HM (Million Tonnes) ⁶	Total HM Grade (%)	HM Assemblage ⁵				Slimes (%)	Oversize (%)
						Zircon (%)	Rutile (%)	Leuc (%)	Ilmenite (%)		
McCalls	Indicated	1.1	1,630	23.3	1.4	5.2	3.3	2.8	77	21	1.1
	Inferred	1.1	1,980	24.4	1.2	5.0	3.8	3.2	81	26	1.1
	Total	1.1	3,600	47.7	1.3	5.1	3.6	3.0	79	24	1.1
Mindarra Springs	Inferred	1.1	2,200	36.3	1.6	4.2	0.9	3.1	80	20	5.1
	Total	1.1	2,200	36.3	1.6	4.2	0.9	3.1	80	20	5.1
All McCalls Project	Indicated	1.1	1,630	2.3	1.4	5.2	3.3	2.8	77	21	1.1
	Inferred	1.1	4,180	60.7	1.5	4.5	2.1	3.2	81	23	3.2
	Total	1.1	5,800	84.0	1.4	4.7	2.4	3.1	79	22	2.6

Note 1: The Mineral Resource estimates were prepared by Optiro Pty Ltd and first disclosed under the JORC Code (2012) refer to ASX announcement 3 October 2018 for McCalls and Mindarra Spring.

Note 2: All tonnages and grades have been rounded to reflect the relative uncertainty of the estimate, thus the sums of columns may not equal.

Note 3: HM is within the 45µm to 1mm size fraction and reported as a percentage of the total material, slimes is the -45µm fraction and oversize is the +1mm fraction.

Note 4: Reported below an upper cut-off grade of 35% slimes.

Note 5: Estimates of mineral assemblage (Sheffield) are presented as percentages of the total heavy mineral (HM) component of the deposit, as determined by QEMSCAN analysis. For the TiO₂ minerals specific breakpoints are used to distinguish between rutile (>95% TiO₂), leucocoxene (85-95% TiO₂) and ilmenite (<55-85% TiO₂). Estimates of mineral assemblage (BHP) HM assemblage determination was by magnetic separation and observation (grain-counting)

Note 6: The contained in-situ tonnes for the valuable heavy minerals were derived from information from the Mineral Resource tables. The in-situ assemblage grade is determined by multiplying the percentage of HM by the percentage of each valuable heavy mineral within the heavy mineral assemblage at the Resource block model scale.

Note 7: Excludes Mineral Resources within the Mogumber Nature Reserve

GOVERNANCE AND INTERNAL CONTROLS

Mineral Resource and Ore Reserve are compiled by qualified Sheffield personnel and / or independent consultants following industry standard methodology and techniques. The underlying data, methodology, techniques and assumptions on which estimates are prepared are subject to internal peer review by senior Company personnel, as is JORC compliance. Where deemed necessary or appropriate, estimates are reviewed by independent consultants. Competent Persons named by the Company are members of the Australasian Institute of Mining and Metallurgy and / or the Australian Institute of Geoscientists and qualify as Competent Persons as defined in the JORC Code 2012.

COMPETENT PERSONS AND COMPLIANCE STATEMENTS

The information in this report that relates to Exploration Results is based on information compiled by Mr Seb Gray, a Competent Person who is a Member of Australian Institute of Geoscientists (AIG). Mr Gray is a consultant to Sheffield Resources Ltd and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Gray consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The Company's Ore Reserves and Mineral Resources Statement is based on information first reported in previous ASX announcements by the Company. These announcements are listed below and are available to view on Sheffield's website www.sheffieldresources.com.au. Mineral Resources and Ore Reserves reported for the Dampier Project and Mineral Resources reported for the Eneabba and McCalls Projects, are prepared and disclosed under the JORC Code 2012. The Company confirms that it is not aware of any new information or data that materially affects the information included in the relevant original market announcements and that all material assumptions and technical parameters underpinning the estimates in the relevant original market announcement continue to apply and have not materially changed.

The information in this report that relates to the estimation of the Ore Reserve is based on information compiled by Mr Per Scrimshaw, a Competent Person who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Scrimshaw is employed by Entech Pty Ltd and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Scrimshaw consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to the estimation of the Mineral Resources is based on information compiled by Mrs Christine Standing, a Competent Person who is a Member of the Australian Institute of Geoscientists (AIG) and the Australasian Institute of Mining and Metallurgy (AusIMM). Mrs Standing is a full-time employee of Optiro Pty Ltd and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which she is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mrs Standing consents to the inclusion in this report of the matters based on her information in the form and context in which it appears.

