Sheffield Resources LIMITED

ABN 29 125 811 083

2018

Annual Report

Directors

Mr Will Burbury, Non-Executive Chairman
Mr Bruce McFadzean, Managing Director
Mr Bruce McQuitty, Non-Executive Director
Mr David Archer, Technical Director

Company Secretary

Mr Mark Di Silvio

Registered Office

Level 2, 41 - 47 Colin Street
West Perth WA 6005
T: +61 8 6555 8777
F: +61 8 6555 8787
E: info@sheffieldresources.com.au

Principal Place of Business

Level 2, 41 - 47 Colin Street
West Perth WA 6005
+61 8 6555 8777

Share Register

Link Market Services
178 St Georges Terrace
Perth WA 6000
+61 8 9211 6670

Solicitors

Ashurst
Level 32, Exchange Plaza
The Esplanade
Perth WA 6000

Bankers

Australia and New Zealand Banking Corporation

Auditors

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

Securities Exchange

Australian Securities Exchange (ASX: **SFX**)

Website

www.sheffieldresources.com.au

Australian Business Number (ABN)

29 125 811 083

Dear Shareholder,

In the 2018 financial year, a number of significant results and milestones were achieved by your Company. Mineral sands market conditions continued to improve, and Sheffield was able to secure a number of financial and offtake agreements which will underpin the development of the Thunderbird Mineral Sands Project.

The primary focus during the year was to secure binding offtake agreements for our key products including premium zircon, zircon concentrate and low temperature roast (LTR) ilmenite. Importantly, we delivered upon this strategy whereby by the end of the financial year, 100% of Stage 1 forecast premium zircon and zircon concentrate products and 50% of Stage 1 LTR ilmenite was secured under binding offtake agreement. This represents a total of more than 75% of forecast Stage 1 revenue under binding offtake agreement. The market demand demonstrated for the range of Thunderbird products has been strong and we expect this to continue in future.

In addition to our offtake agreements, we successfully negotiated a US$200m debt facility mandate with Taurus Mining Finance, required for the development of Thunderbird. We have been proactively working with Taurus on due diligence processes during 2018, with the intention of finalizing a debt facility agreement in the near future.

Our permitting activities continue to progress well, with Thunderbird recently receiving State environmental approval. Our expectation is that full Federal environmental approval will be granted during Q3 2018. Our native title permitting arrangements have progressed well, and we are confident of reaching a mutually acceptable agreement with the Traditional Owners following the agreement of non-binding key terms during August 2018, consistent with our pledge to the Kimberley community. We also welcome the recent positive determination by the National Native Title Tribunal, finding that Sheffield acted in good faith during the Native Title negotiation process.

We also undertook a strategic equity raising to progress the early development activities for Thunderbird, placing the Company in a sound financial position. The $32.0m raised in October 2017 introduced new institutional shareholders to Sheffield, and we welcomed the continued support from our existing shareholders during this process.

To support the construction of the Thunderbird Project, in Q4 2017 Sheffield appointed GR Engineering Services Limited (GRES) as preferred EPC tenderer, following the conclusion of a competitive tender process. To date, GRES has commenced a number of front end engineering and design activities and both parties are working toward the execution of an EPC contract in 2018.

Sheffield successfully concluded the demerger of its portfolio of gold and base metal assets, held by its 100% owned subsidiary Carawine Resources Limited in December 2017, by way of distributing the 20 million shares it holds in Carawine in specie to eligible Sheffield shareholders on a pro rata basis. Following a successful Initial Public Offer that raised $7 million, Carawine listed and commenced trading on the ASX on 14 December 2017. Moving into 2018, Sheffield is now a fully focussed mineral sands enterprise.

I would like to personally thank each of my fellow Directors, our management team and our growing team of employees, consultants and stakeholders for their dedication and effort in what we have achieved over this transformational year.

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

Thank you for your continued support and we look forward to an exciting year ahead as we look progress development of Thunderbird.

Yours sincerely

Mr Will Burbury
Non-Executive Chairman

OVERVIEW

During the reporting period, Sheffield Resources Limited ('Company' or 'Sheffield') continued the progression of its world class Thunderbird Mineral Sands Project ('Thunderbird'), located near Derby in the Canning Basin region of Western Australia, culminating with the decision to commence development activities at Thunderbird.

KEY HIGHLIGHTS FOR THE FINANCIAL YEAR

- Binding offtake agreements secured for 100% of Stage 1 forecast premium zircon and zircon concentrate products;
- Binding offtake agreement secured for 50% of Stage 1 forecast low temperature roast ('LTR') ilmenite;
- Appointment of Taurus Mining Finance Fund ('Taurus') as mandated lead arranger and underwriter for the US$200m debt facility required for the development of Thunderbird;
- National Native Title Tribunal ('NNTT') determination in August 2018, finding that Sheffield acted in good faith during the Native Title negotiation process;
- State environmental permitting approval granted in August 2018, with Federal approval expected in Q3 2018;
- Appointment of GR Engineering Services Limited as preferred EPC tenderer;
- Commencement of early works activities at the Thunderbird Mineral Sands Project;
- Successful demerger of Carawine Resources Limited; and
- Completion of an equity placement and share purchase plan, raising $32 million (before costs).

THUNDERBIRD MINERAL SANDS PROJECT

During the year, the Company continued progression of its world class Thunderbird Mineral Sands Project, located in the Canning Basin in northern Western Australia. Several key milestones pertaining to offtake, financing and construction readiness were delivered, as described below.

The Company welcomed several major new offtake partners, with multiple binding offtake agreements signed with the following parties:

- **Ruby Ceramics Pvt Ltd** - minimum annual supply of 6,000 tonnes of premium zircon;
- **Sukaso Ceracolors Ceramics Pvt Ltd** - minimum annual supply of 12,000 tonnes of premium zircon;
- **CFM Minerales s.a** – minimum annual supply of 4,000 tonnes of premium zircon;
- **Hainan Wensheng High-Tech Materials Company Limited** - minimum annual supply of 27,000 tonnes of zircon concentrate;
- **Nanjing Rzisources International Trading Co Ltd -** minimum annual supply of 15,000 tonnes of premium zircon and 23,000 tonnes of zircon concentrate;
- **Qingyuan Jinsheng ZR & TI Resources Co. Ltd** – minimum annual supply of 9,000 tonnes of premium zircon; and
- **Bengbu Zhongheng New Materials S&T Co., Ltd** – minimum annual supply of 150,000 tonnes of LTR ilmenite.

With the conclusion of the above agreements, 100% of premium zircon and zircon concentrate for Stage 1 of Thunderbird has been secured under binding agreements. Thunderbird product demand remains strong as Sheffield's negotiations toward agreement on the remaining LTR ilmenite products remain on track.

Financing arrangements to support the development of Thunderbird advanced during the year with Sheffield executing a US$200M debt financing mandate with Taurus Mining Finance Fund. Due diligence processes are well advanced with the Company affirming a significant and cost-effective solution to advance the development of Thunderbird.

