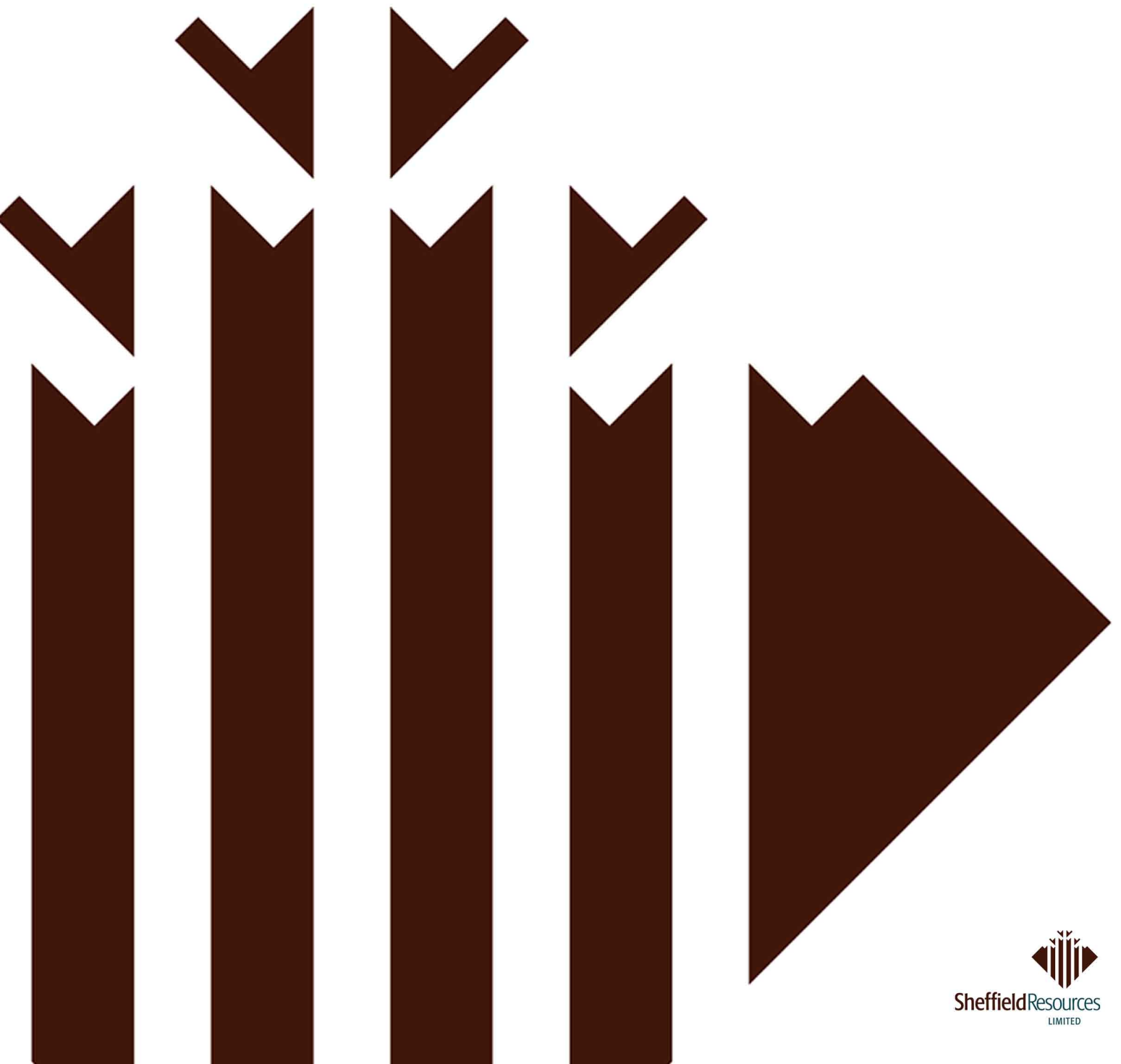
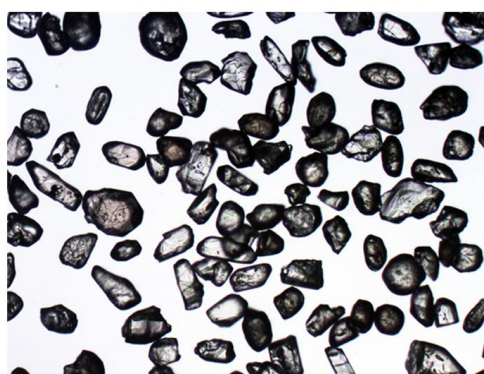
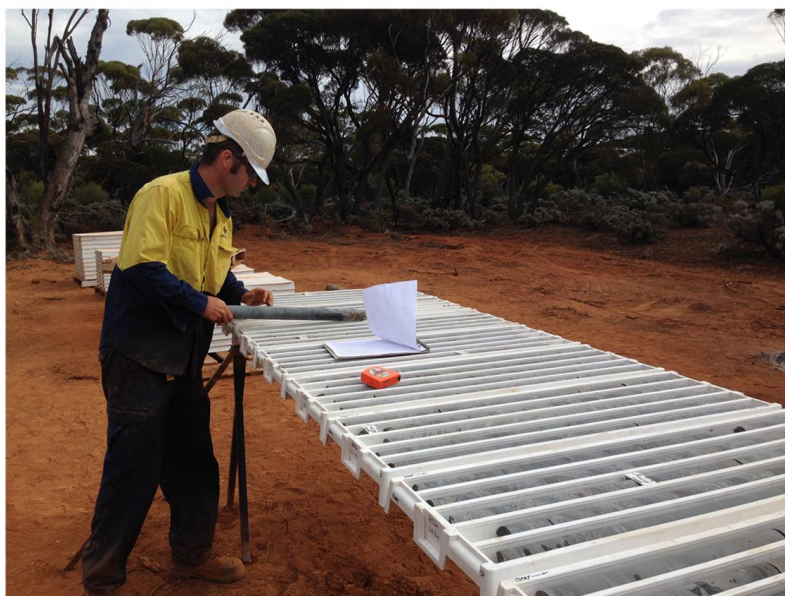


Sheffield Resources Ltd
ANNUAL FINANCIAL REPORT 2014



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CORPORATE INFORMATION

Directors

Mr Will Burbury, Chairman
Mr Bruce McQuitty, Managing Director
Mr David Archer, Technical Director

Company secretary

Mr Will Burbury

Registered office

Level 1, 57 Havelock Street
West Perth WA 6005
+61 8 6424 8440

Principal place of business

Level 1, 57 Havelock Street
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Share register

Link Market Services
178 St Georges Terrace
Perth WA 6000
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Solicitors

Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
Perth WA 6000

Bankers

Australia and New Zealand Banking Corporation

Auditors

HLB Mann Judd
Level 4, 130 Stirling Street
Perth WA 6000

Securities Exchange Listing

Australian Securities Exchange (ASX: SFX)

CHAIRMAN'S LETTER

Dear Shareholder,

It gives me great pleasure to comment on the key milestones achieved by your Company during the last year.

The Company's main focus has been on exploring and developing its flagship project, the Thunderbird Mineral Sands Project. I am very pleased to report that this work generated two very positive outcomes which we believe have the potential to transform the Company from exploration to a development and mining company.

Firstly, our exploration team doubled the Total Mineral Resource at Thunderbird to 2.62 billion tonnes @ 6.5% heavy mineral (Measured, Indicated and Inferred). The contained zircon of the Total Resource stands at 14.3 million tonnes, more than twice that of the previous 2012 resource estimate. This makes the Thunderbird deposit one of the largest accumulations of zircon in the world. The deposit also contains a globally significant quantity of ilmenite.

Secondly, the release of the Scoping Study earlier this year that demonstrates Thunderbird is a world class, long life mineral sands project that is anticipated to provide exceptional financial returns with modest capital requirements.

Due to the favourable results of the Scoping Study, the Board approved the commencement a Pre-Feasibility Study (PFS) which is expected to be completed during Q1 2015. Work conducted during the course of the PFS has the potential to further improve the already robust project economics. An example is the recent discovery of additional high grade mineralisation in the up-dip region of the deposit confirmed through drilling programmes this year.

The Company also completed a placement of \$11.5 million to fund exploration and other key components of the PFS. The Board expects that this work will pave the way for the commencement of Definitive Feasibility Studies to commence Q2 2015.

While Thunderbird will continue to be the key focus, your Company is fortunate to have pipeline of projects on which it continues to undertake low cost, value adding activities. These include the Red Bull nickel project in the Fraser Range, the Eneabba and McCalls mineral sands projects which have substantial mineral resources, the Oxley potash project and the Pilbara iron ore project.

I would like to acknowledge and thank our small but growing team for their significant contributions during the year. Their dedication and focus have again been recognised by industry when Sheffield was awarded Explorer of the Year at the Australian Mining Prospect Awards in November 2013.

On behalf of the Board, I would also like to acknowledge and thank our loyal shareholder base, many of whom have been shareholders since the Company's admission to the ASX in December 2010.

Once again, thank you for your support and we look forward to another successful year in 2014/15.

Yours sincerely



Will Burbury

Chairman



DIRECTORS' REPORT

Your directors submit the annual financial report of Sheffield Resources Limited and the entities it controlled throughout the year ('Sheffield' or 'Group') for the financial year ended 30 June 2014. In order to comply with the provisions of the Corporations Act, the directors report as follows:

Directors

The names of directors who held office during or since the end of the year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Mr Will Burbury BComm, LLB (Chairman and Company Secretary)

Will Burbury practised as a corporate lawyer with a leading Australian law firm prior to entering the mining and exploration industry in 2003. During this time, he has been actively involved in the identification and financing of many resources projects in Australia and Africa and has held senior management positions and served on boards of several private and publicly listed companies.

Mr Burbury was previously chairman of ASX listed Warwick Resources Limited prior to its merger with Atlas Iron Limited in 2009. He was also previously a director of ASX listed Lucapa Diamond Company and an executive of ASX listed NKWE Platinum Limited.

Other Current Directorships

None

Former Directorships in the Last Three Years

None

Mr Bruce McQuitty BSc, MEconGeol (Managing Director)

Bruce McQuitty has 31 years' experience in the mining and civil industries. During this time he has held various senior positions in large mining houses and has been involved in exploration through to the development of mines. Mr McQuitty has significant technical expertise in exploration, project generation, feasibility, underground mining and engineering geology and has managed exploration teams in Australia and overseas. Mr McQuitty holds a Masters of Economic Geology and a Bachelor of Science.

Mr McQuitty was previously Managing Director of ASX listed Warwick Resources Limited prior to its merger with Atlas Iron Limited in 2009. Prior to that he held senior positions with ASX/AIM listed Consolidated Minerals Limited and Gympie Gold Limited.

Other Current Directorships

None

Former Directorships in the Last Three Years

None

Mr David Archer BSc (Hons) (Technical Director)

David Archer is a geologist with 25 years' experience in exploration and mining in Australia. He has held senior positions with major Australian mining companies, including Renison Goldfields Consolidated Ltd, and has spent the last ten years as a Director of Archer Geological Consulting specialising in project generation, geological mapping and project evaluation.

Mr Archer was a consultant to ASX listed Atlas Iron Limited and Warwick Resources Limited and was responsible for significant iron ore discoveries for both companies in the Pilbara. He was also involved in the discovery of the Magellan lead mine and the Raleigh and Paradigm gold mines.

Other Current Directorships

None

Former Directorships in the Last Three Years

None

DIRECTORS' REPORT (continued)

Interests in the shares and options of the company and related bodies corporate

The following relevant interests in shares and options of the company or a related body corporate were held by the directors as at the date of this report.

Directors	Number of options over ordinary shares	Number of fully paid ordinary shares
Will Burbury	-	7,946,915
Bruce McQuitty	-	7,823,457
David Archer	-	7,704,691

Details of ordinary shares issued by the company during or since the end of the financial year as a result of the exercise of an option are:

Number of shares	Amount paid per share
1,485,714	\$0.30
250,000	\$0.44

Shares under Option

At the date of this report unissued ordinary shares of the Company under option are:

<i>Expiry Date</i>	<i>Exercise price</i>	<i>Number of options</i>
13 December 2015	0.30	1,350,000
20 March 2016	0.44	550,000
30 June 2016	0.44	525,000
1 April 2017	0.65	1,200,000
29 July 2017	0.53	500,000
26 September 2018	0.66	500,000
19 March 2019	0.87	1,400,000
19 March 2021	1.16	1,600,000
		7,625,000

Dividends

No dividends have been paid or declared since the start of the financial year ended 30 June 2014 and the Directors do not recommend the payment of a dividend in respect of the financial year.

Principal Activities

The principal activity of the Company during the year was exploration for mineral sands (zircon and titanium minerals), nickel, potash, iron and talc within the state of Western Australia.

There have been no significant changes in the nature of these activities during the year.

DIRECTORS' REPORT (continued)

REVIEW OF OPERATIONS

MAJOR PROJECTS

During the year the Company maintained its operational focus on its flagship Thunderbird Heavy Mineral Sands (HMS) project, located near Derby in the Canning Basin region of Western Australia and the Red Bull nickel project, located within 20km of Sirius Resources NL's (ASX:SIR) Nova-Bollinger nickel-copper deposit in the Fraser Range region of Western Australia.



Location of Sheffield's Projects in Western Australia

Thunderbird HMS

Key events during the year were the completion of an updated Mineral Resource for the Thunderbird deposit (ASX release 19 March 2014) and the Thunderbird Scoping Study (ASX release 14 April 2014). The Thunderbird Pre-feasibility Study is progressing well and is scheduled for completion in Q1 2015.