The information in this report that relates to the Thunderbird Mineral Resource is based on information compiled under the guidance of Mr Mark Teakle, a Competent Person who is a Member of the Australian Institute of Geoscientists (AIG) and the Australasian Institute of Mining and Metallurgy (AusIMM). Mr Teakle is an employee of Thunderbird Operations Pty Ltd and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Teakle consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The Competent Persons for reporting of Mineral Resources and Ore Reserves in the relevant original market announcements are listed below. The Company confirms that the form and context in which the Competent Persons' findings are presented have not been materially modified from the relevant original market announcement.

SUPPORTING INFORMATION REQUIRED UNDER ASX LISTING RULES, CHAPTER 5

The supporting information below is required, under Chapter 5 of the ASX Listing Rules, to be included in market announcements reporting estimates of Mineral Resources and Ore Reserves.

PREVIOUSLY REPORTED INFORMATION

This report includes information that relates to Exploration Results, Mineral Resources and Ore Reserves prepared and first disclosed under the JORC Code 2012 and a Bankable Feasibility Study. The information was extracted from the Company's previous ASX announcements as follows:

- Mineral Resource and Ore Reserve Statement: "MINERAL RESOURCE AND ORE RESERVE STATEMENT" 24 September 2019
- Thunderbird Ore Reserve Update: "THUNDERBIRD ORE RESERVE UPDATE" 31 July 2019
- Thunderbird BFS Update: "BFS UPDATE MATERIALLY REDUCES CAPITAL", 31 July 2019
- Night Train Inferred Resource and Mineral Assemblage results "HIGH GRADE MAIDEN MINERAL RESOURCE AT NIGHT TRAIN" 31 January 2019
- Yandanooka, Durack, Drummond Crossing, West Mine North, Ellengail, McCalls and Mindarra Springs Resource Estimates and including Mineral Resource and Ore Statement "*MINERAL RESOURCE AND RESERVE STATEMENT*" 3 October, 2018
- Thomson and Robbs Cross Mineral Resources: "QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 31 DECEMBER 2017" 30 January 2018
- Thunderbird Mineral Resource: "SHEFFIELD DOUBLES MEASURED MINERAL RESOURCE AT THUNDERBIRD" 5 July 2016

- Thunderbird drilling: "EXCEPTIONALLY HIGH GRADES FROM INFILL DRILLING AT THUNDERBIRD MINERAL SANDS PROJECT"
9 February 2015

These announcements are available to view on Sheffield's website at www.sheffieldresources.com.au.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the relevant market announcements and, in the case of estimates of Mineral Resources, Ore Reserves and the Bankable Feasibility Study Update, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Persons' findings are presented have not been materially modified from the relevant original market announcements.

Ore Reserves and Mineral Resources prepared and first disclosed under the JORC Code (2012):

Item	Report title	Report Date	Competent Person(s)
Thunderbird Ore Reserve	Thunderbird 10% Ore Reserve Increase	31 July 2019	P. Scrimshaw
Thunderbird Mineral Resource	Sheffield Doubles Measured Mineral Resource at Thunderbird	5 July 2016	M. Teakle, C. Standing
Night Train Mineral Resource	High Grade Maiden Mineral Resource at Night Train	31 January 2019	C. Standing
Robbs Cross Mineral Resource	Quarterly Activities Report for The Period Ended 31 December 2017	30 January 2018	C. Standing
Thomson Mineral Resource	Quarterly Activities Report for The Period Ended 31 December 2017	30 January 2018	C. Standing
Yandanooka Mineral Resource	Mineral Resource and Ore Reserve Statement	3 October 2018	C. Standing
Durack Mineral Resource	Mineral Resource and Ore Reserve Statement	3 October 2018	C. Standing
Drummond Crossing Mineral Resource	Mineral Resource and Ore Reserve Statement	3 October 2018	C. Standing
West Mine North Mineral Resource	Mineral Resource and Ore Reserve Statement	3 October 2018	C. Standing
Ellengail Mineral Resource	Mineral Resource and Ore Reserve Statement	3 October 2018	C. Standing
McCalls Mineral Resource	Mineral Resource and Ore Reserve Statement	3 October 2018	C. Standing
Mindarra Springs Mineral Resource	Mineral Resource and Ore Reserve Statement	3 October 2018	C. Standing
Corridor Mineral Resource	Heavy Mineral Sand Deposit Mineral Resource Estimate	May 2021	C Standing

Item	Name	Company	Professional Affiliation
Exploration Results	Mr Seb Gray	Sheffield Resources	MAIG
Mineral Resource Reporting	Mr Mark Teakle	Thunderbird Operations	MAIG, MAusIMM
Mineral Resource Estimation	Mrs Christine Standing	Optiro	MAIG, MAusIMM
Ore Reserve	Mr Per Scrimshaw	Entech	MAusIMM

FORWARD LOOKING, CAUTIONARY STATEMENTS AND RISK FACTORS

The contents of this report reflect various technical and economic conditions at the time of writing. Given the nature of the resources industry, these conditions can change significantly over relatively short periods of time. Consequently, actual results may vary from those contained in this report.