Construction readiness activities continued during the year, with Sheffield announcing the appointment of GR Engineering Services Limited ('GRES') as preferred engineering, procurement and construction ('EPC') contractor. Sheffield has entered into an Early Works Agreement and Key Term Sheet with GRES. Early engineering and design works for Thunderbird progressed well during 2018. Additionally, Sheffield was successful in sourcing a modern 328 room accommodation village and associated infrastructure for Thunderbird during the December quarter.

Initial earthworks and site access arrangements for Thunderbird are underway, in accordance with the State Government approved Minor or Preliminary Works ('MoPW') Licence. In conjunction with the early works program, Sheffield has committed further funding to advance Aboriginal training in readiness for construction activities at Thunderbird.

Project Construction Readiness

During the year, following conclusion of a detailed tender process targeting the selection of an engineering, procurement and construction (EPC) contractor, Sheffield appointed GR Engineering Services Limited as preferred EPC tenderer. An Early Works Agreement and Key Term Sheet is in place and GRES have completed a number of engineering and design activities in preparation for construction of Stage 1 of Thunderbird.

Front End Engineering and Design ('FEED') activities complete include:

- Mechanical arrangements and site layouts for Thunderbird;
- Definitive mechanical list of process plant items;
- Process Flow Diagrams (PFD's) and Process and Instrument Diagrams (P&ID's); and
- Mass and Energy balances for Stage 1 Thunderbird.

In addition to the above activities, Roundhill Engineering has concluded the front-end engineering design work to support the LTR process with all PFD's and P&ID's received by the Company.

Negotiations continue on a number of other contracting activities which are well advanced, including electricity and gas supply arrangements and mining services arrangements. Electricity and gas supply, together with mining services, represent more than 50% of Thunderbird's annual operating costs.

Early Works Program

Initial earthworks and site access to support Thunderbird commenced in the December 2017 quarter. The early works program is being undertaken in accordance with the State Government approved MoPW program, with activity focused on upgrading site access roads and clearing areas in preparation for accommodation village and ancillary building installation. A number of Kimberley based contractors and businesses have been engaged to carry out the work program, and further supported by Aboriginal trainees from Sheffield's Group Training Program.

Accommodation Village

During the December 2017 quarter, Sheffield acquired a modern 328-room accommodation village and associated infrastructure for Thunderbird. The quality and modern amenities include an industrial scale kitchen, dining areas and laundry facilities, providing Sheffield with a significant opportunity to realise a cost-effective solution for Thunderbird accommodation. The village installation commenced during the March 2018 quarter as part of the Minor or Preliminary Works and in readiness for the proposed EPC schedule.

Work Ready Program

The construction Work Ready Program ('WRP'), launched in mid-2017, was completed with fourteen participants successfully graduating from the program. The program was delivered in partnership with local employment and training organisations Winun Ngari Aboriginal Corporation, based in Derby, and Nirrumbuk Aboriginal Corporation, based in Broome.

Following the successful completion of the WRP, Sheffield affirmed its ongoing commitment to Aboriginal employment and training, with the establishment of a Group Training Program and a further investment of $750,000. The Group Training Program employed eight graduates from the WRP as trainees with Broome-based Nirrumbuk Group Training. The trainees have been rotated through a variety of activities including Early Works at the Thunderbird Project and placements with other Kimberley based construction business. At the completion of the program, trainees will have gained a Certificate 3 in Civil Construction and the opportunity to secure construction roles on the Thunderbird Project.

Sustainability

A favourable environmental determination was provided by the Western Australia Minister for Environment, after considering appeals to the Environmental Protection Authority recommendations published in October 2017. The Minister dismissed all appeals on the Works Approval and majority of the appeals on the EPA Report. The Company is expecting to conclude environmental permitting with Federal approval expected in Q3 2018.

During the 2017 financial year, the NNTT found in favour of Sheffield with a positive good faith decision, followed by the substantive Native Title determination, enabling the grant of the mining lease. In December 2017, a decision of the Full Federal Court set aside a previous order made by Justice Barker, in finding that good faith procedural obligations continue to apply after a future act determination application ('FADA') has been made. Subsequently, the court ordered that the matter be remitted to the National Native Title Tribunal (NNTT) to reconsider the previous good faith finding to include the negotiation period post FADA.

Following the end of the financial year, the NNTT reconsidered the test of good faith, as directed by the Full Federal Court (refer to ASX announcement dated 20 December 2017) and determined that Sheffield acted in good faith in its negotiations with the Traditional Owners. Independent of, and in parallel to the NNTT process, Sheffield also announced agreement of non- binding and indicative key terms with the Traditional Owners, as a basis for a future Native Title Agreement in relation to the Thunderbird Mineral Sands Project (refer to ASX announcement dated 16 August 2018). Following the NNTT determination, Sheffield remains committed to concluding a Native Title Agreement in collaboration with Traditional Owners by mid Q4 2018.

In parallel to the above Native Title process, Sheffield successfully negotiated a co-existence agreement over miscellaneous licenses that secure road access to Thunderbird with the Walalakoo Aboriginal Corporation (the prescribed body corporate for the Nyikina Mangala native title holders).

Marketing and Offtake

Significant offtake milestones were achieved during the year, with Sheffield securing binding offtake agreements for the future sales of 100% of its estimated production of Stage 1 premium zircon and zircon concentrate products, representing 60% of Stage 1 forecast revenue. In addition, 50% of estimated production from Stage 1 LTR ilmenite is also subject to a binding offtake agreement. This brings total forecast Stage 1 sales revenue under binding offtake agreement to 75%.

Market conditions for TiO_2 products have remained steady during the year with prices and demand remaining strong. This situation is expected to continue for the foreseeable future.

Supply shortages have continued to positively impact pricing for zircon products throughout the year. Continued supply constraints and limited surplus stock is expected to place further upward price pressure on zircon material.

Project Financing

In October 2017, Sheffield concluded a debt financing process, culminating in the appointment of Taurus Mining Finance Fund as mandated lead arranger and underwriter of a US$200M debt finance facility package to support the development of Thunderbird. Due diligence activities are well advanced ahead of concluding a full form debt facility agreement.

In conjunction with mandated debt facility arrangements, Sheffield is considering a number of third-party partnering arrangements with a view to participation in the development of the Thunderbird project, in conjunction with equity capital market considerations.

The Company is consulting with the Northern Australia Infrastructure Fund ('NAIF') to assess options and availability for a subordinated, long term infrastructure debt finance arrangement to support Thunderbird and adjacent local communities. NAIF is a federally funded program supporting infrastructure development projects for northern Australia. NAIF provides the Company with a cost-effective opportunity to in source Thunderbird energy supply infrastructure, in addition to providing improved public transportation and logistics infrastructure.