The updated total Mineral Resource for Thunderbird of **2.62Bt @ 6.5% HM** (Measured, Indicated and Inferred) (at 3% HM cut-off) doubled the previous December 2012 Mineral Resource in terms of contained Valuable Heavy Mineral and upgraded the majority of the resource to the Measured and Indicated categories (Tables 1 & 2).

The resource has a coherent higher grade component of **740Mt @ 12.1% HM** (Measured, Indicated and Inferred) (at 7.5% HM cut-off) containing 6.8Mt of zircon, 2.1Mt of high-titanium leucoxene, 1.9Mt of leucoxene and 25Mt of ilmenite.

DIRECTORS' REPORT (continued)

REVIEW OF OPERATIONS (continued)

The Scoping Study results demonstrate Thunderbird has the potential to generate consistently strong cash margins from globally significant levels of production over an initial 32 year mine life.

Average annual production following ramp-up to a 20.8Mtpa mining rate is estimated to be 118,200t zircon, 545,000t ilmenite and 21,700t HiTi80. At these modelled production rates, Thunderbird would supply approximately 8% and 4% of the global zircon and ilmenite markets respectively, positioning Sheffield as a globally significant mineral sands producer. The Company is targeting initial production in 2017.

Using long term forecast pricing of US\$1,475/t for zircon, US\$185/t for ilmenite and US\$870/t for HiTi80 and an exchange rate of 0.90, the key financial parameters of the project are:

- Life of mine (LOM) revenue of \$10.0 billion;
- LOM operating cash flow of \$5.0 billion (\$204 million per annum for first 10 years of production);
- Average LOM annual EBITDA of \$140 million (\$187 million per annum for first 10 years of production);
- Modest pre-production capital expenditure of \$257 million plus \$37 million of contingency; and
- Capital payback in 2 years.

The strong LOM cash flows are supported by a 30% higher cash flow in the first 10 years of operations due to the scheduling of near-surface high grade mineralisation. Potential extensions to this high grade mineralisation in the up-dip region of the deposit have been prioritised for drilling during Q3 2014.

The mining inventory that forms the basis of the Scoping Study was derived from an optimised pit shell giving a 32 year mine life and comprises **669Mt @ 10.2% HM**, with in-situ grades of 0.83% zircon, 0.27% HiTi leucoxene, 0.26% leucoxene and 2.9% ilmenite (from Measured and Indicated Resources only).

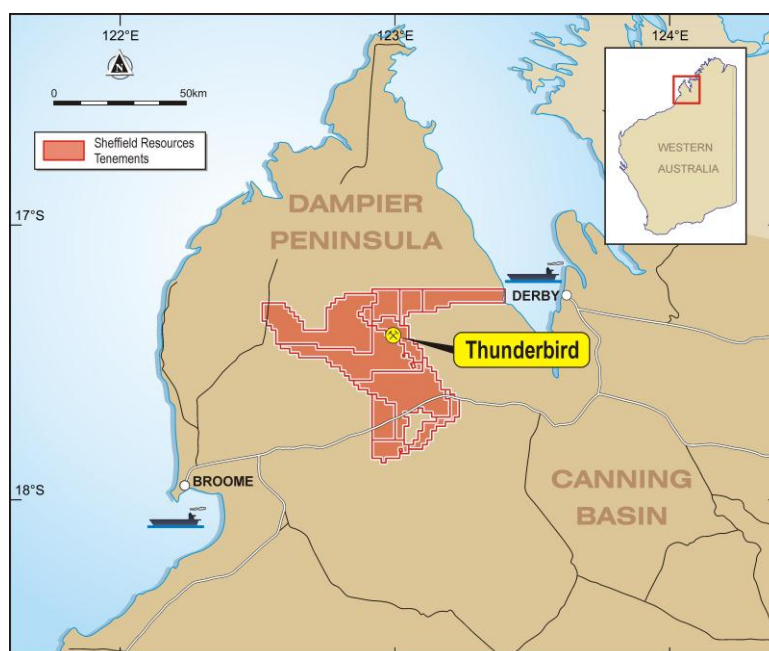
Marketing studies undertaken by mineral sands specialist consultants TZ Minerals International Pty Ltd (TZMI) indicate that Thunderbird will generate high quality, marketable products, including premium grade zircon and primary ilmenite suitable for sulphate pigment manufacture and sulphide or chloride slagging.

A processing flowsheet has been designed using the results of metallurgical testwork carried out over the past year. Bulk sample material totalling 30 tonnes was collected from the 2013 drilling campaign at Thunderbird and this will be used for further process refinement during PFS.

In March 2014, the Company appointed Wayne Groeneveld as Sustainability Manager to drive permitting and stakeholder engagement in relation to the Thunderbird project. Some elements of the permitting process are already well advanced, with Environmental consultants *ecologia* having completed Level 2 flora and fauna surveys.

During the first half of the reporting period, the Company completed a program of 281 holes for 18,841m at Thunderbird, results of which were incorporated in the 19 March 2014 Mineral Resource update.

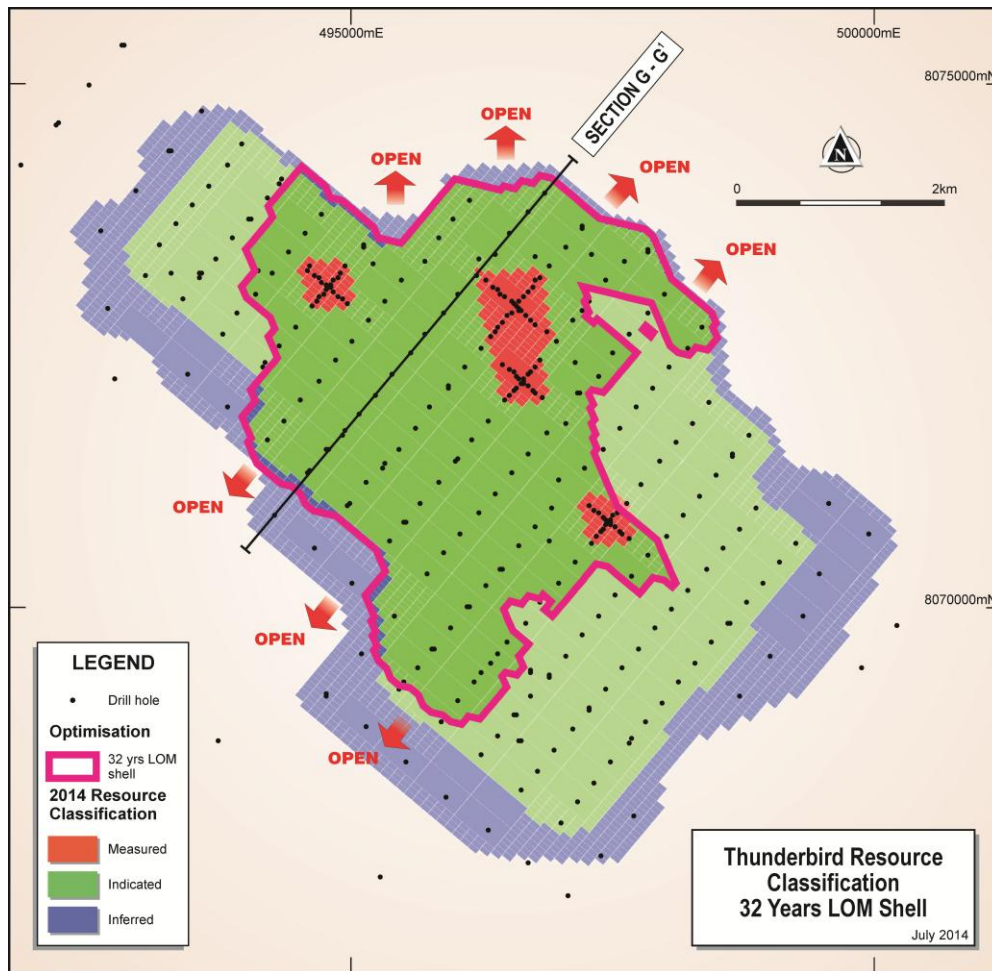
An aircore drilling program of 45 holes for 2,902m was undertaken at the Argo prospect, located 12km to the west of Thunderbird. This drilling outlined relatively low grade mineralisation over a 2km x 1.5km area, with an average interval thickness of 13m and depth to top of 49m.



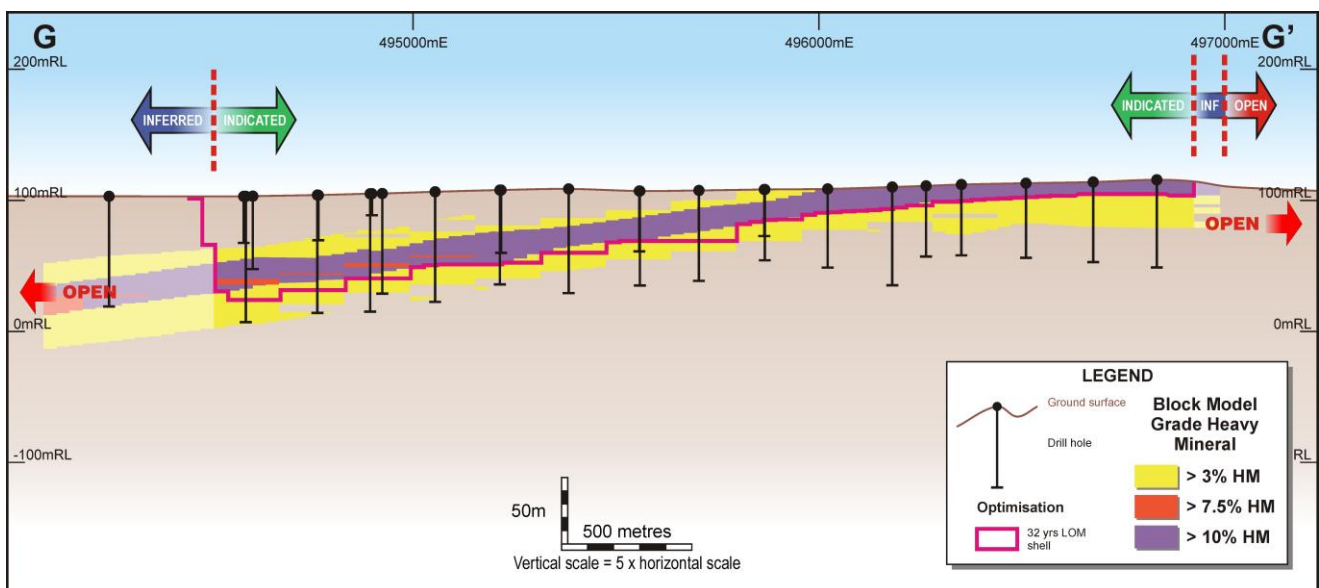
Location of Thunderbird HMS project

DIRECTORS' REPORT (continued)

REVIEW OF OPERATIONS (continued)



Plan view of Thunderbird Deposit resource classifications



Cross section G-G' through Thunderbird

DIRECTORS' REPORT (continued)

REVIEW OF OPERATIONS (continued)

Red Bull Nickel

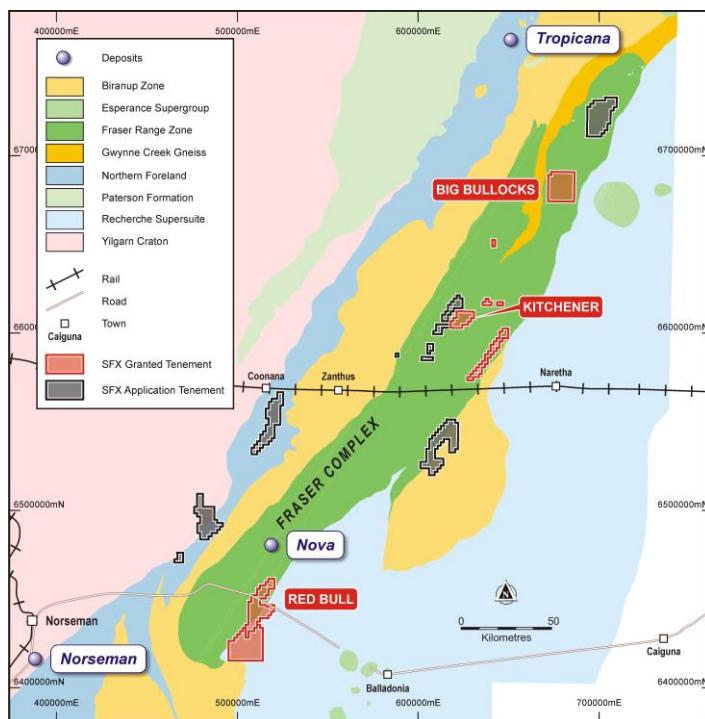
Two aircore drilling programs totalling 463 holes for 17,463m were undertaken at Red Bull during the first half of the year. The drilling targeted an 8km strike length of a layered mafic-ultramafic complex in the northern project area.

Four substantial nickel-copper-cobalt anomalies were outlined; Earlobe, Stud, Sleeper and Hook. A best intersection of **5m @ 0.73% Ni** (REAC240) was obtained from the Stud prospect. Stud is the largest anomaly with a strike length of 1.8km at a 0.2% Ni cut-off, and has elevated copper (to 0.11% Cu) and cobalt (to 0.05% Co) values, in addition to anomalous nickel.