Some statements in this report regarding estimates or future events are forward-looking statements. They include indications of, and guidance on, future earnings, cash flow, costs and financial performance. Forward-looking statements include, but are not limited to, statements preceded by words such as “planned”, “expected”, “projected”, “estimated”, “may”, “scheduled”, “intends”, “anticipates”, “believes”, “potential”, “predict”, “foresee”, “proposed”, “aim”, “target”, “opportunity”, “could”, “nominal”, “conceptual” and similar expressions. Forward-looking statements, opinions and estimates included in this report are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward-looking statements are provided as a general guide only and should not be relied on as a guarantee of future performance. Forward-looking statements may be affected by a range of variables that could cause actual results to differ from estimated results and may cause the Company’s actual performance and financial results in future periods to materially differ from any projections of future performance or results expressed or implied by such forward-looking statements. So there can be no assurance that actual outcomes will not materially differ from these forward-looking statements.

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OPERATING AND FINANCIAL REVIEW

The Group recorded a consolidated loss of \$2.1m for the half year ended 31 December 2021 (31 December 2020: consolidated loss of \$1.5m). At 31 December 2021, the Group had \$5.1m in cash and cash equivalents (30 June 2021: \$6.5m) and the Group's net assets were \$127.0m (30 June 2021: \$128.4m).

COVID-19 IMPACT

The Group continues to follow recommendations from State and Federal Government authorities to provide a COVID-19 safe workplace.

COVID-19 impacts have not been significant to the Group during the period. The Company does not expect any negative impacts to the financial statements nor triggers for any significant uncertainties with respect to events or conditions which may adversely impact the Group as at the reporting date or subsequently as a result of the COVID-19 pandemic.

ROUNDING

The amounts contained in the financial report have been rounded to the nearest \$1,000 (unless otherwise stated) pursuant to the option available to the Company under ASIC Class Order 2016/191. The Company is an entity to which the class order applies.

EVENTS SUBSEQUENT TO REPORTING PERIOD

Mrs Vanessa Kickett was appointed as an independent Non-Executive Director of the Company effective 1 January 2022.

Sheffield received \$23m in cash consideration from Image Resources NL (Image) (ASX: IMA) following the divestment of Eneabba Project exploration tenements. Following satisfaction of customary conditions, the Company received the initial \$23m tranche of its transaction with Image for the sale of its 100% owned Eneabba Project for total cash consideration of \$24m (refer ASX announcement dated 29 November 2021 and 19 January 2022). A further \$1m is scheduled to be received by Sheffield upon the transfer of Eneabba Project mining tenements, which are subject to Foreign Investment Review Board (FIRB) approval and other customary conditions and expected to be completed in March 2022 quarter.

Cash proceeds from the transaction will be applied toward Sheffield's \$10m obligation to Kimberley Mineral Sands Pty Ltd (KMS) payable within 60 days following a Final Investment Decision for the Thunderbird Mineral Sands Project as well as general corporate purposes.

Other than noted above, there has been no additional matter or circumstance that has arisen after reporting date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

Signed in accordance with a resolution of the Directors.

For and on behalf of the Directors



Bruce Griffin

Executive Chair

Perth, Western Australia

22 February 2022

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Sheffield Resources Limited for the half-year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia
22 February 2022



N G Neill
Partner

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half year ended 31 December 2021

	Note	31 December 2021 \$'000	31 December 2020 \$'000
Continuing operations			
Other income		6	212
Share-based payments	11	(719)	(142)
Employee benefits		(602)	(1,074)
Other corporate expenses		(270)	(152)
Consultancy expenses		(236)	54
Share of joint venture loss	7	(205)	-
Legal expenses		(57)	(19)
Bank fees and charges		(1)	(58)
Depreciation		-	(285)
Impairment exploration		-	7
Loss before income tax		(2,084)	(1,457)
Income tax expense		-	-
Loss after income tax		(2,084)	(1,457)
Other comprehensive income / (loss)			
Other comprehensive income / (loss)		-	-
Total comprehensive loss, net of tax		(2,084)	(1,457)
Loss per share attributable to ordinary equity holders			
Basic loss per share (cents per share)		(0.60)	(0.43)
Diluted loss per share (cents per share)		(0.60)	(0.43)