EXPLORATION ACTIVITIES

During the year, Sheffield generated two new zircon rich projects located in the Canning Basin of Western Australia and the Eucla Basin of South Australia. Sheffield's current portfolio of heavy mineral sands exploration projects comprise the Dampier and Central Canning projects located in the Canning Basin of Western Australia, the Eneabba and McCalls projects located in the North Perth Basin of Western Australia and the Barton project located in the Eucla Basin of South Australia. Sheffield's exploration strategy is to target additional large, high value, zircon rich deposits suitable for downstream processing at the Thunderbird Dry Mineral Separation Plant ('MSP'). Sheffield will continue to actively pursue and evaluate new mineral sands opportunities in Australia and overseas, with a focus on zircon rich deposits.

Dampier Regional Mineral Sands

Planning and permitting for regional exploration on the Dampier project have continued, with programs expected to commence during the September 2018 quarter.

Derby East Project

Sheffield is investigating the potential of the Derby East Project tenements, located 25km east of Derby, to yield commercial quantities of sand for construction purposes. Work to date has been encouraging, with further drilling required to better define the potential quantities of these sands, along with additional test work designed to assess suitability for specific end-use requirements. Sheffield will continue to evaluate the opportunity presented by this deposit.

Canning Central Project

The Canning Central Project comprises one Exploration Licence Application E45/5214 (lodged in April 2018). The project is located central to the Canning Basin, 350km south of Thunderbird in the Kidson Sub-basin. Sheffield is targeting shallow zircon rich, Thunderbird style mineralisation in a shallow marine geological setting. A review of historic exploration and regional geology will be completed throughout the remaining calendar year.

Barton Project

Exploration Licence Application (ELA) 2018/00046 (lodged in March 2018) covers an area of 983.8 km^2 in the north-eastern Eucla Basin of central South Australia. The tenement application covers parts of the Eocene to Miocene sequence in the north-eastern Eucla Basin. Within this sequence the sand units of the Ooldea and Hampton Formations have the potential to host significant concentrations of heavy minerals within shallow marine or shore face sand units. The Exploration Licence Application is located 130 kilometres north of Iluka Resources Limited's (ASX:ILU) Jacinth-Ambrosia deposit.

Rio Tinto Exploration Pty Ltd (ASX:RTX) explored the area between 2004 and 2009, and a preliminary review of open file reports has shown the identification by RTX of heavy mineral sand mineralisation below the Paling and Barton Ranges, including the identification a significant zone of heavy mineral concentration (Sherrin prospect) from drill holes in the Paling Range. The mineralisation is described as approximately 8km long north-south, 6km wide east-west, and 4.5m to 12m metres thick. A thorough review of historic exploration data and regional geology will be completed calendar year 2018.

Eneabba Mineral Sands

Maiden Mineral Resource estimates incorporating results from recent exploration drilling were completed at the Robbs Cross and Thomsons HMS deposits, within Sheffield's 100% owned Eneabba Project located about 110km north of Perth in Western Australia's Midwest region.

The addition of Robbs Cross and Thomsons brings total Mineral Resources for Sheffield's Eneabba HMS Project to over 7.6 million tonnes contained HM (Measured, Indicated and Inferred) in seven deposits, including 897kt of zircon, 540kt of rutile, 323kt of leucoxene and 4,703kt of ilmenite.

McCall's Project

During the March 2018 quarter, work commenced on an update of the McCalls Mineral Resource to include additional historic drilling data from the recently granted Exploration Licence E70/4922, which adjoins the current Mineral Resource area. Completion of this work is expected during the September 2018 quarter.

CORPORATE ACTIVITIES

As at 30 June 2018, Sheffield held cash reserves of approximately $23.1 million.

Carawine Resources Limited Demerger

During the December 2017 quarter, Sheffield concluded the demerger of its portfolio of gold and base metal assets, held by its 100% owned subsidiary Carawine Resources Limited ("Carawine") by way of distributing the 20 million shares it holds in Carawine in specie to eligible Sheffield shareholders on a pro rata basis. Following a successful Initial Public Offer that raised $7 million, Carawine listed and commenced trading on the ASX on 14 December 2017.

Sheffield announced an updated Ore Reserve totalling 680.5 million tonnes @ 11.3% HM for the Thunderbird heavy mineral sands deposit, in the Kimberley Region of Western Australia, on 16 March 2017, and has since completed a Bankable Feasibility Study for development of the deposit (the Thunderbird Mineral Sands Project). The Proved and Probable Ore Reserve estimate is based on that portion of the current July 2016 Thunderbird deposit Measured and Indicated Mineral Resources within scheduled mine designs that may be economically extracted, considering all "Modifying Factors" in accordance with the JORC Code (2012).

Sheffield also has a number of Mineral Resource estimates for heavy mineral sands deposits within its Eneabba and McCalls Projects located in the Mid-West Region of Western Australia.

Ore Reserves

Dampier Project Ore Reserves [1,4]

Deposit	Ore Reserve Category	Ore Tonnes (millions)	In-situ HM Tonnes (millions)	HM Grade (%)	Valuable HM Grade (In-situ)[2]				Slimes (%)	Osize (%)
					Zircon %	HiTi Leuc %	Leuc %	Ilmenite %		
Thunderbird	Proved	235.8	31.4	13.3	1.00	0.29	0.28	3.55	16.5	13.7
	Probable	444.8	45.4	10.2	0.80	0.26	0.26	2.85	15.2	11.0
	Total	**680.6**	**76.8**	**11.3**	**0.87**	**0.27**	**0.26**	**3.10**	**15.7**	**12.0**

Deposit	Ore Reserve Category	Ore Tonnes (millions)	In-situ HM Tonnes (millions)	HM Grade (%)	Mineral Assemblage[3]				Slimes (%)	Osize (%)
					Zircon (%)	HiTi Leuc (%)	Leuc (%)	Ilmenite (%)		
Thunderbird	Proved	235.8	31.4	13.3	7.5	2.2	1.9	26.7	16.5	13.7
	Probable	444.8	45.4	10.2	7.8	2.5	2.6	28.0	15.2	11.0
	Total	**680.6**	76.8	**11.3**	**7.7**	**2.4**	**2.3**	**27.4**	**15.7**	**12.0**

1) Ore Reserves are presented both in terms of in-situ VHM grade, and HM assemblage. Tonnes and grades have been rounded to reflect the relative accuracy and confidence level of the estimate, thus the sum of columns may not equal. Ore Reserve is reported to a design overburden surface with appropriate consideration of modifying factors, costs, mineral assemblage, process recoveries and product pricing.

2) The in-situ grade is determined by multiplying the HM Grade by the percentage of each valuable heavy mineral within the heavy mineral assemblage.

3) Mineral Assemblage is reported as a percentage of HM Grade, it is derived by dividing the in-situ grade by the HM grade.