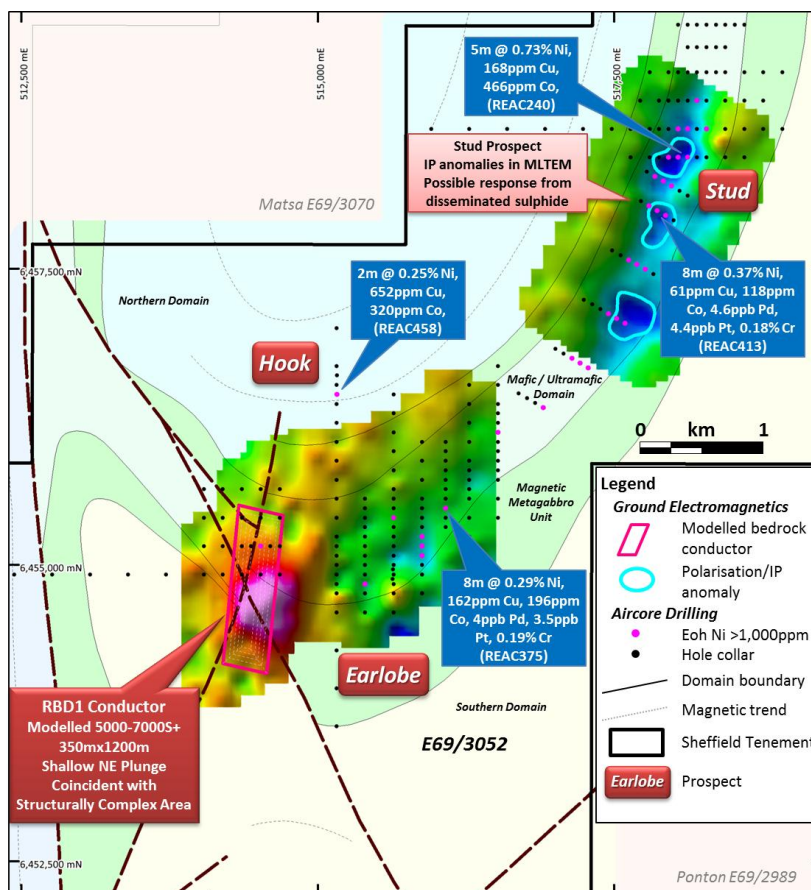
Nickel sulphide mineral violarite $FeNi_2S_4$, a supergene sulphide mineral associated with the weathering and oxidation of primary pentlandite $(Fe,Ni)_9S_8$, has been observed in trace amounts in end-of-hole drill samples.

Ground EM surveys undertaken in June 2014 located a large, deep, strong bedrock conductor at the southwestern end of the target layered mafic/ultramafic sequence. Subsequent to the reporting period, a 771m diamond drill hole tested this target and confirmed a graphitic rock unit as the conductive source (ASX release 9 September 2014).

The Company continued to build its tenement holding in the Fraser Range region and now holds 5 granted tenements and 11 applications totalling approximately 2,200km². Target generation work has commenced on the recently granted tenements.



Sheffield's tenements in the Fraser Range



Red Bull northern targets

DIRECTORS' REPORT (continued)

REVIEW OF OPERATIONS (continued)

OTHER PROJECTS

Sheffield has a pipeline of other projects, on which it continues undertake low cost, value adding activities. The Company periodically reviews its project portfolio with a view to realising value from its non-core assets.

Pilbara Iron

The Mt Vettel iron project is located 150km from Port Hedland and 20km to the west of Atlas Iron's (ASX:AGO) Mt Webber iron project.

In June 2014, the Company completed an RC drilling program of 34 holes for 2,146m, targeted outcropping hematite mineralisation outlined by an earlier mapping and sampling program.

The drill results, released on 19 August 2014, include higher grade iron intervals (+55% Fe) from shallow depths, within broader lower grade intervals. Phosphorous and alumina contaminant levels are low. At 50% Fe cut-off, the iron mineralisation occurs as a relatively flat dipping zone between 9m and 150m wide and extends from surface to vertical depths of up to 20m.

Currently the scale of Mt Vettel does not meet Sheffield's threshold for stand-alone development. The Company will assess its options for extracting value from the project.

Oxley Potash

The Oxley potash project is located near Three Springs in Western Australia's Mid-west region. Oxley has an unconventional, hard rock style of potash mineralisation which is hosted by a series of ultrapotassic microsyenite lavas which typically contain over 90% sanidine (potash) feldspar.

In early 2013, Sheffield drilled an 8km segment of the 32km strike extent of the microsyenite unit, obtaining mineralised widths up to 75m (average 36m) and K₂O grades up to 9.8% (average 8.4%) at a 6% K₂O cut-off.

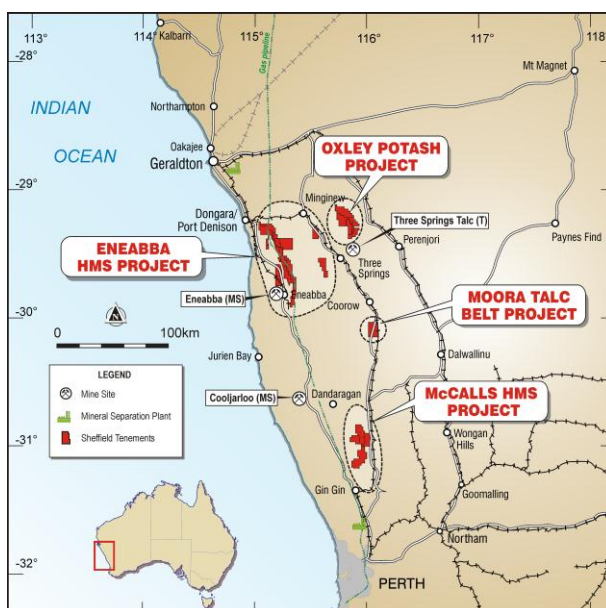
During the reporting year, AMEC Australia Pty Ltd completed an exploratory investigation of processing and product marketing options for the Oxley potash mineralisation. As part of this work AMEC undertook metallurgical testwork on samples from the 2013 drilling program.

The initial beneficiation testwork delivered a 33% increase in grade of the feed material and identified five potential product options for further investigation. Sheffield plans to undertake further metallurgical testwork during the second half of 2014 and may consider introducing a partner to progress the Oxley Potash project.

Eneabba HMS

The Eneabba project comprises five mineral sands deposits: West Mine North, Ellengail, Yandanooka, Durack and Drummond Crossing with combined resources of 6.76Mt of HM (Tables 1 & 2). Sheffield's strategy is to evaluate these deposits with a view to developing a sequential mining operation, whilst actively exploring the region for further deposits.

On 30 October 2013, the Company announced a maiden Mineral Resource for the Drummond Crossing deposit of **52.2Mt @ 2.1% HM**, containing 1.07Mt HM (Indicated and Inferred). The resource contains 150,000t of zircon, 107,000t of rutile, 570,000t of ilmenite and 38,000t of leucoxene (Tables 1 & 2).



Sheffield's Mid-west projects

DIRECTORS' REPORT (continued)

REVIEW OF OPERATIONS (continued)

A regional surface sampling programme of 676 samples yielded four new dunal HMS targets: Mt Adams, Robbs Cross, Ding Road and Thomsons. These targets are scheduled for drilling during 2014-15.

The Company also completed an optimization study on the West Mine North deposit.

McCalls HMS

The McCalls project, located 110km north of Perth, has an Inferred Resource of 4.4Bt @ 1.2% HM containing 53Mt of HM (Tables 1 & 2). Of this, 43 million tonnes is chloride grade ilmenite (66% TiO₂) ranking McCalls as one of the largest undeveloped chloride ilmenite deposits in the world. The deposit also contains approximately 3.5Mt of zircon and 1Mt of rutile.

Preliminary geotechnical studies were undertaken as part of a scoping assessment of dredge mining.

Exploration licence E70/4584 "Mindarra Springs" was granted. E70/4584 is contiguous with the McCalls project tenements and covers the large Mindarra Springs mineral sands occurrence.

A mineral resource update is planned for McCalls during the third quarter of 2014.

Moora Talc Belt

The Company reduced its tenure position over the Moora Talc Belt to a single tenement, E70/3776, in order to focus on the Fowlers talc deposit. Fowlers is a large funnel-shaped talc deposit located near Marchagee.

Fowlers talc has extremely low calcium content but the elevated iron content and low brightness of the raw talc limit commercial applications. During the year the Company completed scoping stage beneficiation test work on drill core samples which was successful in producing a pure microcrystalline talc lump product with lower iron content and increased brightness.

Further comminution and micronizing of the lump product with associated beneficiation process will potentially further upgrade the product quality. Sheffield will undertake market research and product soundings to determine interest in the Fowlers talc lump product during the second half of 2014.

CORPORATE

In May 2014 Sheffield completed an \$11.5 million capital raising through the placement of 14,197,531 shares at an issue price of 81 cents per share. Sheffield's directors contributed \$320,000 to the placement (395,062 shares issued on 8 July 2014). The funds are to be used to complete pre-feasibility studies and exploration at the Thunderbird mineral sands project, for exploration of the Red Bull nickel-copper and Mt Vettel iron projects and for general working capital.

As of 30 June 2014, the Company had \$10,879,408 in cash (2013: \$8,401,226) and no debt.

COMPLIANCE STATEMENTS

PREVIOUSLY REPORTED INFORMATION

This report includes information that relates to Exploration Results, Mineral Resources and Scoping Studies which were prepared and first disclosed under the JORC Code 2012. The information was extracted from the Company's previous ASX announcements as follows:

- Thunderbird Resource Update: "*SHEFFIELD DOUBLES TOTAL MINERAL RESOURCES AT WORLD CLASS THUNDERBIRD HMS DEPOSIT*", 19 March 2014
- Thunderbird Scoping Study: "*SCOPING STUDY HIGHLIGHTS THUNDERBIRD'S EXCEPTIONAL FINANCIAL RETURNS*", 14 April, 2014
- Red Bull Nickel: "*LARGE Ni-Cu-Co ANOMALIES IDENTIFIED IN THE FRASER RANGE*", 11 February, 2014
- Oxley Potash and Moora Talc: "*QUARTERLY REPORT FOR PERIOD ENDING JUNE 2014*", 30 July 2014
- Red Bull EM Conductor: "*LARGE BEDROCK CONDUCTOR IDENTIFIED AT RED BULL Ni-Cu PROJECT, FRASER RANGE*", 7 July 2014
- Red Bull Drilling: "*RED BULL DRILLING UPDATE*", 9 September 2014

This report also includes information that relates to Exploration Targets, Exploration Results and Mineral Resources which were prepared and first disclosed under the JORC Code 2004. The information has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

DIRECTORS' REPORT (continued)

REVIEW OF OPERATIONS (continued)

The information was extracted from the Company's previous ASX announcements as follows:

- Ellengail Mineral Resource: *"1MT CONTAINED HM INFERRED RESOURCE AT ELLENGAIL"*, 25 October 2011.
- West Mine North Mineral Resource: *"WEST MINE NORTH MINERAL RESOURCE ESTIMATE EXCEEDS EXPECTATIONS"*, 7 November 2011.
- McCalls Mineral Resource: *"4.4 BILLION TONNE MAIDEN RESOURCE AT MCCALLS HMS PROJECT"*, 20 February 2012.
- Durack Mineral Resource: *"ENEABBA PROJECT RESOURCE INVENTORY EXCEEDS 5MT HEAVY MINERAL"*, 28 August 2012.
- Yandanooka Mineral Resource: *"YANDANOOKA RESOURCE UPGRADE AND METALLURGICAL RESULTS"*, 30 January 2013.
- Oxley Potash Drilling Results: *"MAJOR NEW POTASH DISCOVERY IN WA'S MID-WEST"*, 19 July 2013.
- Oxley Potash Drilling Results: *"QUARTERLY REPORT FOR PERIOD ENDING SEPTEMBER 2013"*, 31 October 2013.
- Fowlers Talc Exploration Target: *"QUARTERLY REPORT FOR PERIOD ENDING JUNE 2013"*, 31 July 2013.
- Drummond Crossing Mineral Resource and Sampling Results from Dunal-Style HM Targets, Eneabba Project: *"1Mt HEAVY MINERAL RESOURCE ADDED TO ENEABBA PROJECT"*, 30 October 2013.
- Red Bull Nickel Targets from Soil Sampling and Petrography Results: *"AIRCORE DRILLING UNDERWAY AT RED BULL NICKEL PROJECT"*, 27 November 2013.

These announcements are available to view on Sheffield Resources Ltd's web site 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 original market announcements and, in the case of estimates of Mineral Resources 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 Person's findings are presented have not been materially modified from the original market announcement.

SCOPING STUDY

The Scoping Study referred to in this report is based on low-level technical and economic assessments, and is insufficient to support estimation of Ore Reserves or to provide assurance of an economic development case at this stage, or to provide certainty that the conclusions of the Scoping Study will be realised

The Company believes it has a reasonable basis for making the forward looking statements in this report, including with respect to any production targets, based on the information contained in the announcement *"SCOPING STUDY HIGHLIGHTS THUNDERBIRD'S EXCEPTIONAL FINANCIAL RETURNS"*, dated 14 April 2014, and with respect to the Mineral Resource for Thunderbird as at 19 March 2014, independently compiled by QG Pty Ltd, together with independent metallurgical, processing design, engineering, mining and marketing studies, product quality assessment, external commodity price and exchange rate forecasts and global operating cost data. The Company confirms that all the material assumptions underpinning the Thunderbird production target or forecast financial information derived from the production target which first appeared in the announcement *"SCOPING STUDY HIGHLIGHTS THUNDERBIRD'S EXCEPTIONAL FINANCIAL RETURNS"*, dated 14 April 2014, continue to apply and have not materially changed.

In this report the term "mining inventory" is used to report that part of the Mineral Resource that has been considered in the Scoping Study. The mining inventory does not meet the requirements of an Ore Reserve as defined under the 2012 edition of the JORC Code and should not be considered an Ore Reserve. There is no certainty that all or any part of the mining inventory will be converted into Ore Reserves.