The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

		31 December 2021	30 June 2021
	Note	\$'000	\$'000
Current assets			
Cash and cash equivalents		5,141	6,519
Trade and other receivables		39	297
Assets held for sale	9	5,182	-
Total current assets		10,362	6,816
Non-current assets			
Investment in joint venture	7	116,196	116,401
Other receivables		30	-
Exploration and evaluation assets	8	1,627	6,648
Total non-current assets		117,853	123,049
Total assets		128,215	129,865
Current liabilities			
Trade and other payables		62	335
Provisions		43	55
Total current liabilities		105	390
Non-current liabilities			
Deferred tax liabilities		1,088	1,088
Total non-current liabilities		1,088	1,088
Total liabilities		1,193	1,478
Net assets		127,022	128,387
Equity			
Issued capital	10	133,091	133,091
Reserves	11	12,869	12,150
Accumulated losses		(18,938)	(16,854)
Total equity		127,022	128,387

The consolidated statement of financial position should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half year ended 31 December 2021

	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total \$'000
Balance as at 1 July 2021	133,091	12,150	(16,854)	128,387
Comprehensive income / (loss)				
Loss for the half year	-	-	(2,084)	(2,084)
Other comprehensive income / (loss)	-	-	-	-
Total comprehensive loss	-	-	(2,084)	(2,084)
Transactions with owners				
Share-based payments	-	719	-	719
Total transactions with owners	-	719	-	719
Balance as at 31 December 2021	133,091	12,869	(18,938)	127,022
	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total \$'000
Balance as at 1 July 2020	120,559	11,123	(44,862)	86,820
Comprehensive income / (loss)				
Loss for the half year	-	-	(1,457)	(1,457)
Other comprehensive income / (loss)	-	-	-	-
Total comprehensive loss	-	-	(1,457)	(1,457)
Transactions with owners				
Shares issued	12,882	-	-	12,882
Share issue costs	(343)	-	-	(343)
Share-based payments	-	142	-	142
Total transactions with owners	12,539	142	-	12,681
Balance as at 31 December 2020	133,098	11,265	(46,319)	98,044

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF CASH FLOWS

For the half year ended 31 December 2021

	31 December 2021	31 December 2020
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers	117	-
Payments to suppliers and employees	(1,364)	(2,073)
Interest received	6	31
Bank fees and charges	(1)	-
Net cash used in operating activities	(1,242)	(2,042)
Cash flows from investing activities		
Payments for exploration and evaluation expenditure	(163)	(477)
Payments for plant and equipment	-	(8)
Payments for development expenditure	-	(3,781)
Payments for debt service costs	-	(414)
Release of bonds and securities	27	41
Net cash used in investing activities	(136)	(4,639)
Cash flows from financing activities		
Proceeds from issue of shares	-	12,882
Payments for share issue costs	-	(343)
Payments for lease liabilities	-	(9)
Net cash from financing activities	-	12,530
Net increase / (decrease) in cash and cash equivalents	(1,378)	5,849
Cash and cash equivalents at the beginning of the period	6,519	7,083
Cash and cash equivalents at the end of the period	5,141	12,932

The consolidated statement of cash flows should be read in conjunction with the accompanying notes

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2021

1. CORPORATE INFORMATION

The consolidated financial report for the half year ended 31 December 2021 covers Sheffield Resources Limited (Sheffield, parent entity or the Company) and its controlled entities (collectively known as the Group or consolidated entity). The principal activities during the period were mineral sands exploration and development within Australia.

Sheffield is a for-profit company limited by shares whose shares are publicly traded on the Australian Securities Exchange. The Company and its controlled entities are incorporated and domiciled in Australia. The registered office and principal place of business of the Company is Level 2, 41-47 Colin Street, West Perth, WA 6005.

The consolidated financial report of Sheffield for the half year ended 31 December 2021 was authorised for issue in accordance with a resolution of the Directors on 22 February 2022.

2. STATEMENT OF COMPLIANCE

The half year consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 'Interim Financial Reporting', Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This half year financial report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2021 and any public announcements made by Sheffield Resources Limited during the half year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

3. BASIS OF PREPARATION

The half year report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purposes of preparing the interim report, the half year has been treated as a discrete reporting period.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reporting amounts of assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period.

Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events, which are believed to be reasonable under the circumstances. However, actual outcomes would differ from these estimates if different assumptions were used, and different conditions existed.

The Group has identified the following areas where significant judgements, estimates and assumptions are required, and where actual results were to differ, may materially affect the financial position or financial results reported in future periods.

Share-based payments transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by a combination of internal and external sources using a Black-Scholes option pricing model and independent third-party valuation which comprised a hybrid option pricing model incorporating a Monte Carlo simulation.

Exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on several factors, including whether the Group decides to exploit the related area of interest itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors which could impact the future recoverability include the level of reserves and resources, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental obligations) and changes to commodity prices. To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if rights to tenure of the area of interest are current and activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held for sale or held for distribution and subsequent gains and losses on remeasurement are recognised in profit or loss. Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

Mineral resources and ore reserves

The determination of reserves impacts the accounting asset carrying values, depreciation and amortisation rates, and provision for decommissioning and restoration. The information in this report as it relates to ore reserves, mineral resources or mineralisation is reported in accordance with the AusIMM "Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves 2012". The information has been prepared by or under supervision of competent persons as identified by the Code.

There are numerous uncertainties inherent in estimating mineral resources and ore reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may ultimately result in the reserves being restated.

5. NEW AND REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

The Group adopted all new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and are mandatory for the current financial reporting period beginning 1 July 2021. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

6. SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (CODM). The CODM is responsible for allocating resources and assessing performance of the operating segments and has been identified as the Board.

The Group's operating segments are as follows:

- Sheffield projects – Projects consist of mineral sand exploration tenements located in Western Australia held by Sheffield Resources Limited. Please also refer to Notes 8 and 9.
- Thunderbird project – Project consists of mineral sands tenements located in the Canning Basin that form part of the potential Thunderbird mineral sand mining operation held by Thunderbird Operations Pty Ltd, subsidiary of Kimberley Mineral Sands Pty Ltd (KMS). On 12 March 2021, YGH Australia Investment Pty Ltd entered into a 50:50 joint venture with Sheffield to own and develop the Thunderbird project. The ownership of Thunderbird project was held by Sheffield through its 100% owned subsidiary KMS prior to the formation of the joint venture. Please refer to Note 7.
- Other unallocated items – corporate expenses and share-based payments are examples of items that are not allocated to operating segments as they are not considered part of the core operation of any segment.

Current taxes and deferred taxes are not allocated to the segments as they are managed on a group basis.

	Sheffield projects ¹	Thunderbird project	Other	Total
31 December 2021	\$'000	\$'000	\$'000	\$'000
Segment Reporting				
Other income	-	-	6	6
Share-based payments	-	-	(719)	(719)
Employee benefits	-	-	(602)	(602)
Corporate expenses	-	-	(564)	(564)
Share of joint venture loss	-	(205)	-	(205)
Segment profit / (loss) before tax	-	(205)	(1,879)	(2,084)
Segment assets	6,809	116,196	5,210	128,215
Segment liabilities	-	-	1,193	1,193
Other disclosures				
Investment in joint venture	-	116,196	-	116,196
Capital expenditure	161	-	-	161

Note 1: Includes the Eneabba Project which was classed as assets held for sale as at 31 December 2021. Please refer to Notes 8 and 9.

31 December 2020	Sheffield projects \$'000	Thunderbird project \$'000	Other \$'000	Total \$'000
Segment Reporting				
Other income	-	-	212	212
Share-based payments	-	-	(142)	(142)
Employee benefit	-	-	(1,074)	(1,074)
Corporate expenses	-	-	(117)	(117)
Depreciation	-	(249)	(36)	(285)
Impairment exploration	-	7	-	7
Finance costs	-	(58)	-	(58)
Segment loss before tax	-	(300)	(1,157)	(1,457)
Segment assets	6,942	81,372	12,765	101,079
Segment liabilities	-	2,815	220	3,035
Other disclosure				
Capital expenditure	136	3,834	8	3,978

7. INTEREST IN JOINT VENTURE

Kimberley Mineral Sands Pty Ltd Joint Venture

On 6 January 2021, Sheffield and YGH Australia Investment Pty Ltd (Yansteel) entered into a binding joint venture agreement for the formation of a 50:50 Joint Venture to own and develop the Thunderbird project. As per the terms of the agreement, Yansteel subscribed for a 50% interest in Kimberley Mineral Sands Pty Ltd (KMS) and provided \$130.1 million in project equity funding. Sheffield had owned 100% of high-grade mineral sands Thunderbird project, located in north-west Western Australia. The ownership of Thunderbird project was held by Sheffield through its 100% owned subsidiary KMS which included tenements and other assets associated with Thunderbird.

KMS became jointly owned by Sheffield and Yansteel as at 12 March 2021 following completion of the joint venture transaction. Since that date, Sheffield's interest in KMS is accounted for using the equity method in the consolidated financial statements.

KMS is governed by a four-person Board of Directors with Sheffield and Yansteel each nominating, and being represented by, two directors. Key decisions require unanimous approval of both shareholders.