4) Ore Reserves reported for the Dampier Project were prepared and first disclosed under the JORC Code 2012

Mineral Resources

Dampier Project Mineral Resources [1,2,5]

Deposit (cut-off)	Mineral Resource Category	Material Tonnes (millions)	In-situ HM Tonnes (millions)	HM Grade (%)	Mineral Assemblage[3]				Slimes (%)	Osize (%)
					Zircon (%)	HiTi Leuc (%)	Leuc (%)	Ilmenite (%)		
Thunderbird (> 3% HM)	Measured	510	45	8.9	8.0	2.3	2.2	27	18	12
	Indicated	2,120	140	6.6	8.4	2.7	3.1	28	16	9
	Inferred	600	38	6.3	8.4	2.6	3.2	28	15	8
	Total	**3,230**	**223**	**6.9**	**8.3**	**2.6**	**2.9**	**28**	**16**	**9**
Thunderbird (>7.5% HM)	Measured	220	32	14.5	7.4	2.1	1.9	27	16	15
	Indicated	640	76	11.8	7.6	2.4	2.1	28	14	11
	Inferred	180	20	10.8	8.0	2.5	2.4	28	13	9
	Total	**1,040**	**128**	**12.2**	**7.6**	**2.3**	**2.1**	**27**	**15**	**11**

Eneabba Project Mineral Resources [2,4,6]

Deposit (cut-off)	Mineral Resource Category	Material Tonnes (millions)	In-situ HM Tonnes (millions)	HM Grade (%)	Mineral Assemblage[3]				Slimes (%)	Osize (%)
					Zircon (%)	Rutile (%)	Leuc (%)	Ilmenite (%)		
Yandanooka (> 0.9% HM)	Measured	3	0.1	4.1	10	1.9	2.2	72	15	14
	Indicated	90	2.1	2.3	12	3.7	3.7	69	16	15
	Inferred	3	0.03	1.2	11	3.9	4.6	68	18	21
	Total	96	2.2	2.3	12	3.6	3.7	69	16	15
Durack (>0.9% HM)	Indicated	50	1.0	2.0	14	2.8	4.6	70	15	21
	Inferred	15	0.2	1.2	14	2.4	6.7	67	14	17
	Total	65	1.2	1.8	14	2.8	4.9	70	15	20
Drummond Crossing (>1.1% HM)	Indicated	49	1.0	2.1	14	10	3.6	53	16	9
	Inferred	3	0.05	1.5	13	9.9	2.8	55	16	8
	Total	52	1.1	2.1	14	10	3.6	53	16	9
Ellengail (>0.9% HM)	Inferred	46	1.0	2.2	9	8.7	1.9	64	16	2
	Total	46	1.0	2.2	9	8.7	1.9	64	16	2
Robbs Cross (>1.4% HM(	Indicated	14	0.3	1.9	15	13	5	47	6.0	6.2
	Inferred	4	0.1	2.0	14	11	4.1	50	6.3	8.1
	Total	18	0.4	1.9	15	12	4.8	48	6.0	6.6
Thomsons (>1.4% HM)	Inferred	26	0.5	2.0	19	14	5.4	42	18	6.9
	Total	26	0.5	2.0	19	14	5.4	42	18	6.9
West Mine North (>0.9% HM)	Measured	6	0.4	5.6	4	9.6	9.5	54	15	1
	Indicated	36	0.8	2.3	7	9.6	5.4	60	13	3
	Total	42	1.2	2.8	6	9.6	6.6	58	13	3
All Eneabba (various)	Measured	9	0.5	5.2	5.9	7.7	7.7	59	15	5
	Indicated	239	5.2	2.2	12	6.1	4.2	64	15	13
	Inferred	97	1.9	1.9	12	9.5	3.5	57	16	7
	Total	**345**	**7.6**	**2.2**	**12**	**7.1**	**4.2**	**62**	**15**	**11**

McCalls Project Mineral Resources [2,4,6]

Deposit (cut-off)	Mineral Resource Category	Material Tonnes (millions)	In-situ HM Tonnes (millions)	HM Grade (%)	Mineral Assemblage[3]				Slimes (%)	Osize (%)
					Zircon (%)	Rutile (%)	Leuc (%)	Ilmenite (%)		
McCalls (>1.1% HM)	Indicated	2,214	31.7	1.4	5.1	3.2	2.7	76.8	21.7	1.3
	Inferred	1,436	18.7	1.3	5.0	3.2	3.1	80.3	25.5	1.1
	Total	**3,650**	**50.4**	**1.4**	**5.1**	**3.2**	**2.9**	**78.5**	**23.2**	**1.2**

1) The Dampier Project Mineral Resources are reported inclusive of (not additional to) Ore Reserves. The Mineral Resource reported above 3% HM cut-off is inclusive of (not additional to) the Mineral Resource reported above 7.5% HM cut-off.

2) All tonnages and grades have been rounded to reflect the relative accuracy and confidence level of each estimate and to maintain consistency throughout the table, therefore the sum of columns may not equal.

3) The Mineral Assemblage is represented as the percentage of HM grade. For Dampier the mineral assemblage was determined by screening and magnetic separation. Magnetic fractions were analysed by QEMSCAN for mineral determination as follows: >90% liberation and; Ilmenite 40-70% TiO2; Leucoxene 70-94% TiO2; High Titanium Leucoxene (HiTi Leucoxene) >94% TiO2 and Zircon 66.7% ZrO2+HfO2. The non-magnetic fraction was analysed by XRF and minerals determined as follows: Zircon ZrO2+HfO2/0.667 and HiTi Leucoxene TiO2/0.94. For Eneabba & McCalls determination was by QEMSCAN, with TiO2 minerals defined according to the following ranges: Rutile >95% TiO2; Leucoxene 85-95% TiO2; Ilmenite <55-85% TiO2

4) West Mine North, Durack, Drummond Crossing and McCalls are reported below a 35% Slimes upper cut-off.

5) Mineral Resources for the Dampier Project were prepared and first disclosed under the JORC Code 2012.

6) Mineral Resources reported for the Eneabba Project were prepared and first disclosed under the JORC Code 2004. These have not been updated since to comply with the JORC Code 2012 on the basis that the information on which the Resource estimates are based has not materially changed since it was last reported.

The Company's Ore Reserves and Mineral Resources Statement is based on information first reported in previous ASX announcements by the Company. These announcements are listed below and are available to view on Sheffield Resources Limited's web site www.sheffieldresources.com.au . Mineral Resources and Ore Reserves reported for the Dampier Project and Mineral Resources reported for the McCalls Projects were prepared and first disclosed under the JORC Code 2012. Mineral Resources reported for the Eneabba Project were prepared and first disclosed under the JORC Code 2004, these have not been updated since to comply with the JORC Code 2012 on the basis that the information on which the Resource estimates are based has not materially changed since it was last reported.

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 that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

The Competent Persons for reporting of Mineral Resources and Ore Reserves in the original market announcements are listed below. 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.