DIRECTORS' REPORT (continued)**REVIEW OF OPERATIONS (continued)****Table 1: Sheffield's contained Valuable HM (VHM) Resource inventory at 19 March 2014**

Deposit	Resource Category	Zircon (kt)*	Rutile (kt)*	HiTi Leuc. (kt)*	Leuc. (kt)*	Ilmenite (kt)*	Total VHM (kt)*
Thunderbird	Measured	510	-	150	140	1,660	2,460
Thunderbird	Indicated	10,170	-	3,350	3,550	34,110	51,180
Thunderbird	Inferred	4,270	-	1,230	1,470	12,110	19,080
Yandanooka	Measured	13	2		3	87	105
Yandanooka	Indicated	240	81		83	1,440	1,840
Yandanooka	Inferred	4	1		2	23	29
Durack	Indicated	144	29		52	703	928
Durack	Inferred	26	5		13	121	164
Drummond Crossing	Indicated	143	101		37	542	823
Drummond Crossing	Inferred	7	5		1	28	41
Ellengail	Inferred	92	90		19	658	859
West Mine North	Measured	18	33		42	200	293
West Mine North	Indicated	71	87		46	506	709
McCalls	Inferred	3,490	1,060		2,580	42,910	50,040
Total	Measured	540	35	150	180	1,950	2,850
Total	Indicated	10,770	300	3,350	3,760	37,300	55,470
Total	Inferred	7,889	1,160	1,230	4,080	55,850	70,215
Total	All	19,199	1,500	4,730	8,020	95,100	128,535

All tonnages have been rounded to reflect the relative uncertainty of the estimate, thus sum of columns may not equal. The contained VHM tonnages in the above table are derived from Mineral Resource Estimates for the Yandanooka, Ellengail, West Mine North, McCalls, Durack deposits (estimated using a 0.9% HM cut-off), the Drummond Crossing deposit (estimated using a 1.1% HM cut-off) and the Thunderbird deposit (estimated using a 3% HM cut-off) as detailed in Table 2.

* Valuable Heavy Minerals are classified as zircon, rutile, HiTi leucoxene, leucoxene and ilmenite.

DIRECTORS' REPORT (continued)

REVIEW OF OPERATIONS (continued)

Table 2: Sheffield's HMS Mineral Resource² Inventory at 19 March 2014

Project	Deposit	Resource Category	Cut-off (% HM) ³	Material (Mt)*	Bulk Density	HM %	Slimes % ³	Osize %	In situ HM (Mt)*	Zircon ² %	Rutile ² %	HiTi ² Leuc. %	Leuc. ² %	Ilm. ² %
Dampier	Thunderbird	Measured	3.0	75	2.1	7.5	19	11	6	9.1	-	2.7	2.4	30
	Thunderbird	Indicated	3.0	1,805	2.1	6.8	17	9	122	8.3	-	2.7	2.9	28
	Thunderbird	Inferred	3.0	740	2.0	5.7	15	9	42	8.5	-	2.9	3.5	29
	Total Dampier	All	3.0	2,620	2.1	6.5	17	9	170	8.4	-	2.8	3.0	29
Eneabba	Yandanooka	Measured	0.9	3	2.0	4.1	15	14	0.1	11	1.9	-	2.2	72
	Yandanooka	Indicated	0.9	90	2.0	2.3	16	15	2.1	11	3.9	-	3.9	69
	Yandanooka	Inferred	0.9	3	2.0	1.2	18	21	0.03	11	3.9	-	4.6	68
	Yandanooka	All	0.9	96	2.0	2.3	16	15	2.2	11	3.8	-	3.9	69
	Durack	Indicated	0.9	50	2.0	2.0	15	21	1.0	14	2.8	-	5.1	69
	Durack	Inferred	0.9	15	1.9	1.2	14	17	0.2	14	2.5	-	7.2	66
	Durack	All	0.9	65	2.0	1.8	15	20	1.2	14	2.8	-	5.6	68
	Drummond Crossing	Indicated	1.1	49	2.0	2.1	16	9	1.0	14	10	-	3.6	53
	Drummond Crossing	Inferred	1.1	3	2.0	1.5	16	8	0.05	13	10	-	2.8	55
	Drummond Crossing	All	1.1	52	2.0	2.1	16	9	1.1	14	10	-	3.5	53
	Ellengail	Inferred	0.9	46	2.0	2.2	16	2	1.0	8.9	8.7	-	1.9	64
	Ellengail	All	0.9	46	2.0	2.2	16	2	1.0	8.9	8.7	-	1.9	64
	West Mine North	Measured	0.9	6	2.0	5.6	15	1	0.4	4.9	9.1	-	12	55
	West Mine North	Indicated	0.9	36	1.9	2.3	13	3	0.8	8.4	10	-	5.4	60
	West Mine North	All	0.9	43	1.9	2.8	13	3	1.2	7.9	10	-	6.4	59
	Total Eneabba	Measured	var.	9	2.0	5.2	15	5	0.5	6.7	6.8	-	8.7	60
	Total Eneabba	Indicated	var.	225	2.0	2.2	15	13	5.0	12	6.0	-	4.4	64
Total Eneabba	Inferred	var.	68	2.0	1.9	15	6	1.3	10	7.2	-	3.2	64	
Total Eneabba	All	var.	302	2.0	2.2	15	11	6.8	12	6.3	-	4.2	64	
McCalls	McCalls	Inferred	0.9	4,431	2.3	1.2	27	1.4	53	6.6	2.0	-	4.9	81
	Total McCalls	All	0.9	4,431	2.3	1.2	27	1.4	53	6.6	2.0	-	4.9	81

*All tonnages and grades have been rounded to reflect the relative uncertainty of the estimate and maintain consistency throughout the table, thus sum of columns may not equal. ¹ See the compliance statements in this report for important information relating to the reporting of these Mineral Resources. ² The Mineral Assemblage is represented as the percentage of the Heavy Mineral (HM) component of the deposit, determined by QEMSCAN for Eneabba & McCalls, with TiO₂ minerals defined according to the following ranges: Rutile >95% TiO₂; Leucoxene 85-95% TiO₂; Ilmenite <55-85% TiO₂; for Dampier the mineral assemblage was determined by screening and magnetic separation. 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. Non-magnetic fractions were submitted for XRF analysis and minerals determined as follows: Zircon: ZrO₂+HfO₂/0.667 and High Titanium Leucoxene (HiTi Leucoxene): TiO₂/0.94. ³ West Mine North, Drummond Crossing, Durack and McCalls deposits are reported below 35% slimes cut-off.

DIRECTORS' REPORT (continued)

Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the company to the date of this report.

Significant events after balance date

250,000 unlisted options at \$0.44 each with an expiry of 6 September 2014 were exercised on 28 August 2014 for a total of \$110,000 and 200,000 unlisted options at \$0.30 each with an expiry of 13 December 2015 were exercised on 19 August 2014 for a total of \$60,000.

The Performance Bonds held with the Department of Mines and Petroleum for programme of works were retired. The company intends to continue to hold these bonds as bank guarantees until they reach maturity.

There have been no other significant events after balance date.

Likely developments and expected results

Disclosure of information regarding likely developments in the operations of the company in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the company. Therefore, this information has not been presented in this report.

Environmental legislation

The Company's operations are subject to environmental regulation in respect to its mineral tenements relating to exploration activities on those tenements. No breaches of any environmental restrictions were recorded during the financial year. The Company has not yet fully reviewed the reporting requirements under the Energy Efficient Opportunities Act 2006 or the National Greenhouse and Energy Reporting Act 2007 but believes it has adequate systems in place to ensure compliance with these Acts having regard to the scale and nature of current operations.

Indemnification and insurance of Directors and Officers

The Company has agreed to indemnify all the Directors of the Company for any liabilities to another person (other than the Company or related body corporate) that may arise from their position as Directors of the Company, except where the liability arises out of conduct involving a lack of good faith.

During the financial year the Company paid a premium in respect of a contract insuring the Directors and Officers of the Company against any liability incurred in the course of their duties to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Remuneration report (audited)

This report outlines the remuneration arrangements in place for the key management personnel of the Company for the financial year ended 30 June 2014. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

The remuneration report details the remuneration arrangements for key management personnel ("KMP") who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company directly or indirectly.

Key Management Personnel

(i) Directors

Will Burbury: Executive Chairman/Company Secretary

Bruce McQuitty: Managing Director

David Archer: Technical Director

The named persons held their current positions for the whole of the financial year and since the financial year.

Remuneration philosophy

The performance of the Company depends upon the quality of its Directors and Executives. The philosophy of the Company in determining remuneration levels is to:

- set competitive remuneration packages to attract and retain high calibre employees;
- link executive rewards to shareholder value creation; and
- establish appropriate, demanding performance hurdles for variable Executive remuneration.

DIRECTORS' REPORT (continued)

Remuneration report (continued)

Remuneration structure

In accordance with best practice corporate governance, the structure of Non-executive Director and Executive remuneration is separate and distinct.

Non-executive Director Remuneration

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The ASX Listing Rules specify that the aggregate remuneration of Non-executive Directors shall be determined from time to time by a general meeting. The Company does not have any Non-executive Directors.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers advice from external shareholders as well as the fees paid to Non-executive Directors of comparable companies when undertaking the annual review process. Each Director receives a fee for being a Director of the Company. The Company has not appointed any Non-executive Directors.

Executive Director Remuneration

Remuneration consists of fixed remuneration and variable remuneration (comprising short-term and long-term incentive schemes).

Fixed Remuneration

Fixed remuneration is reviewed annually by the Remuneration Committee. The role of the Remuneration Committee has been assumed by the full Board. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The Committee has access to external, independent advice where necessary.

The fixed remuneration component of key management personnel is detailed in Table 1.

Variable Remuneration

The objective of the short term incentive program is to link the achievement of the Company's operational targets with the remuneration received by the Executives charged with meeting those targets. The total potential short term incentive available is set at a level so as to provide sufficient incentive to the senior manager to achieve the operational targets and such that the cost to the Company is reasonable in the circumstances.

The aggregate of annual payments available for Executives across the Company is subject to the approval of the Remuneration Committee. The role of the Remuneration Committee has been assumed by the full Board. Payments made are delivered as a cash bonus in the following reporting period. The Company also makes long term incentive payments to reward senior executives in a manner that aligns this element of remuneration with the creation of shareholder wealth.

Employment Contracts

Executive Services Agreement – Bruce McQuitty

The Company entered into a services agreement with Bruce McQuitty (McQuitty Services Agreement) effective 1 July 2010. Under the McQuitty Services Agreement, Mr McQuitty is employed by the Company to provide services to the Company in the capacity of Managing Director.

Mr McQuitty is paid an annual remuneration of \$240,000 plus statutory superannuation. Mr McQuitty will also be reimbursed for reasonable expenses incurred in carrying out his duties.

The McQuitty Services Agreement will continue until terminated in accordance with its terms. The McQuitty Services Agreement contains standard termination provisions under which either party must give three months' notice of termination (or shorter period in the event of a material breach) or alternatively, payment in lieu of service. In addition, Mr McQuitty is entitled to all unpaid remuneration and entitlements up to the date of termination.

Executive Services Agreement – Will Burbury

The Company entered into a services agreement with Will Burbury (Burbury Services Agreement) effective 1 July 2010. Under the Burbury Services Agreement, Mr Burbury is employed by the Company to provide services to the Company in the capacity of Executive Chairman and Company Secretary.

Mr Burbury is paid an annual remuneration of \$110,000 plus statutory superannuation. Mr Burbury will also be reimbursed for reasonable expenses incurred in carrying out his duties.

DIRECTORS' REPORT (continued)**Remuneration report (continued)****Executive Services Agreement – Will Burbury (continued)**

The Burbury Services Agreement contains standard termination provisions under which either party must give three months' notice of termination (or shorter period in the event of a material breach), or alternatively, payment in lieu of service. In addition, Mr Burbury is entitled to all unpaid remuneration and entitlements up to the date of termination.

Executive Services Agreement – David Archer

The company entered into a services agreement with David Archer (Archer Services Agreement) effective 1 July 2010. Under the Archer Services Agreement, Mr Archer is employed by the Company to provide services to the Company in the capacity of Technical Director.

Mr Archer is paid an annual remuneration of \$198,000 plus statutory superannuation. Mr Archer will also be reimbursed for reasonable expenses incurred in carrying out his duties.

The Archer Services Agreement will continue until terminated in accordance with its terms. The Archer Services Agreement contains standard termination provisions under which either party must give three months' notice of termination (or shorter period in the event of a material breach), or alternatively, payment in lieu of services. In addition, Mr Archer is entitled to all unpaid remuneration and entitlements up to the date of termination.

Remuneration of key management personnel**Table 1: Directors' remuneration for the years ended 30 June 2014 and 30 June 2013**

		Employee benefit		Total \$	Performance Related %
		Short-term Employee benefit	Post-employment benefit		
		Salary & Fees \$	Superannuation \$		
Will Burbury	2014	95,833	8,865	104,698	-
	2013	97,589	8,783	106,372	-
Bruce McQuitty	2014	240,000	22,200	262,200	-
	2013	240,000	21,600	261,600	-
David Archer	2014	198,000	18,315	216,315	-
	2013	198,000	17,820	215,820	-
TOTALS	2014	533,833	49,380	583,213	-
	2013	535,589	48,203	583,792	-

There were no share based or performance based remuneration in either the current or prior period.