Summarised consolidated statement of profit or loss and other comprehensive income of KMS for the half year ended 31 December 2021 is as follows:

	31 December 2021 \$'000	31 December 2020 \$'000
Kimberley Mineral Sands Pty Ltd Joint Venture – continuing operations		
Other income	67	-
Expenses	(477)	-
Loss before income tax	(410)	-
Income tax expense	-	-
Loss after income tax	(410)	-
Other comprehensive income / (loss)	-	-
Total comprehensive loss, net of tax	(410)	-
Reconciliation of loss after income tax – continuing operations		
KMS joint venture loss	(410)	-
Loss after income tax	(410)	-
Reconciliation of share of joint venture loss – continuing operations		
Sheffield's share of KMS joint venture loss – 50%	(205)	-

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Summarised consolidated statement of financial position of KMS as at 31 December 2021 is as follows:

	31 December 2021	30 June 2021
	\$'000	\$'000
Kimberley Mineral Sands Pty Ltd Joint Venture		
Assets		
Current assets	107,269	128,589
Non-current assets	110,228	81,753
Total assets	217,497	210,342
Liabilities		
Current liabilities	6,933	1,983
Non-current liabilities	11,757	9,142
Total liabilities	18,690	11,125
Net assets	198,807	199,217
Reconciliation of carrying amount in joint venture investment		
Opening balance - share of joint venture investment	126,401	130,118
Sheffield's share of KMS joint venture loss - 50%	(205)	(3,717)
Closing balance - share of joint venture investment	126,196	126,401
Less contingent liabilities (Note 13)	(10,000)	(10,000)
Closing carrying amount in joint venture investment	116,196	116,401

KMS had no other contingent liabilities as at 31 December 2021, except for exploration and capital commitments, for which the Group has a corresponding commitment as disclosed in Note 12.

8. EXPLORATION AND EVALUATION ASSETS

The Group's exploration and evaluation assets are as follows:

	31 December 2021	30 June 2021
	\$'000	\$'000
Non-current assets		
Exploration and evaluation assets - at cost	6,648	10,137
Expenditure incurred	161	788
Derecognition of assets - deconsolidation ¹	-	(3,876)
Impairment of exploration expenditure ²	-	(401)
Transferred to assets held for sale - Eneabba Project (Note 9)	(5,182)	-
	1,627	6,648

Note 1: The Company deconsolidated its subsidiary, Kimberley Mineral Sands Pty Ltd on 12 March 2021. Please refer to Note 7.

Note 2: The exploration and evaluation expenditure were not considered to have further commercial value at reporting date.

9. ASSETS HELD FOR SALE

The Group's assets held for sale are as follows:

	31 December 2021	30 June 2021
	\$'000	\$'000
Current assets		
Exploration and evaluation assets – Eneabba Project (Note 8)	5,182	-
	5,182	-

Eneabba Project (100% owned)

On 29 November 2021, Sheffield entered into a definitive and binding agreement with Image Resources NL (Image) (ASX: IMA) for the sale of its 100% owned Eneabba Project for total cash consideration of \$24 million. Cash consideration of \$23m is subject to customary conditions associated with the transfer of exploration tenements and the \$1m balance is payable subject to the transfer of mining tenements, Foreign Investment Review Board (FIRB) approval and other customary conditions.

Subsequent to reporting date and following satisfaction of customary conditions, Sheffield received the initial \$23m tranche of its transaction with Image. A further \$1m is scheduled to be received by Sheffield upon the transfer of Eneabba Project mining tenements, which are subject to Foreign Investment Review Board (FIRB) approval and other customary conditions and expected to be completed in the March 2022 quarter.

Cash proceeds from the transaction will be applied toward Sheffield's \$10m obligation to Kimberley Mineral Sands Pty Ltd payable within 60 days following a Final Investment Decision for the Thunderbird Mineral Sands Project as well as general corporate purposes.

10. ISSUED CAPITAL

Reconciliation of movements in issued capital is as follows:

	Half Year Ended 31 December 2021		Year Ended 30 June 2021	
	Number	\$'000	Number	\$'000
Equity				
Opening balance at beginning of the period	346,054,761	133,091	311,795,340	120,559
Issued of fully paid ordinary shares ¹	532,794	-	34,259,421	12,882
Share issue costs	-	-	-	(350)
	346,587,555	133,091	346,054,761	133,091

Note 1: Mr Bruce McFadzean stepped down from the Managing Director role on 1 July 2021 and subsequently retired from his position as Non-Executive Director on 6 September 2021. In addition to cash benefits made in favour of Mr McFadzean, the Board determined that Mr McFadzean could retain a portion of awards totalling 532,794 performance rights and the balance of 703,627 performance rights were forfeited. The adjustments were recognised at 30 June 2021. The 532,794 performance rights vested in favour of Mr McFadzean on 1 July 2021.