Item	Name	Company	Professional Affiliation
Mineral Resources Reporting	Mr Mark Teakle Mr David Boyd	Sheffield Resources Sheffield Resources	MAIG, MAusIMM MAIG
Mineral Resources Estimation	Mrs Christine Standing Mr Tim Journeaux Mr Trent Strickland	Optiro QG QG	MAusIMM MAusIMM MAusIMM
Ore Reserves	Mr Per Scrimshaw	Entech	MAusIMM

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

Item	Report Title	Report Date	Competent Person(s)
Thunderbird Ore Reserve	Thunderbird Ore Reserve Update	16 March 2017	P. Scrimshaw
Thunderbird Mineral Resources	Sheffield Doubles Measured Mineral Resource At Thunderbird	5 July 2016	M. Teakle C. Standing
McCalls Mineral Resources	Quarterly Activities Report For The Period Ended 30 June 2016	20 July 2016	D. Boyd T. Journeaux
Robbs Cross Mineral Resource	Quarterly Activities Report For The Period Ended 31 December 2017	25 January 2017	C. Standing
Thomsons Mineral Resource	Quarterly Activities Report For The Period Ended 31 December 2017	25 January 2017	C. Standing

Mineral Resources prepared and first disclosed under the JORC Code 2004:

Item	Report Title	Report Date	Competent Person(s)
Ellengail Mineral Resource	1Mt Contained HM Inferred Resource at Ellengail	25 October 2011	M. Teakle T. Strickland
West Mine North Mineral Resource	West Mine North Mineral Resource Estimate Exceeds Expectations	7 November 2011	M. Teakle T. Strickland
Durack Mineral Resource	Eneabba Project Resource Inventory Exceeds 5Mt Heavy Mineral	28 August 2012	M. Teakle T. Strickland
Yandanooka Mineral Resource	Yandanooka Resource Upgrade and Metallurgical Results	30 January 2013	M. Teakle T. Strickland
Drummond Crossing Mineral Resource	1Mt Heavy Mineral Resource Added to Eneabba Project	30 October 2013	M. Teakle T. Strickland

COMPLIANCE STATEMENTS

PREVIOUSLY REPORTED INFORMATION

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

- June 2017 Quarterly Report: *"QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 30 JUNE 2017"* 27 July, 2017
- Jamieson Gold Project Farm-In: "SHEFFIELD FARMS IN TO HIGH GRADE JAMIESON GOLD EXPLORATION PROJECT" 28 June, 2017
- Maiden LTR ilmenite MOU: "SHEFFIELD SIGNS CORNERSTON ILMENITE MOU" 29 May, 2017
- Zircon MOU: *"SHEFFIELD SECURES FURTHER ZIRCON OFFTAKE"* MOUs 26 April, 2017
- Further Thunderbird MOU signed: *"ADDITIONAL ZIRCON OFFTAKE MOU SIGNED"* 10 April, 2017
- Thunderbird MOUs for future sales of Zircon: *"SHEFFIELD SIGNS OFFTAKE MOUs"* 4 April, 2017
- Thunderbird BFS: *"THUNDERBIRD BFS DELIVERS OUTSTANDING RESULTS"* 24 March, 2017
- Thunderbird Ore Reserve: *"THUNDERBIRD ORE RESERVE UPDATE"* 16 March, 2017
- LTR Ilmenite Test Results: *"THUNDERBIRD ILMENITE EXCEEDS PREMIUM SPECIFICATION"* 13 March, 2017
- December 2016 Quarterly Report: *"QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 31 DECEMBER 2016"* 24 January, 2017
- Fraser Range Joint Venture: *"SHEFFIELD FORMS JOINT VENTURE WITH INDEPENDENCE GROUP IN FRASER RANGE"* 16 November, 2016
- McCalls Mineral Resource: *"QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 30 JUNE 2016"* 25 July, 2016
- Thunderbird Mineral Resource: *"SHEFFIELD DOUBLES MEASURED MINERAL RESOURCE AT THUNDERBIRD"* 5 July, 2016
- Robbs Cross and Thomsons Discovery: "NEXT GENERATION OF MINERAL SANDS DISCOVERIES AT ENEABBA" 23 July, 2015

This report also includes information that relates to 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. The information was extracted from the Company's previous ASX announcements as follows:

- 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.
- Yandanooka Mineral Resource: *"YANDANOOKA RESOURCE UPGRADE AND METALLURGICAL RESULTS"*, 30 January 2013.
- Durack Mineral Resource: *"ENEABBA PROJECT RESOURCE INVENTORY EXCEEDS 5MT HEAVY MINERAL"*, 28 August 2012.
- West Mine North Mineral Resource: *"WEST MINE NORTH MINERAL RESOURCE ESTIMATE EXCEEDS EXPECTATIONS"*, 7 November 2011.
- Ellengail Mineral Resource: *"1MT CONTAINED HM INFERRED RESOURCE AT ELLENGAIL"*, 25 October 2011.

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 and Ore Reserves, the Bankable Feasibility and Technical Study results, 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.

FORWARD LOOKING AND CAUTIONARY STATEMENTS

Some statements in this report regarding estimates or future events are forward-looking statements. They involve risk and uncertainties that could cause actual results to differ from estimated results. Forward-looking statements include, but are not limited to, statements concerning the Company's exploration programme, outlook, target sizes and mineralised material estimates. They include statements preceded by words such as "anticipated", "expected", "target", "scheduled", "intends", "potential", "prospective" and similar expressions.

The Directors present their report together with the financial statements of the consolidated entity consisting of Sheffield Resources Limited and the entities it controlled for the year ended 30 June 2018. Sheffield Resources Limited ('Sheffield' or 'parent entity' or 'Company') and its controlled entities (collectively known as the 'Group' or 'consolidated entity') are domiciled in Australia.

DIRECTORS

The names and particulars of the Directors and Company Secretary in office during or since the end of the financial year are:

Mr Will Burbury	
Non-Executive Chairman	Mr Burbury was a Non-Executive Director for the whole of the financial year. Mr Burbury was appointed as a Non-Executive Director on 6 June 2007 and Non-Executive Chairman on 26 October 2015.
Qualifications:	B.Comm, LLB
Experience:	Mr. 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 overseas and has held the senior management positions and served on boards of several private and publicly listed companies.
Interest in Shares and Options at the date of this report:	8,182,407 Ordinary Shares
Directorships held in other listed entities in the last three years:	Non-Executive Chairman, Carawine Resources Limited (since September 2017)
Mr Bruce McFadzean	
Managing Director	Mr McFadzean was an Executive Director for the whole of the financial year. Mr McFadzean was appointed as Managing Director on 2 November 2015.
Qualifications:	Dip. Mining, FAusIMM
Experience:	A qualified mining engineer with more than 40 years' experience in the global resources industry, Mr McFadzean has led the financing, development and operation of several new mines around the world. Mr. McFadzean's technical, operating and corporate experience includes gold, silver, nickel, diamonds, iron ore and mineral sands. Mr McFadzean's professional career includes 15 years with BHP Billiton and Rio Tinto in a variety of positions and four years as Managing Director of successful ASX gold miner Catalpa Resources Limited. Under his management, Catalpa's market capitalisation grew from $10 million to $1.2 billion following the merger to create Evolution Mining Limited. He has raised in excess of A$400 million in debt and equity from Australian and overseas markets.
Interest in Shares and Options at the date of this report:	1,512,960 Ordinary Shares 2,500,000 Performance Options 130,409 Remuneration Options
Directorships held in other listed entities in the last three years:	Mr McFadzean is currently a Non-Executive Director of Indiana Resources Limited (formerly IMX Resources Limited, since April 2015). Mr McFadzean had previously held the position of Non-Executive Director with Blackstone Minerals Limited (October 2016 to May 2017), Venture Minerals Limited (June 2008 to October 2016) and Gryphon Minerals Limited (June 2014 to October 2016). Mr McFadzean was formerly Managing Director of Mawson West Limited (October 2012 to January 2015).