Shareholdings of Key Management Personnel

	Balance at beginning of period	Granted as remuneration	On exercise of options	Acquisition	Balance at end of period
30 June 2014					
Directors					
Will Burbury	7,700,001	-	-	246,914	7,946,915
Bruce McQuitty	7,700,000	-	-	123,457	7,823,457
David Archer	7,680,000	-	-	24,691	7,704,691
Total	23,080,001	-	-	395,062	23,475,063

DIRECTORS' REPORT (continued)**Remuneration report (continued)****Shareholdings of Key Management Personnel (continued)**

	Balance at beginning of period	Granted as remuneration	On exercise of options	Acquisition	Balance at end of period
30 June 2013					
Directors					
Will Burbury	5,100,001	-	2,500,000	100,000	7,700,001
Bruce McQuitty	5,100,000	-	2,500,000	100,000	7,700,000
David Archer	5,100,000	-	2,500,000	80,000	7,680,000
Total	15,300,001	-	7,500,000	280,000	23,080,001

Option holdings of Key Management Personnel

	Balance at beginning of period	Granted as remuneration	Options exercised	Net change Other	Balance at end of period	Total
30 June 2014						
Directors						
Will Burbury	-	-	-	-	-	-
Bruce McQuitty	-	-	-	-	-	-
David Archer	-	-	-	-	-	-
Total	-	-	-	-	-	-

	Balance at beginning of period	Granted as remuneration	Options exercised	Net change Other	Balance at end of period	Total
30 June 2013						
Directors						
Will Burbury	2,500,000	-	2,500,000	-	-	-
Bruce McQuitty	2,500,000	-	2,500,000	-	-	-
David Archer	2,500,000	-	2,500,000	-	-	-
Total	7,500,000	-	7,500,000	-	-	-

Details of employee share option plans

For details on the valuation of the options, including models and assumptions used, please refer to note 15. Terms and conditions of option plans in existence during the financial year or future financial years. These options are not subject to any vesting conditions.

	Grant date	Grant date fair value \$	Exercise price \$	Expiry date
500,000 Unlisted options	26 September 2013	\$94,466	\$0.66	26 September 2018
1,400,000 Unlisted options	20 March 2014	\$297,928	\$0.87	19 March 2019
1,600,000 Unlisted options	20 March 2014	\$358,671	\$1.16	19 March 2021

End of Remuneration Report.

DIRECTORS' REPORT (continued)**Directors' Meetings**

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

	Directors' Meetings
Number of meetings held:	3
Number of meetings attended:	
Will Burbury	3
Bruce McQuitty	3
David Archer	3

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Auditor Independence and Non-Audit Services

Section 307C of the *Corporations Act 2001* requires our auditors, HLB Mann Judd, to provide the Directors of the Company with an Independence Declaration in relation to the audit of the annual report. This Independence Declaration is set out on page 17 and forms part of this Directors' report for the year ended 30 June 2014.

Non-Audit Services

The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. During the year, the auditors did not provide any non-audit services to the Group.

Signed in accordance with a resolution of the Directors.



Bruce McQuitty
Director
Perth, 15 September 2014



Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Sheffield Resources Limited for the year ended 30 June 2014, 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 audit; and
- b) any applicable code of professional conduct in relation to the audit.

A handwritten signature in blue ink, appearing to read 'Norman G. Neill'.

Perth, Western Australia
15 September 2014

N G Neill
Partner

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014**

		Consolidated	Consolidated
		2014	2013
	Notes	\$	\$
Gain from sale of permits	3	-	620,257
Other income	2	171,000	290,296
Employee benefits expense		(321,346)	(349,108)
Depreciation expense		(98,484)	(118,720)
Other expenses		(945,224)	(802,183)
Share based payments		(751,065)	(58,909)
Write off exploration costs		(1,808,397)	(144,414)
(Loss) before income tax benefit	2	(3,753,516)	(562,781)
Income tax benefit/(expense)	4	1,199,725	683,718
(Loss)/profit for the year		(2,553,791)	120,937
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive (loss)/profit for the year		(2,553,791)	120,937
Basic profit/(loss) per share (cents per share)	6	(2.12)	0.12
Dilutive profit/(loss) per share (cents per share)	6	(2.12)	0.12

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

		Consolidated	Consolidated
	Notes	2014	2013
		\$	\$
Current Assets			
Cash and cash equivalents	7	10,879,408	8,401,226
Trade and other receivables	8	548,472	405,658
Total Current Assets		11,427,880	8,806,884
Non-Current Assets			
Plant and equipment	9	141,675	204,521
Deferred exploration expenditure	10	18,730,709	12,345,246
Total Non-Current Assets		18,872,384	12,549,767
Total Assets		30,300,264	21,356,651
Current Liabilities			
Trade and other payables	11	689,176	854,816
Provisions	12	120,341	108,523
Total Current Liabilities		809,517	963,339
Total Liabilities		809,517	963,339
Net Assets		29,490,747	20,393,312
Equity			
Issued capital	13	32,795,388	21,895,227
Reserves	14	1,449,105	698,040
Accumulated losses	14	(4,753,746)	(2,199,955)
Total Equity		29,490,747	20,393,312

The accompanying notes form part of these financial statements

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014**

	Consolidated			
	Issued Capital	Accumulated losses	Reserves	Total
	\$	\$	\$	\$
Balance as at 1 July 2013	21,895,227	(2,199,955)	698,040	20,393,312
Loss for the year	-	(2,553,791)	-	(2,553,791)
Total comprehensive loss for the year	-	(2,553,791)	-	(2,553,791)
Shares issued during the year	11,565,714	-	-	11,565,714
Share issue costs	(665,553)	-	-	(665,553)
Recognition of share-based payments	-	-	751,065	751,065
Balance at 30 June 2014	32,795,388	(4,753,746)	1,449,105	29,490,747

	Consolidated			
	Issued Capital	Accumulated losses	Reserves	Total
	\$	\$	\$	\$
Balance as at 1 July 2012	17,268,999	(2,320,892)	639,131	15,587,238
Loss for the year	-	120,937	-	120,937
Total comprehensive profit for the year	-	120,937	-	120,937
Shares issued during the year	4,688,166	-	-	4,688,166
Share issue costs	(61,938)	-	-	(61,938)
Recognition of share-based payments	-	-	58,909	58,909
Balance at 30 June 2013	21,895,227	(2,199,955)	698,040	20,393,312

The accompanying notes form part of these financial statements

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014**

	Notes	Consolidated 2014 \$	Consolidated 2013 \$
<hr/>			
Inflows/(Outflows)			
<hr/>			
Cash flows from operating activities			
Research and development tax refund		1,199,725	682,724
Payments to suppliers and employees		(1,410,979)	(855,310)
Interest received		166,161	302,493
Other		-	994
Net cash provided by/(used in) operating activities	7	(45,093)	130,901
<hr/>			
Cash flows from investing activities			
Proceeds from sale of prospects		-	1,000,100
Payments for exploration and evaluation expenditure		(8,330,684)	(6,548,224)
Purchase of non-current assets		(35,638)	(109,371)
Net cash (used in) investing activities		(8,366,322)	(5,657,495)
<hr/>			
Cash flows from financing activities			
Proceeds from issue of shares		11,565,714	4,681,667
Payments for share issue costs		(676,117)	(51,376)
Net cash provided by financing activities		10,889,597	4,630,291
<hr/>			
Net increase/(decrease) in cash and cash equivalents		2,478,182	(896,303)
Cash and cash equivalents at beginning of year		8,401,226	9,297,529
Cash and cash equivalents at end of year	7	10,879,408	8,401,226
<hr/>			

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law.

The accounting policies detailed below have been consistently applied to all of the years presented unless otherwise stated.

The financial report has also been prepared on a historical cost basis. Cost is based on the fair values of the consideration given in exchange for assets.

The Company is a listed public company, incorporated in Australia and operating in Australia. The entity's principal activity is exploration for mineral sands (zircon and titanium minerals), nickel, potash, iron and talc within the state of Western Australia.

(b) Adoption of new and revised standards

Standards and Interpretations applicable to 30 June 2014

In the year ended 30 June 2014, the directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current annual reporting period.

As a result of this review, the directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and, therefore, no material change is necessary to Group accounting policies.

Standards and Interpretations in issue not yet adopted

The directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2014. As a result of this review the directors have determined that there is no material impact, of the new and revised Standards and Interpretations on the Group and, therefore, no change is necessary to Group accounting policies.

(c) Statement of compliance

The financial report was authorised for issue on 15 September 2014.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

(d) Basis of consolidation

The Group financial statements consolidate those of the parent company and all of its subsidiary undertakings drawn up to 30 June 2014. Subsidiaries are all entities over which the Group has the power to control the financial and operating policies. The Group obtains and exercises control through more than half of the voting rights. All subsidiaries have a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Critical accounting estimates and judgements

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Share-based payment 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 an external valuer using a Black and Scholes model, using the assumptions detailed in Note 15.

The Group measures the cost of cash-settled share-based payments at fair value at the grant date using the Black and Scholes formula taking into account the terms and conditions upon which the instruments were granted, as discussed in Note 15.

(f) Going concern

The directors are of the opinion that the Group is a going concern.

(g) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Sheffield Resources Limited.

(h) Revenue recognition

Revenue is measured at fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

(i) *Interest income* - Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(i) Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary difference and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Income tax (continued)

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation legislation

Sheffield Resources Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income, directly in equity or as a result of a business combination. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(j) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Business combination

The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (ie gain on a bargain purchase) is recognised in profit or loss immediately.

(l) Impairment of assets

The Group assesses at each balance date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each balance date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(m) Cash and cash equivalents

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(n) Trade and other receivables

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less any allowance for impairment. Trade receivables are generally due for settlement within periods ranging from 15 days to 30 days.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual term.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Trade and other receivables (continued)

Factors considered by the Group in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Group. The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term, discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

(p) Payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the year end and which are unpaid. These amounts are unsecured and have 30-60 day payment terms. They are recognised initially at fair value and subsequently at amortised cost.

(q) Leave Benefits

Wages, salaries, annual leave and sick leave

Liabilities accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave expected to be settled within 12 months of the balance date are recognised in other payables in respect of employees' services up to the balance date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Liabilities accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave not expected to be settled within 12 months of the balance date are recognised in non-current other payables in respect of employees' services up to the balance date. They are measured as the present value of the estimated future outflows to be made by the Group.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the balance date. Consideration is given to expected future wage and salary levels, experience of employee departures, and period of service. Expected future payments are discounted using market yields at the balance date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(r) Exploration and evaluation expenditure

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

- the rights to tenure of the area of interest are current; and
- at least one of the following conditions is also met:
 - the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
 - exploration and evaluation activities in the area of interest have not at the balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortised of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Exploration and evaluation expenditure (continued)

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

(s) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(t) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentive received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(u) Provisions

Provisions for legal claims are recognised when the Group has a legal or constructive obligation as a result of past events. It is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(v) Share based payments

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or options over shares ("equity-settled transactions").

The fair value of options is recognised as an expense with a corresponding increase in equity (share-based payments reserve). The fair value is measured at grant date and recognised over the period during which the holder becomes unconditionally entitled to the options. The fair value is determined by an external valuer using a Black-Scholes model, further details of which are given in Note 15. In determining fair value, no account is taken of any performance conditions other than those related to the share price of the Group ("market conditions").

The cumulative expense recognised between grant date and vesting date is adjusted to reflect the director's best estimate of the number of options that will ultimately vest because of internal conditions of the options, such as the employees having to remain with the company until vesting date, or such that employees are required to meet internal sales targets. No expense is recognised for options that do not ultimately vest because a market condition was not met.

Where the terms of options are modified, the expense continues to be recognised from grant date to vesting date as if the terms had never been changed. In addition, at the date of the modification, a further expense is recognised for any increase in fair value of the transaction as a result of the change.

Where options are cancelled, they are treated as if vesting occurred on cancellation and any unrecognised expenses are taken immediately to the statement of comprehensive income. However, if new options are substituted for the cancelled options and designated as a replacement on grant date, the combined impact of the cancellation and replacement options are treated as if they were a modification.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Motor vehicles	4 years
Plant and equipment	4-15 years

Impairment

The carrying values of plant and equipment are reviewed for impairment at each balance date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to approximate fair value.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the statement of comprehensive income in the cost of sales line item.

Revaluations

Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Any revaluation increment is credited to the asset revaluation reserve included in the equity section of the statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss.

Any revaluation decrease is recognised in profit or loss, except that a decrease offsetting a previous revaluation increase for the same asset is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amounts of the assets and depreciation based on the assets' original costs. Additionally, any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the assets.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Independent valuations are performed with sufficient regularity to ensure that the carrying amounts do not differ materially from the assets' fair values at the balance date.

Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Earnings per Share

(i) Basic Earnings per Share

Basic earnings per share is determined by dividing the operating loss after income tax by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted Earnings per Share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account amounts unpaid on ordinary shares and any reduction in earnings per share that will probably arise from the exercise of partly paid shares or options outstanding during the financial year.

(y) Parent entity financial information

The financial information for the parent entity, Sheffield Resources Limited, disclosed in Note 22 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the parent entity's financial statements.

(ii) Share-based payments

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 2: REVENUE AND EXPENSES

	Consolidated	
	2014	2013
	\$	\$
(a) Revenue		
Interest received	171,000	290,296
(b) Expenses		
Accounting fees	48,370	54,346
Interest expense	728	1,413
Depreciation of non-current assets	98,484	118,720
Operating lease rental expense	147,879	134,850
Share based payments expense	751,065	58,909
Write off of exploration expenditure	1,808,397	144,414

NOTE 3: GAIN FROM SALE OF PERMITS

	2014	2013
	\$	\$
Proceeds from sale of permits	-	1,000,000
Expenditure incurred on permits sold	-	(379,743)
Net gain recorded	-	620,257

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 4: INCOME TAX

	Consolidated	
	2014	2013
	\$	\$
The prima facie income tax expense on pre-tax accounting loss from operations reconciles to the income tax expense in the financial statements as follows:		
Accounting profit/loss before income tax	(3,753,516)	(562,781)
Income tax benefit calculated at 30%	(1,126,055)	(168,834)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	225,320	17,673
Accruals	5,031	18,508
Other non-deductible expenses	1,209	3,612
Share issue costs	(113,396)	(73,463)
Other costs	-	(330)
Unrecognised tax losses	1,007,891	202,834
R&D tax offset	1,199,725	683,718
Income tax benefit reported in the statement of comprehensive income	1,199,725	683,718

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in this tax rate since the previous reporting period.