11. RESERVES

Reconciliation of movements in reserves is as follows:

	Half Year Ended 31 December 2021		Year Ended 30 June 2021	
	\$'000		\$'000	
Equity				
Opening balance at beginning of the period	12,150		11,123	
Share-based payments expenses	719		1,027	
	12,869		12,150	

Employee share option plan

The following options were in place at reporting date:

Date of expiry	Grant date	Exercise price	Number under options
30 November 2023	19 November 2019	\$0.65	960,000
30 October 2026	25 November 2021	\$0.33	700,000
30 November 2025	25 November 2021	\$0.65	480,000
			2,140,000

Options issued during the half year as remuneration to key management personnel, as approved at the 2021 Annual General Meeting of Shareholders, are as follows:

Date of expiry	Grant date	Exercise price	Number under options
30 October 2026	25 November 2021	\$0.33	700,000
30 November 2025	25 November 2021	\$0.65	480,000
			1,180,000

The table lists the inputs to the model for options issued during the half year:

Number	700,000	480,000
Expiry date	30 October 2026	30 November 2025
Grant date	25 November 2021	25 November 2021
Vesting date	30 June 2024	25 November 2021
Exercise price	\$0.33	\$0.65
Dividend yield	0%	0%
Expected volatility	80%	80%
Risk-free interest rate	1%	1%
Expected life of options	4.83 years	3.92 years
Grant date share price	\$0.33	\$0.33
Fair value at grant date	\$0.18	\$0.15

Movement in options

	Half Year Ended 31 December 2021		Year Ended 30 June 2021	
	Number under options	Weighted average exercise price	Number under options	Weighted average exercise price
Movement in options				
Outstanding at beginning of the period	960,000	\$0.65	4,517,037	\$0.57
Granted during the period	1,180,000	\$0.46	-	-
Exercised during the period	-	-	-	-
Lapsed during the period	-	-	(3,557,037)	\$0.50
Cancelled during the period	-	-	-	-
Outstanding at the end of the period	2,140,000	\$0.55	960,000	\$0.65
Exercisable at the end of the period	2,140,000	\$0.55	960,000	\$0.65

The weighted average contractual remaining life of the share options outstanding as at 31 December 2021 is 3.32 years (30 June 2021: 2.42 years).

Employee incentive plan

The following performance rights were in place at reporting date and are subject to the Company Performance Rights plan:

Date of expiry	Grant date	Exercise price	Number under rights
1 March 2022	1 March 2018	Nil	51,235
26 October 2025	6 November 2018	Nil	158,940
1 December 2025	22 December 2018	Nil	1,298,367
30 October 2026	25 November 2021	Nil	451,516
30 October 2026	25 November 2021	Nil	3,318,182
			5,278,240

Performance rights issued during the half year as remuneration to key management personnel, as approved at the 2021 Annual General Meeting of Shareholders, are as follows:

Date of expiry	Grant date	Exercise price	Number under rights
30 October 2026	25 November 2021	Nil	451,516
30 October 2026	25 November 2021	Nil	3,318,182
			3,769,698

The table lists the inputs to the model for rights issued during the half year:

Number	451,516	3,318,182
Expiry date	30 October 2026	30 October 2026
Grant date	25 November 2021	25 November 2021
Vesting date	30 November 2022	30 November 2024
Exercise price	Nil	Nil
Dividend yield	0%	0%
Expected volatility	80%	80%
Risk-free interest rate	1%	1%
Expected life of rights	4.83 years	4.83 years
Grant date share price	\$0.33	\$0.33
Fair value at grant date	\$0.33	\$0.33

Movement in performance rights

	Half Year Ended 31 December 2021		Year Ended 30 June 2021	
	Number under rights	Weighted average grant price	Number under rights	Weighted average grant price
Movement in performance rights				
Outstanding at beginning of the period	7,916,861	\$0.53	11,191,318	\$0.60
Granted during the period	3,769,698	\$0.33	-	-
Vested during the period ¹	(532,794)	\$0.78	-	-
Lapsed during the period	(4,700,000)	\$0.36	(2,570,830)	\$0.78
Cancelled / Forfeited during the period	(1,175,525)	\$0.79	(703,627)	\$0.77
Outstanding at the end of the period	5,278,240	\$0.45	7,916,861	\$0.53
Exercisable at the end of the period	-	-	-	-

Note 1: Mr Bruce McFadzean stepped down from the Managing Director role on 1 July 2021 and subsequently retired from his position as Non-Executive Director on 6 September 2021. In addition to cash benefits made in favour of Mr McFadzean, the Board determined that Mr McFadzean could retain a portion of awards totalling 532,794 performance rights and the balance of 703,627 performance rights were forfeited. The adjustments were recognised at 30 June 2021. The 532,794 performance rights vested in favour of Mr McFadzean on 1 July 2021.