Mr Bruce McQuitty	
Non-Executive Director	Mr McQuitty was a Non-Executive Director for the whole of the financial year. Mr McQuitty was appointed as a Non-Executive Director on 14 December 2009.
Qualifications:	B.Sc, MEconGeol
Experience:	Mr McQuitty has more than 30 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.
Interest in Shares and Options at the date of this report:	8,046,507 Ordinary Shares
Directorships held in other listed entities in the last three years:	Non-Executive Director, Carawine Resources Limited (since September 2017)
Mr David Archer	
Technical Director	Mr Archer was an Executive Director for the whole of the financial year. Mr Archer was appointed as an Executive Director on 14 December 2009.
Qualifications:	BSc (Hons)
Experience:	Mr Archer is a geologist with 28 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.
Interest in Shares and Options at the date of this report:	8,269,151 Ordinary Shares 550,000 Performance Options 55,890 Remuneration Options
Directorships held in other listed entities in the last three years:	Non-Executive Director, Carawine Resources Limited (since September 2017)
Mr Mark Di Silvio	
Company Secretary	Mr Di Silvio was Company Secretary for the whole of the financial year. Mr Di Silvio was appointed Company Secretary on 16 February 2016.
Qualifications:	B.Bus, CPA, MBA
Experience:	Mr. Di Silvio is a CPA qualified accountant with over 27 years' experience in the resources sector. Mr Di Silvio held a variety of finance-based roles within the gold mining sector early in his career, before gaining oilfield experience with Woodside Energy Limited through the financial management of joint ventures and the financial management of Woodside's Mauritanian oilfield assets. Mr Di Silvio has held executive positions including Central Petroleum Limited, Centamin Plc, Ausgold Limited and Mawson West Limited.

DIRECTOR'S MEETINGS

The following table sets out the number of Directors' meetings held during the financial year and the number of meetings attended by each Director.

Director	Held	Attended
Mr W Burbury	6	5
Mr B McFadzean	6	6
Mr B McQuitty	6	6
Mr D Archer	6	6

PRINCIPAL ACTIVITIES AND SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The principal activities of the Group during the course of the financial year were mineral sands development and exploration for mineral sands and base metals within the state of Western Australia. There have been no significant changes in the state of affairs of the Group to the date of this report.

DIVIDENDS

No dividends have been paid or declared during the financial year ended 30 June 2018 and the Directors do not recommend the payment of a dividend in respect of the financial year.

REVIEW OF OPERATIONS

Refer to pages 5-8 for the Review of Operations and pages 9-12 for Ore Reserves and Mineral Resources.

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.

CORPORATE GOVERNANCE STATEMENT

The Board of Sheffield Resources has adopted the spirit and intent of the 3rd Edition of the Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council.

The Company's Corporate Governance Statement may be accessed from the Governance section of the Company's website, www.sheffieldresources.com.au. This document is regularly reviewed to address any changes in governance practices and the law.

ENVIRONMENTAL REGULATION

The Group's exploration activities are governed by environmental regulation. To the best of the Directors' knowledge, the Group believes it has adequate systems in place to ensure compliance with the requirements of applicable environmental legislation and is not aware of any material breach of those requirements during the financial year and up to the date of the Directors' Report.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has agreed to indemnify all the Directors and key management personnel of the Company for any liabilities to another person (other than the Company or related body corporate) that may arise from their designated position 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.

INDEMNITY AND INSURANCE OF AUDITOR

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor. During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

NON-AUDIT SERVICES

During the year, the Company used its auditors, HLB Mann Judd, to complete tax compliance work in relation to the Carawine demerger. The value of this work was $15,000 (2017: nil).

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.

ROUNDING

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

SECURITIES GRANTED OVER UNISSUED SHARES

At the date of this report, 13,382,599 fully paid ordinary shares which are subject to options, were unissued. The terms of these options are as follows:

	Series	Number
Exercisable at $0.66 each on or before 26 September 2018	2	500,000
Exercisable at $0.87 each on or before 19 March 2019	3	1,400,000
Exercisable at $1.16 each on or before 19 March 2021	4	1,600,000
Exercisable at $0.001 each on or before 8 February 2020	5	3,000,000
Exercisable at $0.676 each on or before 31 August 2019	7	4,000,000
Exercisable at $0.001 each on or before 24 November 2020	6,8,9	1,575,000
Exercisable at $0.001 each on or before 24 November 2020	10	700,000
Exercisable at $0.84 each on or before 24 November 2020	11	235,000
Exercisable at $0.001 each on or before 30 November 2021	12	372,599
		13,382,599

As at the date of this report, 2,012,500 fully paid ordinary shares which are the subject of performance rights, were unissued. The terms of these performance rights are as follows:

	Number
Exercisable at $0.00 each on or before 30 November 2021	1,700,000
Exercisable at $0.00 each on or before 1 March 2022	312,500
	2,012,500

REMUNERATION REPORT (AUDITED)

This report sets out the remuneration arrangements in place for Directors and senior management of the Company and the Group in accordance with the requirements of the Corporations Act 2001 and its regulations. For the purposes of this report Key Management Personnel ('KMP') of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any Director (whether Executive or otherwise) of the Company.

KEY MANAGEMENT PERSONNEL

The names and positions of the KMP of the Company and the Group during the financial year were:

- Mr Will Burbury (Non-Executive Chairman)
- Mr Bruce McFadzean (Managing Director)
- Mr Bruce McQuitty (Non-Executive Director)
- Mr David Archer (Technical Director)
- Mr Mark Di Silvio (Company Secretary & Chief Financial Officer)
- Mr Stuart Pether (Chief Operating Officer)
- Mr Jim Netterfield (BFS Study Manager)
- Mr Neil Patten-Williams (Marketing Manager)

REMUNERATION POLICY AND LINK TO PERFORMANCE

The Board is responsible for the nomination and appointment of Directors and the remuneration of its Directors, Managing Director and Senior Executives. To assist the Board in meeting its obligations and to address all matters pertaining to Board nomination and Board and Executive remuneration, the Board has adopted a Nomination and Remuneration Committee Charter.

Remuneration levels for key management personnel are competitively set to attract the most qualified and experienced candidates. Details of the Company's remuneration strategy for the 2018 financial year are set out in this Remuneration Report.

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 KMP remuneration.