The Company has tax losses arising in Australia. The tax benefit of these losses of \$2,227,363 (2013: \$1,219,472) is available indefinitely for offset against future taxable profits of the companies in which the losses arose, subject to ongoing conditions for deductibility being met.

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Consolidated	
	2014	2013
	\$	\$
Deductible temporary differences	313,404	222,102
Tax losses	2,227,363	1,338,221
	2,540,767	1,560,323

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilise the benefits thereof.

NOTE 5: SEGMENT REPORTING

Description of segment

The Group operates in one geographical segment, being Western Australia and in one operating category, being exploration in bulk minerals.

The chief operating decision maker has been identified as the Board of Directors. Information reported to the Board members for the purpose of resource allocation and assessment of performance is focused on exploration for bulk minerals within Western Australia. Consequently the Group reports within one segment.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 6: PROFIT/LOSS PER SHARE

	Consolidated	
	2014	2013
	Cents per share	Cents per share
<i>Basic profit/(loss) per share:</i>		
Continuing operations	(2.12)	0.12
Total basic loss per share	(2.12)	0.12

The loss and weighted average number of ordinary shares used in the calculation of basic loss per share is as follows:

Profit/(losses) from continuing operations	(2,553,791)	120,937
	Number	Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	120,560,071	99,097,081

Dilutive profit/(loss) per share:

Continuing operations	(2.12)	0.12
Total basic loss per share	(2.12)	0.12

The loss and weighted average number of ordinary shares used in the calculation of basic loss per share is as follows:

Profit/(losses) from continuing operations	(2,553,791)	120,937
	Number	Number
Weighted average number of ordinary shares for the purposes of diluted earnings per share	120,560,071	104,972,081

NOTE 7: CASH AND CASH EQUIVALENTS

	Consolidated	
	2014	2013
	\$	\$
Cash at bank and on hand	2,879,408	4,601,226
Short-term deposits	8,000,000	3,800,000
	10,879,408	8,401,226

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 7: CASH AND CASH EQUIVALENTS (continued)

	Consolidated	
	2014	2013
	\$	\$
(i) Reconciliation of profit/(loss) after tax for the year to net cash flows from operating activities		
Profit/(loss) after tax for the year	(2,553,791)	120,937
Equity settled share based payment	751,065	58,909
Depreciation	98,484	118,720
Write off of exploration expenditure	1,808,397	144,414
(Profit)/loss on sale of permits	-	(620,257)
 (Increase)/decrease in assets:		
Current receivables	(37,515)	28,221
Increase/(decrease) in liabilities:		
Current payables	(123,551)	232,204
Provision for employee benefits	11,818	47,753
Net cash from operating activities	<u>(45,093)</u>	<u>130,901</u>

NOTE 8: TRADE AND OTHER RECEIVABLES

Trade receivables	10,979	26,130
GST recoverable	220,115	111,584
Prepaid expenses	7,317	6,628
Bank guarantees (i)	280,755	228,289
Accrued interest	29,306	33,027
	<u>548,472</u>	<u>405,658</u>

(i) Bank guarantees are made up of the following:

- \$79,517 is held as security for the performance bond for programme of works for permit E04/2083 and bears 3.55% interest
- \$39,451 is held as security for the office lease and bears 3.6% interest.
- \$31,200 is held as security for the credit card facility and bears 3.30% interest
- \$31,375 is held as security for the performance bond for programme of works for permit E69/3052 and bears 3.55% interest
- \$61,212 is held as security for the performance bond for programme of works for permit E04/2083 and bears 3.55% interest
- \$38,000 is held as security for the performance bond for programme of works for permit E45/4029 and bears 3.60% interest

In determining the recoverability of a trade receivable, the Company considers any changes in the credit quality of the trade receivable from the date credit was initially granted up to the balance date. The directors believe that there is no allowance for impairment required.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 9: PLANT AND EQUIPMENT

	Consolidated		Total
	Motor Vehicles	Plant and equipment	
	\$	\$	\$
Year ended 30 June 2014			
At 1 July 2013, net of accumulated depreciation and impairment	27,381	177,140	204,521
Additions	-	35,638	35,638
Depreciation charge for the year	(15,543)	(82,941)	(98,484)
At 30 June 2014, net of accumulated depreciation and impairment	11,838	129,837	141,675
At 1 July 2013			
Cost or fair value	62,172	394,971	457,143
Accumulated depreciation and impairment	(34,791)	(217,831)	(252,622)
Net carrying amount	27,381	177,140	204,521
At 30 June 2014			
Cost or fair value	62,172	430,608	492,780
Accumulated depreciation and impairment	(50,334)	(300,771)	(351,105)
Net carrying amount	11,838	129,837	141,675

The carrying value of plant and equipment held under finance leases and hire purchase contracts at 30 June 2014 is Nil. (2013: Nil).

NOTE 10: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	2014	2013
	\$	\$
Costs carried forward in respect of:		
Exploration and evaluation phase – at cost		
Balance at beginning of year	12,345,246	6,364,484
Expenditure incurred	8,193,860	6,504,919
Sale of tenements	-	(379,743)
Expenditure written off	(1,808,397)	(144,414)
Total exploration and evaluation expenditure	18,730,709	12,345,246

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas. Capitalised exploration expenditure relating to the surrender of exploration licences has been written off in full during the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 11: TRADE AND OTHER PAYABLES (CURRENT)

	Consolidated	
	2014	2013
	\$	\$
Trade creditors	523,780	607,861
Accruals	165,396	246,955
	<u>689,176</u>	<u>854,816</u>

(i) Trade payables are non-interest bearing and are normally settled on 30-day terms. Information regarding the interest rate, foreign exchange and liquidity risk exposure is set out in Note 16.

NOTE 12: PROVISIONS (CURRENT)

Employee benefits	<u>120,341</u>	<u>108,523</u>
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The provision for employee benefits represents annual leave accrued.

NOTE 13: ISSUED CAPITAL

133,385,685 (2013: 118,297,502) Ordinary shares issued and fully paid	<u>32,795,388</u>	<u>21,895,227</u>
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Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

	Consolidated			
	2014		2013	
	No.	\$	No.	\$
<i>Movement in ordinary shares on issue</i>				
Balance at beginning of financial year	118,297,502	21,895,227	94,856,669	17,268,999
Issue of 13,802,469 fully paid ordinary shares at \$0.81 each	13,802,469	11,180,000	-	-
Issued for cash on exercise of share options	1,285,714	385,714	23,440,833	4,688,166
Share issue costs	-	(665,553)	-	(61,938)
Balance at end of financial year	<u>133,385,685</u>	<u>32,795,388</u>	<u>118,297,502</u>	<u>21,895,227</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 13: ISSUED CAPITAL (continued)

	2014		2013	
	No.	\$	No.	\$
<i>Movements in options over ordinary shares on issue</i>				
Balance at beginning of financial year	7,575,000	-	31,418,332	-
Issue of unlisted options exercisable at \$0.53 each on or before 29 July 2017	-	-	500,000	-
Issue of unlisted options exercisable at \$0.66 each on or before 26 September 2018	500,000	-	-	-
Issue of unlisted options exercisable at \$0.87 each on or before 19 March 2019	1,400,000	-	-	-
Issue of unlisted options exercisable at \$1.16 each on or before 19 March 2021	1,600,000	-	-	-
Exercise of unlisted options exercisable at \$0.30 each on or before 30 November 2013	(1,285,714)	-	-	-
Exercise of unlisted options exercisable at \$0.20 each on or before 30 June 2013	-	-	(23,440,833)	-
Lapsing of unlisted options	(1,714,286)	-	(902,499)	-
Balance at end of financial year	8,075,000	-	7,575,000	-

Employee Share options

The company has an Employee Share Option Plan under which options to subscribe for the company's shares have been granted to certain employees (refer to Note 15).

NOTE 14: ACCUMULATED LOSSES AND RESERVES

	Consolidated	
	2014 \$	2013 \$
<i>Accumulated Losses</i>		
Balance at beginning of financial year	(2,199,955)	(2,320,892)
Profit/(loss) for the year	(2,553,791)	120,937
Balance at end of financial year	(4,753,746)	(2,199,955)
<i>Share-based payments reserves</i>		
Balance at beginning of financial year	698,040	639,131
Share based payments	751,065	58,909
Balance at end of financial year	1,449,105	698,040

(i) Nature and purpose of reserves

Share-based payments reserve

This reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration. Refer to note 15 for further details of these plans.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 15 : SHARE BASED PAYMENT PLANS

3,500,000 unlisted options were issued during the year to employees in accordance with the Employee Share Option Plan of the Company.

The following share-based payment arrangements were in place during the current and prior periods:

Year ended 30 June 2013	Number	Grant date	Expiry date	Exercise price	Fair value at grant date
SERIES 1	1,200,000	02/04/2012	01/04/2017	0.65	222,805
SERIES 2	525,000	01/07/2011	30/06/2016	0.44	92,348
SERIES 3 ⁽¹⁾	250,000	07/09/2011	06/09/2014	0.44	36,567
SERIES 4	500,000	29/07/2012	29/07/2017	0.53	58,909
SERIES 5 ⁽¹⁾	1,550,000	14/12/2010	13/12/2015	0.30	217,930
SERIES 6	550,000	22/03/2011	20/03/2016	0.44	34,980
SERIES 7	3,000,000	30/11/2010	30/11/2013	0.30	34,500
Year ended 30 June 2014					
SERIES 8	500,000	26/09/2013	26/09/2018	0.66	94,466
SERIES 9	1,400,000	20/03/2013	19/03/2019	0.87	297,928
SERIES 10	1,600,000	20/03/2013	19/03/2021	1.16	358,671

⁽¹⁾ All or part of these unlisted options were exercised subsequent to year end. Refer to Note 19 for further details.

The following table illustrates the number (No.) and weighted average exercise prices of and movements in share options issued during the year:

	2014 No.	2014 Weighted average exercise price	2013 No.	2013 Weighted average exercise price
Outstanding at the beginning of the year	7,575,000	0.32	7,075,000	0.30
Granted during the year	3,500,000	0.97	500,000	0.53
Exercised during the year	(1,285,714)	(0.30)	-	-
Lapsed during period	(1,714,286)	(0.30)	-	-
Outstanding at the end of the year	8,075,000	0.68	7,575,000	0.32
Exercisable at the end of the year	8,075,000	-	7,575,000	-

The outstanding balance as at 30 June 2014 is represented by 8,075,000 options over ordinary shares with a weighted average exercise price of \$0.68 each, exercisable upon meeting the above conditions and until the relevant expiry dates.

The weighted average remaining contractual life for the share options outstanding as at 30 June 2014 is 4.13 years (2013: 1.96).

The weighted average share price at the date of options exercised during the year ended 30 June 2014 was \$0.30 (2013: \$0.20).

The range of exercise prices for options outstanding at the end of the year is \$0.30 - \$1.16 (2013: \$0.30 - \$0.65).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 15 : SHARE BASED PAYMENT PLANS (continued)

The fair value of the equity-settled share options granted under the option is estimated as at the date of grant using the Black and Scholes model taking into account the terms and conditions upon which the options were granted.

	SERIES 1	SERIES 2	SERIES 3	SERIES 4	SERIES 5	SERIES 6	SERIES 7	SERIES 8	SERIES 9
Dividend yield (%)	-	-	-	-	-	-	-	-	-
Expected volatility (%)	70	75	75	75	100	50	75	55	55
Risk-free interest rate (%)	3.63	4.50	4.50	3.50	4.75	4.75	2.82	3.40	3.40
Expected life of option (years)	5	5	3	5	4	5	5	5	7
Exercise price (cents)	65	44	44	53	30	44	66	87	1.16
Grant date share price (cents)	29	25.5	27	34	20	29	48	68	68

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

The carrying amount of the liability relating to the cash-settled share-based payment at 30 June 2014 is nil (2013: nil)

NOTE 16: FINANCIAL INSTRUMENTS

(a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group's overall strategy remains unchanged from 2013.

The capital structure of the Group consists of debt, cash and cash equivalents and equity attributable to equity holders of the Group, comprising issued capital, reserves and retained earnings.

None of the Group's entities are subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures such as tax, dividends and general administrative outgoings.

Gearing levels are reviewed by the Board on a regular basis in line with its target gearing ratio, the cost of capital and the risks associated with each class of capital.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 16: FINANCIAL INSTRUMENTS (continued)

	Consolidated	
	2014 \$	2013 \$
(b) Categories of financial instruments		
Financial assets		
Receivables	548,472	405,658
Cash and cash equivalents	10,879,408	8,401,226
Financial liabilities		
Trade and other payables	689,176	854,816

(c) Financial risk management objectives

The main risks arising from the Group's financial instruments are interest risk, credit risk and liquidity risk. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

(d) Interest rate risk management

The Group's exposure to risks of changes in market interest rates relates primarily to the Group cash balances. The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing positions and the mix of fixed and variable interest rates. As the Group has no interest bearing borrowing, its exposure to interest rate movements is limited to the amount of interest income it can potentially earn on surplus cash deposits.