The weighted average remaining contractual life of the performance rights as at 31 December 2021 is 4.53 years (30 June 2021: 1.95 years).

12. COMMITMENTS

Exploration commitments

To maintain current rights of tenure to exploration tenements, the Group is required to meet the minimum expenditure requirements specified by various State and Territory Governments. The minimum amounts required to retain tenure is \$225k (30 June 2021: \$263k). These obligations are expected to be fulfilled in the normal course of operations.

Joint venture with YGH Australia Investment Pty Ltd

On 6 January 2021, Sheffield and YGH Australia Investment Pty Ltd (Yansteel) entered into a binding joint venture agreement for the formation of a 50:50 Joint Venture to own and develop the Thunderbird project. As per the terms of the agreement, Yansteel subscribed for a 50% interest in Kimberly Mineral Sands Pty Ltd (KMS) and provided \$130.1 million in project equity funding. Sheffield had owned 100% of high-grade mineral sands Thunderbird project, located in north-west Western Australia. The ownership of Thunderbird project was held by Sheffield through its 100% owned subsidiary KMS which included tenements and other assets associated with Thunderbird.

KMS became jointly owned by Sheffield and Yansteel as at 12 March 2021 following completion of the joint venture transaction. Please refer to Note 7. KMS reported minimum amounts required to maintain exploration commitments in 2022 is \$1.54m. These obligations are expected to be fulfilled in the normal course of operations.

KMS also reported the following capital commitments as at 31 December 2021:

Thunderbird Operations Pty Ltd

- \$0.4m annual support payment; and
- \$1.5m payable on a positive final investment decision for the Thunderbird project.

GR Engineering

- \$0.2m payable in March 2022 for waste water treatment plant;
- \$1.5m payable in February and March 2022 respectively for the spirals package; and
- \$0.7m payable in March for buried services for cables and piping.

McNally Group

- \$1.4m payable in February 2022 and \$2.5m payable in March 2022 for village design and construction.

13. CONTINGENT LIABILITIES

Sheffield Resources Limited

In accordance with the terms of agreement with regards to the KMS Joint Venture, Sheffield has disclosed a contingent liability to fund any excess equity shortfall up to a maximum of \$10m. The payment is contingent upon KMS reaching a final investment decision with regards to the Thunderbird project. No such decision was made at 31 December 2021.

The Group has no other contingent liabilities as at 31 December 2021 (30 June 2021: nil).

Joint venture with YGH Australia Investment Pty Ltd

KMS has transactions fees up to \$1.75m payable upon successful completion of project financing.

14. EVENTS SUBSEQUENT TO REPORTING PERIOD

Mrs Vanessa Kickett was appointed as an independent Non-Executive Director of the Company effective 1 January 2022.

Sheffield received \$23m in cash consideration from Image Resources NL (Image) (ASX: IMA) following the divestment of Eneabba Project exploration tenements. Following satisfaction of customary conditions, the Company received the initial \$23m tranche of its transaction with Image for the sale of its 100% owned Eneabba Project for total cash consideration of \$24m (refer ASX announcement dated 29 November 2021 and 19 January 2022). A further \$1m is scheduled to be received by Sheffield upon the transfer of Eneabba Project mining tenements, which are subject to Foreign Investment Review Board (FIRB) approval and other customary conditions and expected to be completed in March 2022 quarter.

Cash proceeds from the transaction will be applied toward Sheffield's \$10m obligation to Kimberley Mineral Sands Pty Ltd (KMS) payable within 60 days following a Final Investment Decision for the Thunderbird Mineral Sands Project as well as general corporate purposes.

Other than noted above, there has been no additional matter or circumstance that has arisen after reporting date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

DIRECTORS' DECLARATION

1. In the opinion of the Directors of the Company:
 - a. the accompanying financial statements and notes are in accordance with the Corporations Act 2001 including:
 - i. giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the year then ended; and
 - ii. complying with Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements.
 - b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
 - c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the half year ended 31 December 2021.

This declaration was signed in accordance with a resolution of the Board of Directors.



Bruce Griffin
Executive Chair
Perth, Western Australia
22 February 2022

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Sheffield Resource Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Sheffield Resource Limited ("the company") which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, for the Group comprising the company and the entities it controlled at the half-year ended or from time to time during the half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Sheffield Resource Limited does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review of the financial report* section of our report. We are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the directors for the financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us

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believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



HLB Mann Judd
Chartered Accountants

Perth, Western Australia
22 February 2022



N G Neill
Partner

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