Non-Executive Director Remuneration

In accordance with best practice corporate governance, the structure of Non-Executive Director and Executive remuneration is separate and distinct. Shareholders approve the aggregate or total fees payable to Non-Executive Directors, with the current approved limit being $250,000 (excluding share-based payments). The fees paid to Non-Executive Directors are set at levels that reflect both the responsibilities of, and the time commitments required from, each Non-Executive Director to discharge their duties and are not linked to the performance of the Company.

Shareholders approve the issue of options to Non-Executive Directors.

Remuneration of Key Management Personnel

The structure of remuneration packages for KMP comprises:

- a fixed base salary payable in cash;
- long-term incentives through eligibility to participate in shareholder approved equity plans; and
- other benefits such as superannuation and car parking.

Remuneration outcomes are linked to a series of performance conditions.

There are no remuneration outcomes for KMP directly linked to share price performance, performance options and performance rights are linked to meeting individual and corporate performance objectives rather than share price performance.

Fixed Remuneration

KMP receive fixed remuneration as cash with non-monetary benefits such as parking and superannuation.

Fixed remuneration is reviewed annually, on promotion or on significant change to role responsibilities. It is benchmarked against market data for comparable roles in the resources industry, market capitalisation and business model. Remuneration policy aims to position executives competitively in the market, with flexibility to take into account capability, experience, value to the organisation and performance of the individual. The Company policy is set at the market median. Fixed remuneration is reviewed annually. No increases to fixed remuneration were made in either the current or prior year.

Equity Plans

At the Board's discretion, KMP are able to participate in equity plans through the issue of either unlisted options or performance rights.

Performance objectives are carefully nominated and weighted according to the management role and its connection with the relevant performance milestone. This structure is intended to provide competitive rewards (subject to performance) to attract and retain high calibre executives.

In awarding performance-based share options or performance rights to KMP's, performance criteria includes, but is not limited to, the following factors:

- Time and cost bound delivery of the Thunderbird Bankable Feasibility Study (concluded in the prior year);
- Financing of the Thunderbird Mineral Sands Project;
- Securing offtake agreements in relation to the Thunderbird Mineral Sands Project;
- Delivery of commercial products from the Thunderbird Mineral Sands Project;
- Successful construction of the Thunderbird Project on time and within budget; and
- Achievement of commercial production on time and within budget.

Other Performance Based Remuneration

The award of discretionary performance bonuses is aligned with the ongoing performance assessment of the incumbent management team, following review and assessment by the Board of Directors. Criteria used to determine potential merit-based performance bonus for the Managing Director and other KMP's is the setting of key objectives for each KMP and measuring performance against these objectives. Key objectives will normally include specific criteria where performance will be measured against progress indicators. These key objectives will largely be determinable by the objective assessment of performance by the Managing Director. No performance bonuses were issued in either the current or prior year.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

The table below shows the fixed and variable remuneration for key management personnel.

2018	Short-term benefits		Post-employment benefit	Share-based payments		Relative proportion of remuneration liked to performance [3]	
	Salary & fees	Other fees [2]	Super-annuation	Options & rights [1]	Total	Fixed	Performance based
	$	$	$	$	$	%	%
Directors							
W Burbury	75,000	4,583	7,125	-	86,708	100%	-
B McFadzean	175,000	10,549	16,625	350,910	553,084	70%	30%
B McQuitty	50,000	4,583	24,994	-	79,577	100%	-
D Archer	175,000	4,583	16,625	115,459	311,667	87%	13%
Executives							
M Di Silvio	175,000	4,583	16,625	106,484	302,692	89%	11%
J Netterfield	200,000	4,583	19,000	79,469	303,052	90%	10%
N Patten-Williams	200,000	4,583	19,000	73,813	297,396	92%	8%
S Pether	225,000	4,583	21,375	531,854	782,812	47%	53%
Total	**1,275,000**	**42,630**	**141,369**	**1,257,989**	**2,716,988**	-	-

2017	Short-term benefits		Post-employment benefit	Share-based payments		Relative proportion of remuneration liked to performance [3]	
	Salary & fees	Other fees [2]	Super-annuation	Options & rights [1]	Total	Fixed	Performance based
	$	$	$	$	$	%	%
Directors							
W Burbury	75,000	3,754	7,125	-	85,879	100%	-
B McFadzean	175,000	4,566	16,625	887,869	1,084,060	19%	81%
B McQuitty	50,000	5,000	30,251	-	85,251	100%	-
D Archer	175,000	5,596	16,625	496,531	693,752	29%	71%
M Di Silvio	175,000	4,946	16,625	401,591	598,162	33%	67%
J Netterfield	200,000	2,763	35,000	194,499	432,262	56%	44%
N Patten-Williams	194,444	-	18,472	558,202	771,118	28%	72%
S Pether	56,250	513	5,344	109,586	171,693	37%	63%
Total	**1,100,694**	**27,138**	**146,067**	**2,648,278**	**3,922,177**	-	-

Note 1: The fair value of the options is calculated at the date of grant using a Black-Scholes valuation model and allocated to each reporting period starting from grant date to vesting date.

Note 2: Other fees include, where applicable, the cost to the Company of providing fringe benefits and the fringe benefits tax on those benefits and the attributable non-cash benefit applied by virtue of the Company's Directors and Officers Liability policy.

Note 3: KMP's holding executive positions sacrifice a portion of salary (20% - 50%) in lieu of a share-based payment, incentivising performance.

KEY MANAGEMENT PERSONNEL SHAREHOLDINGS

The relevant interest of each of the key management personnel in the share capital (held directly or indirectly) of the Company as at 30 June 2018 were:

Director	Balance at 1 July 2017	Granted as remuneration	Received on exercise of options	Other changes	Balance at 30 June 2018
W Burbury	8,170,000	-	-	12,407	8,182,407
B McFadzean	676,684	-	748,149	88,127	1,512,960
B McQuitty	8,034,100	-	-	12,407	8,046,507
D Archer	7,939,180	-	259,564	70,407	8,269,151
M Di Silvio	198,327	-	239,564	-	437,891
J Netterfield	146,052	-	223,042	12,407	381,501
S Pether	75,000	-	121,119	50,000	246,119
N Patten-Williams	76,985	-	325,542	-	402,527

Director	Balance at 1 July 2016	Granted as remuneration	Received on exercise of options	Other changes	Balance at 30 June 2017
W Burbury	8,170,000	-	-	-	8,170,000
B McFadzean	116,000	-	511,184	49,500	676,684
B McQuitty	7,964,091	-	-	70,009	8,034,100
D Archer	7,785,000	-	122,180	32,000	7,939,180
M Di Silvio	50,000	-	148,327	-	198,327
J Netterfield	-	-	146,052	-	146,052
S Pether	25,000	-	-	50,000	75,000
N Patten-Williams	-	-	76,985	-	76,985

SHARE-BASED PAYMENTS

Directors', key employees and consultants may be eligible to participate in equity-based compensation schemes.

The primary purpose of the schemes is to increase motivation, promote retention and align the interests of Directors, employees and consultants with those of the Company and its shareholders and to reward contribution to the growth of the Company.