	2014					2013				
	Weighted Average Interest Rate %	≤6 months \$	6-12 months \$	1-5 Year \$	Total \$	Weighted Average Interest Rate %	≤6 months \$	6-12 months \$	1-5 Year \$	Total \$
Financial assets										
Variable interest rate instruments	2.20	2,879,408	-	-	2,879,408	3.33	4,601,225	-	-	4,601,225
Fixed Interest bearing	3.65	8,172,104	108,651	-	8,280,755	4.21	3,800,000	228,289	-	4,028,289
Non-interest bearing	-	267,717	-	-	267,717	-	177,370	-	-	177,370
Total Financial Assets		11,319,229	108,651	-	11,427,880		8,578,595	228,289	-	8,806,884
Financial liabilities										
Non-interest bearing	-	689,176	-	-	689,176	-	854,816	-	-	854,816
Total Financial Liabilities		689,176	-	-	689,176		854,816	-	-	854,816

Interest rate risk sensitivity analysis

Exposure arises predominantly from assets and liabilities bearing variable interest rates as the Group intends to hold fixed rate assets and liabilities to maturity. Interest rate risk is considered unlikely to be material.

(e) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses publicly available financial information and its own trading record to rate its major customers.

The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 16: FINANCIAL INSTRUMENTS (continued)

(e) Credit risk management (continued)

The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

(f) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

2013

	Carrying amount	Total Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Trade and other payables	689,176	689,176	689,176	-	-	-	-
	689,176	689,176	689,176	-	-	-	-

2012

	Carrying amount	Total Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Trade and other payables	854,816	854,816	854,816	-	-	-	-
	854,816	854,816	854,816	-	-	-	-

NOTE 17: COMMITMENTS AND CONTINGENCIES

Operating lease commitments

The Group entered in to a 1.5 year lease agreement in relation to offices premises on 3 February 2014.

The commitments in relation to this, inclusive of floor space and parking bays are as follows:

	Consolidated	
	2014 \$	2013 \$
Within one year	106,200	76,527
After one year but not more than three years	9,311	-
	115,511	76,527

Exploration commitments

The Group has certain obligations to perform minimum exploration work and to spend minimum amounts on exploration tenements. The obligations may be varied from time to time subject to approval and are expected to be fulfilled in the normal course of the operations of the Group. Due to the nature of the Group's operations in exploring and evaluating areas of interest, it is difficult to accurately forecast the nature and amount of future expenditure beyond the next year. Expenditure may be reduced by seeking exemption from individual commitments, by relinquishing of tenure or any new joint venture agreements. Expenditure may be increased when new tenements are granted.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 17: COMMITMENTS AND CONTINGENCIES (continued)

Commitment contracted for at balance date but not recognised as liabilities are as follows:

	Consolidated	
	2014	2013
	\$	\$
Within one year	1,833,100	2,043,935

Other commitments

Sheffield Resources Limited has the following other commitments at 30 June 2014:

- bank guarantees totalling \$280,755 (see details per Note 8); and
- a credit card facility of \$30,000.

NOTE 18: RELATED PARTY DISCLOSURE

There were no transactions entered into with related parties for the June 2014 financial year.

NOTE 19: EVENTS AFTER THE REPORTING PERIOD

250,000 unlisted options at \$0.44 each with an expiry of 6 September 2014 were exercised on 28 August 2014 for a total of \$110,000 and 200,000 unlisted options at \$0.30 each with an expiry of 13 December 2015 were exercised on 19 August 2014 for a total of \$60,000.

The Performance Bonds held with the Department of Mines and Petroleum for programme of works were retired. The company intends to continue to hold these bonds as bank guarantees until they reach maturity.

There are no other matters or circumstance arisen since 30 June 2014, which has significantly affected, or may significantly affect the operations of the Company, the result of those operations, or the state of affairs of the Company in subsequent financial years.

NOTE 20: AUDITOR'S REMUNERATION

The auditor of Sheffield Resources Limited is HLB Mann Judd.

Amounts received or due and receivable by HLB Mann Judd for:

An audit or review of the financial report of the entity	30,200	25,425
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NOTE 21: DIRECTORS AND EXECUTIVES DISCLOSURES

The aggregate compensation made to directors and other key management personnel of the Group is set out below:

	Consolidated	
	2014	2013
	\$	\$
Short-term employee benefits	533,833	535,589
Post-employment benefits	49,380	48,203
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payment	-	-
	583,213	583,792

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 22: PARENT ENTITY DISCLOSURES

	2014	2013
	\$	\$
ASSETS		
Current assets	11,427,880	8,806,884
Non-current assets	18,872,384	12,208,674
TOTAL ASSETS	30,300,264	21,015,558
LIABILITIES		
Current liabilities	809,518	963,337
TOTAL LIABILITIES	809,518	963,337
EQUITY		
Contributed equity	32,795,388	21,895,227
Reserves	1,449,105	698,041
Retained earnings	(4,753,746)	(3,198,955)
TOTAL EQUITY	29,490,747	19,394,313
Financial performance		
Profit/(loss) for the year	(2,553,791)	878,063
Other comprehensive income	-	-
Total comprehensive income	(2,553,791)	878,063

Contingent liabilities

As at 30 June 2014 and 2013, the Company had no contingent liabilities.

Contractual commitments

As at 30 June 2014 and 2013, the Company had no contractual commitments other than those commitments disclosed in Note 17.

Guarantees entered into by parent entity

As at 30 June 2014, the Group has the following financial guarantees:

- \$79,517 is held as security for the performance bond for programme of works for permit E04/2083 and bears 3.55% interest,
- \$39,451 is held as security for the office lease and bears 3.6% interest,
- \$31,200 is held as security for the credit card facility and bears 3.30% interest,
- \$31,375 is held as security for the performance bond for programme of works for permit E69/3052 and bears 3.55% interest,
- \$61,212 is held as security for the performance bond for programme of works for permit E04/2083 and bears 3.55% interest; and
- \$38,000 is held as security for the performance bond for programme of works for permit E45/4029 and bears 3.60% interest.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 23: RELATED PARTY DISCLOSURE

The consolidated financial statements include the financial statements of Sheffield Resources Limited and the subsidiaries listed in the following table.

Name	Country of Incorporation	Equity Interest		Investment	
		2014	2013	2014	2013
		%	%	\$	\$
Moora Talc Pty Ltd	Australia	100	100	100	100
Ironbridge Resources Pty Ltd	Australia	100	100	100	100

Moora Talc Pty Ltd and Ironbridge Resources Pty Ltd were incorporated on 17 November 2011.

DIRECTORS' DECLARATION

1. In the opinion of the directors of Sheffield Resources Limited (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 30 June 2014 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 financial year ended 30 June 2014.

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



.....
Bruce McQuitty

Director

Dated this 15th day of September 2014

INDEPENDENT AUDITOR'S REPORT

To the members of Sheffield Resources Limited

Report on the Financial Report

We have audited the accompanying financial report of Sheffield Resources Limited ("the company"), which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error.

In Note 1(c), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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



Accountants | Business and Financial Advisers

Auditor's opinion

In our opinion:

- (a) the financial report of Sheffield Resources Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(c).

Report on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion the remuneration report of Sheffield Resources Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in blue ink that reads 'HLB Mann Judd'.

**HLB Mann Judd
Chartered Accountants**

A handwritten signature in blue ink that reads 'Norman G Neill'.

**N G Neill
Partner**

**Perth, Western Australia
15 September 2014**

CORPORATE GOVERNANCE STATEMENT

Sheffield Resources Limited (**Company**) has established a corporate governance framework based on the ASX Corporate Governance Council's *Principles of Good Corporate Governance and Best Practice Recommendations*. The key features of which are set out in this statement.

The Company acknowledges the Corporate Governance Council's *Principles of Good Corporate Governance and Best Practice Recommendations* have been revised under Edition 3 and notes that as this Report outlines the Company's corporate governance framework in place for the year ended 30 June 2014, it is reporting against Edition 2. The Company is currently in the process of reviewing its corporate governance framework in light of Edition 3 additions and modifications.

The following governance-related documents are located on the Company's website under the 'Corporate Governance' section. (<http://www.sheffieldresources.com.au/company/>)

Charters

- Board
- Audit and Risk Committee
- Nomination Committee
- Remuneration Committee

Policies and Procedures

- Process for Performance Evaluation
- Policy on Assessing the Independence of Directors
- Code of Conduct
- Policy on Continuous Disclosure
- Shareholder Communication Policy
- Risk Management Policy
- Policy for Trading in Company Securities

Structure and Composition of Board

Roles and responsibilities of the Board and Senior Executives (Recommendations: 1.1, 1.3)

The Company has established the functions reserved to the Board, and those delegated to senior executives and has set out these functions in its Board Charter, which is disclosed on the Company's website.

The Board is collectively responsible for promoting the success of the Company through its key functions of overseeing the management of the Company, providing overall corporate governance of the Company, monitoring the financial performance of the Company, engaging appropriate management commensurate with the Company's structure and objectives, involvement in the development of corporate strategy and performance objectives, and reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance.

Skills, experience, expertise and period of office of each Director (Recommendation: 2.6)

A profile of each Director setting out their skills, experience, qualifications and term of office is set out in the Directors' Report. All Directors bring to the Board the requisite skills which are complementary to those of the other Directors and enable them to adequately discharge their responsibilities.

Director independence (Recommendations: 2.1, 2.2, 2.3)

As at the date of this report, the Board is comprised of three Directors. All the Directors are executive Directors and therefore the Company does not satisfy the requirements of Recommendation 2.2. The Board considers that the Company is not of a size or scale, nor are its affairs of such complexity to justify the expense of the appointment of a majority of independent non-executive Directors.

Notwithstanding the Directors' lack of independence and non-executive status, the Board believes that the interests of shareholders are best served by the current composition of the Board. All Directors bring to the Board the requisite skills which are complementary to those of the other Directors and enable them to adequately discharge their responsibilities and bring independent judgments to bear on their decisions.

The role of the Chair and the CEO are not exercised by the same individual and hence satisfies the requirement of Recommendation 2.3.

As the Company's activities increase in size and scope, the composition and size of the Board will be reviewed periodically to ensure it comprises the optimum number of directors required to adequately supervise the Company's business.

CORPORATE GOVERNANCE STATEMENT (continued)

Independent professional advice (Recommendation: 2.6)

Directors may access all relevant information required to discharge their duties. With the approval of their Chairman, Directors may seek independent professional advice, as required, at the Company's expense.

Board Committees

The Board considers that the Company is not of a size or scale to justify the formation of separate sub-committees.

Nomination Committee (Recommendations: 2.4, 2.6)

The Board as a whole undertakes the process of reviewing the skill base and experience of existing Directors to enable identification of attributes required in new Directors. The Board has adopted a Nomination Committee Charter which describes the role, composition, functions and responsibilities of the full Board in its capacity as the Nomination Committee.

Audit Committee (Recommendations: 4.1, 4.2, 4.3, 4.4)

The Board as a whole undertakes the selection and proper application of accounting policies, the identification and management of risk and the review of the operation of the internal control systems. The Board has adopted an Audit and Risk Committee Charter which describes the role, composition, functions and responsibilities of the full Board in its capacity as the Audit and Risk Committee.

As mentioned above, the Board comprises only executive Directors, hence the Committee is not structured in accordance with the requirement under Recommendation 4.2. The Company will give consideration at an appropriate time in the Company's development for the creation of a separate Audit Committee.

Remuneration Committee (Recommendations: 8.1, 8.2, 8.3, 8.4)

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms part of the Directors' Report.

Long term performance incentives may include options granted at the discretion of the Board and subject to obtaining the relevant approval. The grant of options is designed to recognise and reward efforts as well as to provide additional incentive and may be subject to the successful completion of performance hurdles.

Executives are offered a competitive level of base pay at market rates and are reviewed annually to ensure market competitiveness.

The Board as a whole is responsible for the remuneration arrangements for Directors and executives of the Company. The Company's Remuneration Committee Charter describes the role, composition, functions and responsibilities of the full Board in its capacity as the Remuneration Committee.

As mentioned above, the Board comprises only executive Directors, hence the Committee is not structured in accordance with the requirement under Recommendation 8.2. The Company will give consideration at an appropriate time in the Company's development for the creation of a separate Remuneration Committee.

Performance Evaluation

Senior Executives (Recommendations: 1.2, 1.3)

It is the responsibility of the Managing Director to manage and implement performance evaluation of other senior executives and management, reporting to the Board (as the Nomination Committee and the Remuneration Committee) at least annually.

The current size and structure of the Company allows the Managing Director to conduct informal evaluation of other senior executives and management personnel on a regular basis, conducting a formal evaluation annually in conjunction with a remuneration review.

Board, its Committees and Individual Directors (Recommendations: 2.5, 2.6)

Evaluation of the Board and its members is carried out by way of an ongoing review by the Chair (please refer to the Company's Process for Performance Evaluation on its website for more details of the means by which the review is conducted), discussing issues as they arise and periodically conducting interviews with each director.

CORPORATE GOVERNANCE STATEMENT (continued)

Ethical and Responsible Decision Making

Code of Conduct (Recommendations: 3.1, 3.5)

The Company has established a Code of Conduct as to the practices necessary to maintain confidence in the Company's integrity, the practices necessary to take into account its legal obligations and the reasonable expectations of its stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

Diversity (Recommendations: 3.2, 3.3, 3.4, 3.5)

The Company recognises the value of a diverse work force and believes that diversity supports all employees reaching their full potential, improves business decisions, business results, increases stakeholder satisfaction and promotes realisation of the company vision.

The Company does not have a formal Diversity Policy and therefore does not satisfy Recommendation 3.2. The Company supports an inclusive workplace that embraces and promotes diversity however the Board has determined that no specific measurable objectives will be established until the number of employees and level of activities of the Company increases to a level sufficient to enable meaningful and achievable objectives to be developed.

The proportion of women within the whole organisation as at the date of this report is as follows:

Women employees in the whole organisation	23%
Women in Senior Executive positions	0%
Women on the Board of Directors	0%

Continuous Disclosure (Recommendations: 5.1, 5.2)

The Company has established written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and accountability at a senior executive level for that compliance.

Shareholder Communication (Recommendations: 6.1, 6.2)

The Company has designed a Shareholder Communication Policy for promoting effective communication with shareholders and encouraging shareholder participation at general meetings.

Risk Management Recommendations: 7.1, 7.2, 7.3, 7.4)

The Board has adopted a Risk Management Policy, which sets out the Company's risk profile. Under the policy, the Board is responsible for approving the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

ASX ADDITIONAL INFORMATION

The Company was admitted to the official list of ASX on 15 December 2010. Since Listing, the Company has used its cash (and assets in a form readily convertible to cash) in a manner consistent with its business objectives. In accordance with the ASX Listing Rules, the Company is required to disclose the following information which was prepared based on share registry information processed up to 8 October 2014.

Ordinary Share Capital

- At 8 October 2014, 134,230,747 fully paid ordinary shares are held by 1,613 individual shareholders.

Spread of Holdings			Total Holders	Ordinary Shares
1	-	1,000	67	35,706
1,001	-	5,000	255	899,440
5,001	-	10,000	252	2,113,273
10,001	-	100,000	841	31,384,618
100,001	-	and over	198	99,797,710
Number of Holders/Shares			1,613	134,230,747

Unmarketable parcels at 8 October 2014 amount to 4,786 shares held by 34 shareholders.

Substantial Shareholders

Ordinary Shareholders	Fully Paid Ordinary Shares	
	Number	Percentage
BRUCE MCQUITTY	7,850,000	5.85
WILL BURBURY - THE BURBURY FAMILY A/C ¹	7,548,500	5.62
ARCHER ENTERPRISES (WA) PTY LTD – DAVID ARCHER FAMILY A/C ²	3,680,000	2.74

¹Mr Will Burbury, Executive Chairman of Sheffield Resources Limited, holds or has control over a total of 7,970,000 shares representing 5.94% of the issued fully paid shares in the Company.

- Will Burbury – The Burbury Family A/C 7,548,500 shares
- Energy-X Resources Pty Ltd – WJB S/F A/C 394,499 shares
- Mr William Burbury 27,001 shares

²Mr David Archer, Technical Director of Sheffield Resources Limited, holds or has control over a total of 7,704,691 shares representing 5.74% of the issued fully paid shares in the Company.

- Archer Enterprises (WA) Pty Ltd – David Archer Family A/C#1 3,680,000 shares
- Archer Enterprises (WA) Pty Ltd– David Archer Family A/C#2 1,750,000 shares
- David Lindsay Archer & Simone Elizabeth Archer – David Archer Super Fund A/C#1 1,524,691 shares
- David Lindsay Archer & Simone Elizabeth Archer – David Archer Super Fund A/C#2 750,000 shares

Voting rights

All ordinary shares carry one vote per share without restriction. Options for ordinary shares do not carry any voting rights.

ASX ADDITIONAL INFORMATION (continued)**Statement of Quotation and Restrictions**

- Listed on the ASX are 134,230,747 fully paid shares. All fully paid shares are free of escrow conditions.
- All 7,625,000 options are not quoted on the ASX. All options are free of escrow conditions.

Twenty Largest Shareholders

Details of the 20 largest shareholders by registered shareholding are:

Ordinary Shareholders	Fully Paid Ordinary Shares	
	Number	Percentage %
BRUCE MCQUITTY	7,850,000	5.85
MR WILLIAM BURBURY - THE BURBURY FAMILY A/C	7,548,500	5.62
MR WALTER MICK GEORGE YOVICH	4,849,783	3.61
SATORI INTERNATIONAL PTY LTD – SATORI S/F A/C	4,225,000	3.15
WALTER MICK GEORGE YOVICH & JEANETTE JULIA YOVICH – DUBRAVA FAMILY A/C	3,770,407	2.81
ARCHER ENTERPRISES (WA) PTY LTD – DAVID ARCHER FAMILY A/C	3,680,000	2.74
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,637,774	1.97
MR WALTER MICK GEORGE YOVICH & MRS JEANETTE JULIA YOVICH – DUBRAVA FAMILY	1,956,407	1.46
CRESCENT NOMINEES LIMITED	1,926,574	1.44
ARCHER ENTERPRISES (WA) PTY LTD – DAVID ARCHER FAMILY	1,750,000	1.30
MR BRIAN HENRY MCCUBBING & MRS ADIANA MARIA MCCUBBING – B MCCUBBING SUPER FUND A/C	1,700,000	1.27
DAVID LINDSAY ARCHER & SIMONE ELIZABETH ARCHER – DAVID ARCHER SUPER FUND A/C	1,524,691	1.14
MR REES HOLLIER JOHN JONES & MRS MOIRA MARGUERITE JONES & MR WALTER MICK GEORGE YOVICH	1,210,000	0.90
QUINLYNTON PTY LTD – PURSER SUPER FUND A/C	1,100,000	0.82
PENMAEN LIMITED	1,000,000	0.74
SEVEN FOUR SEVEN PTY LTD – BLUEBIRD SUPER FUND 2 A/C	970,000	0.72
WOODLANDS ASSET MANAGEMENT PTY LTD	900,000	0.67
MR JOHN O'CONNOR – THE O'CONNOR A/C	900,000	0.67
NORONEKE MASTER FUND LTD	833,334	0.62
DUBRAVA PROPERTIES LIMITED	820,132	0.61
TOTAL	51,152,602	38.11

ASX ADDITIONAL INFORMATION (continued)**Options**

Outstanding at 8 October 2014 were 7,625,000 unquoted options, all of which were options issued under an employee incentive scheme.

Details of the 7,625,000 options issued under an employee incentive scheme are set out below:

- 1,350,000 options over ordinary shares with exercise price of \$0.30 each, expiring on 13 December 2015.
- 550,000 options over ordinary shares with exercise price of \$0.44 each, expiring on 20 March 2016.
- 525,000 options over ordinary shares with exercise price \$0.44 each, expiring on 30 June 2016.
- 1,200,000 options over ordinary shares with exercise price \$0.65 each, expiring on 1 April 2017.
- 500,000 options over ordinary shares with exercise price \$0.53 each, expiring on 29 July 2017.
- 500,000 options over ordinary shares with exercise price \$0.66 each, expiring on 26 September 2018.
- 1,400,000 options over ordinary shares with exercise price \$0.87 each, expiring on 19 March 2019.
- 1,600,000 options over ordinary shares with exercise price \$1.16 each, expiring on 19 March 2021.

ASX ADDITIONAL INFORMATION (continued)**Interests in Mining Tenements**

Project	Tenement	Holder	Interest	Location	Status
Mineral Sands	E04/2081	Sheffield Resources Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2083	Sheffield Resources Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2084	Sheffield Resources Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2159	Sheffield Resources Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2171	Sheffield Resources Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2192	Sheffield Resources Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2193	Sheffield Resources Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2194	Sheffield Resources Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2348	Sheffield Resources Ltd	100%	Canning Basin	Pending
Mineral Sands	E04/2349	Sheffield Resources Ltd	100%	Canning Basin	Pending
Mineral Sands	E04/2350	Sheffield Resources Ltd	100%	Canning Basin	Pending
Mineral Sands	M04/459	Sheffield Resources Ltd	100%	Canning Basin	Pending
Mineral Sands	E70/3762	Sheffield Resources Ltd	100%	Perth Basin	Granted
Mineral Sands	E70/3812	Sheffield Resources Ltd	100%	Perth Basin	Granted
Mineral Sands	E70/3813	Sheffield Resources Ltd	100%	Perth Basin	Granted
Mineral Sands	E70/3814	Sheffield Resources Ltd	100%	Perth Basin	Granted
Mineral Sands	E70/3846	Sheffield Resources Ltd	100%	Perth Basin	Granted
Mineral Sands	E70/3901	Sheffield Resources Ltd	100%	Perth Basin	Granted
Mineral Sands	E70/3929	Sheffield Resources Ltd	100%	Perth Basin	Granted
Mineral Sands	E70/3931	Sheffield Resources Ltd	100%	Perth Basin	Granted
Mineral Sands	E70/3967	Sheffield Resources Ltd	100%	Perth Basin	Granted
Mineral Sands	E70/3970	Sheffield Resources Ltd	100%	Perth Basin	Granted
Mineral Sands	E70/4190	Sheffield Resources Ltd	100%	Perth Basin	Granted
Mineral Sands	E70/4292	Sheffield Resources Ltd	100%	Perth Basin	Granted
Mineral Sands	E70/4313	Sheffield Resources Ltd	100%	Perth Basin	Granted
Mineral Sands	E70/4314	Sheffield Resources Ltd	100%	Perth Basin	Granted
Mineral Sands	E70/4434	Sheffield Resources Ltd	100%	Perth Basin	Granted
Mineral Sands	E70/4484	Sheffield Resources Ltd	100%	Perth Basin	Granted
Mineral Sands	E70/4584	Sheffield Resources Ltd	100%	Perth Basin	Granted
Mineral Sands	M70/872 ¹	Sheffield Resources Ltd	100%	Perth Basin	Granted
Mineral Sands	M70/965 ¹	Sheffield Resources Ltd	100%	Perth Basin	Granted
Mineral Sands	M70/1153 ¹	Sheffield Resources Ltd	100%	Perth Basin	Granted
Mineral Sands	R70/351	Sheffield Resources Ltd	100%	Perth Basin	Granted
Mineral Sands	E70/3859	Sheffield Resources Ltd	100%	Perth Basin	Pending
Mineral Sands	L70/150	Sheffield Resources Ltd	100%	Perth Basin	Pending
Nickel	E69/3033	Sheffield Resources Ltd	100%	Fraser Range	Granted
Nickel	E69/3052	Sheffield Resources Ltd	100%	Fraser Range	Granted
Nickel	E28/2270	Sheffield Resources Ltd	100%	Fraser Range	Granted
Nickel	E39/1733	Sheffield Resources Ltd	100%	Fraser Range	Granted

ASX ADDITIONAL INFORMATION (continued)**Interests in Mining Tenements**

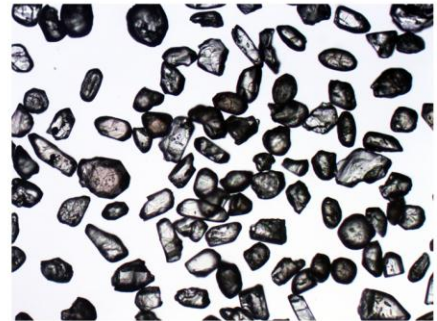
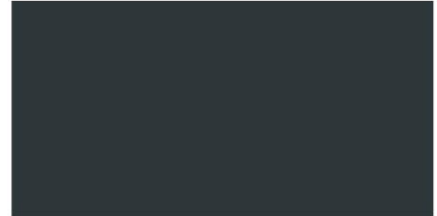
Project	Tenement	Holder	Interest	Location	Status
Nickel	E28/2374-I	Sheffield Resources Ltd	100%	Fraser Range	Granted
Nickel	E28/2448	Sheffield Resources Ltd	100%	Fraser Range	Granted
Nickel	E28/2449	Sheffield Resources Ltd	100%	Fraser Range	Granted
Nickel	E28/2450	Sheffield Resources Ltd	100%	Fraser Range	Granted
Nickel	E69/3181	Sheffield Resources Ltd	100%	Fraser Range	Pending
Nickel	E28/2323	Sheffield Resources Ltd	100%	Fraser Range	Pending
Nickel	E28/2428	Sheffield Resources Ltd	100%	Fraser Range	Pending
Nickel	E28/2430	Sheffield Resources Ltd	100%	Fraser Range	Pending
Nickel	E28/2431	Sheffield Resources Ltd	100%	Fraser Range	Pending
Nickel/Gold	E28/2481	Sheffield Resources Ltd	100%	Tropicana Belt	Pending
Nickel	E80/4866	Sheffield Resources Ltd	100%	East Kimberley	Pending
Nickel	E80/4867	Sheffield Resources Ltd	100%	East Kimberley	Pending
Nickel	E80/4868	Sheffield Resources Ltd	100%	East Kimberley	Pending
Nickel	E80/4884	Sheffield Resources Ltd	100%	East Kimberley	Pending
Gold	E28/2453	Sheffield Resources Ltd	100%	Tropicana Belt	Pending
Gold	E63/1696	Sheffield Resources Ltd	100%	Tropicana Belt	Pending
Iron	E45/3662-I	Ironbridge Resources Pty Ltd ²	100%	Pilbara	Granted
Iron	E45/3822-I	Sheffield Resources Ltd	100%	Pilbara	Granted
Iron	E45/4029	Sheffield Resources Ltd	100%	Pilbara	Granted
Iron	E47/3031-I	Sheffield Resources Ltd	100%	Pilbara	Pending
Iron	E47/3032-I	Sheffield Resources Ltd	100%	Pilbara	Pending
Iron	E47/3033-I	Sheffield Resources Ltd	100%	Pilbara	Pending
Iron	E47/3083	Sheffield Resources Ltd	100%	Pilbara	Pending
Talc	E70/3776	Moora Talc Pty Ltd ²	100%	Moora	Granted
Talc	E70/4004	Moora Talc Pty Ltd ²	100%	Moora	Granted
Potash	E70/3777	Moora Talc Pty Ltd ²	100%	Morawa	Granted
Potash	E70/4318	Sheffield Resources Ltd	100%	Morawa	Granted
Potash	E70/4319	Sheffield Resources Ltd	100%	Morawa	Granted
Potash	E70/4320	Sheffield Resources Ltd	100%	Morawa	Granted
Potash	E70/4378	Sheffield Resources Ltd	100%	Morawa	Granted

Notes:

¹Iluka Resources Ltd (ASX:ILU) retains a gross sales royalty of 1.5% in respect to tenements R70/35, M70/872, M70/965 & M70/1153.

²Moora Talc Pty Ltd and Ironbridge Resources Pty Ltd are 100% owned subsidiaries of Sheffield Resources Ltd.

³All tenements are located in the state of Western Australia



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