Employee Share Option Plan & Other Options Issued

Under the terms and conditions of the options issued to employees, each option gives the holder the right to subscribe to one fully paid ordinary share. Any option not exercised before the expiry date will lapse on the expiry date.

Options have been valued using the Black-Scholes option valuation method. The following table lists the inputs to the model for options outstanding relating to KMP during the period:

	Series 5	Series 6	Series 8	Series 9	Series 12
Dividend yield (%)	-	-	-	-	-
Expected volatility (%)	40	40	75	87	63
Risk free interest rate (%)	2.00	2.00	2.10	2.00	2.10
Expected life of options (years)	4.27	4.23	4.00	4.02	4.02
Exercise price ($)	0.001	0.001	0.001	0.001	0.001
Grant date share price ($)	0.56	0.51	0.53	0.53	0.74
Fair value at grant date ($)	0.559	0.509	0.529	0.529	0.739
Grant date	2 Nov 15	16 Nov 15	17 Nov 16	17 Nov 16	22 Nov 17
Expiry date	2 Feb 20	2 Feb 20	24 Nov 20	24 Nov 20	30 Nov 21
Number	3,000,000	700,000	877,672	2,100,000	810,422

There are no participating rights or entitlements inherent in the options and the holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the options. All shares allotted upon the exercise of options will rank pari passu in all respect with other shares.

Performance options on issue during the year have certain non-market-based performance conditions. As at 30 June 2018, these performance options have not yet vested.

The non-market-based performance conditions include:

- 1,650,000 performance options on the completion of financing for the construction of the Thunderbird project;
- 2,650,000 performance options on the delivery of the first shipment to market of mineral sands product from the Thunderbird project;
- 275,000 performance options on completion of off-take agreements for more than 50% of a minimum of the first 2 years forecast annual volumes of ilmenite product from the Thunderbird project; and
- 275,000 performance options on completion of off-take agreements for more than 50% of a minimum of the first 2 years forecast annual volumes of ilmenite product from the Thunderbird project.

During the year ending 30 June 2018, the Group revised the target vesting date relating to options with performance measures. The following table describes the change in vesting date:

Measure	Original vesting date	Revised vesting date	Series	Condition vesting date related to
1	Vested	-	5,6,9	Completion of feasibility study
2	30 Jun 17	31 Dec 18	5,6,9,10	Financing complete
3	30 Jun 17	30 Jun 18	9	Offtake agreements ilmenite
4	30 Jun 17	30 Jun 18	9	Offtake agreements zircon
5	31 Mar 19	31 Mar 20	5,6,9,10	First product shipped

Company Performance Rights Plan

The Company Performance Rights Plan was approved by shareholder at its Annual General Meeting held on 22 November 2017. Under the terms and conditions of the Plan, each performance right gives the holder the right to one fully paid ordinary share for nil consideration provided the relevant incentive plan criteria has been met. Any performance right not exercised before the nominated expiry date will lapse on the expiry date. Performance rights have been valued using the prevailing market price at the date of issue less the present value of any expected dividends that will not be received on the performance rights over the vesting period.

There are no participating rights or entitlements inherent in the options and the holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the performance rights. All shares allotted upon the exercise of the performance rights will rank pari passu in all respect with other shares.

Performance rights issued during the year have certain non-market-based performance conditions. As at 30 June 2018, these performance rights have not yet vested.

The non-market-based performance conditions include:

- 850,000 performance rights on the completion of project construction of the Thunderbird project; and
- 850,000 performance rights on the successful transition from construction to operations of the Thunderbird project.

The below table shows a reconciliation of options held by each KMP during the year:

2018	Grant Date	Opening balance vested and exercisable	Opening balance unvested	Granted as compensation	Vested	Vested %	Exercised	Forfeited	Closing balance vested and exercisable	Closing balance unvested
B McFadzean										
Performance [1]	n/a	-	3,000,000	-	500,000	17%	475,000	25,000	-	2,500,000
Remuneration [4]	22/11/17	-	142,741	260,817	573,149	68%	273,149	-	-	130,409
D Archer										
Performance [3]	n/a	-	700,000	-	150,000	21%	142,500	7,500	-	550,000
Remuneration [4]	22/11/17	-	61,175	111,779	117,064	68%	117,064	-	-	55,890
M Di Silvio										
Performance [3]	n/a	-	700,000	-	125,000	18%	122,500	2,500	-	575,000
Remuneration [4]	22/11/17	-	61,175	111,779	117,064	68%	117,064	-	-	55,890
J Netterfield										
Performance [2]	n/a	-	700,000	-	200,000	29%	145,000	55,000	-	500,000
Remuneration [4]	22/11/17	-	40,783	74,519	78,042	68%	78,042	-	-	37,260
S Pether										
Performance	n/a	-	-	-	-	-	-	-	-	-
Remuneration [4]	22/11/17	-	-	177,009	121,119	68%	121,119	-	-	55,890
N Patten-Williams										
Performance [3]	n/a	-	700,000	-	250,000	36%	247,500	2,500	-	450,000
Remuneration [4]	22/11/17	-	40,783	74,519	78,042	68%	78,042	-	-	37,260

[1] Inputs to the valuation of the performance options vested during the year under the Black Scholes option valuation method are included under Series 5 in the Share-Based Payments section of the Remuneration report.

[2] Inputs to the valuation of the performance options vested during the year under the Black Scholes option valuation method are included under Series 6 in the Share-Based Payments section of the Remuneration report.

[3] Inputs to the valuation of the performance options vested during the year under the Black Scholes option valuation method are included under Series 9 in the Share-Based Payments section of the Remuneration report.

[4] Inputs to the valuation of the remuneration options granted during the year under the Black Scholes option valuation method are included under Series 12 in the Share-Based Payments section of the Remuneration report.

There are no amounts unpaid in relation to options exercised during the year. An option converts to one fully paid ordinary share.

2017	Grant Date	Opening balance vested and exercisable	Opening balance unvested	Granted as compensation	Vested	Vested %	Exercised	Forfeited	Closing balance vested and exercisable	Closing balance unvested
B McFadzean										
Performance [1]	02/11/15	-	3,000,000	-	-	-	-	-	-	3,000,000
Remuneration [4]	24/11/16	-	368,444	285,481	511,185	78%	142,741	-	-	142,741
D Archer										
Performance [3]	01/05/16	-	-	700,000	-	-	-	-	-	700,000
Remuneration [4]	16/11/16	-	-	183,355	122,181	67%	122,181	-	-	61,175
M Di Silvio										
Performance [3]	15/02/16	-	-	700,000	-	-	-	-	-	700,000
Remuneration [4]	17/11/16	-	-	209,502	148,328	71%	148,328	-	-	61,175
J Netterfield										
Performance [2]	16/11/15	-	700,000	-	-	-	-	-	-	700,000
Remuneration [4]	17/11/16	-	105,269	81,566	146,052	78%	146,052	-	-	40,783
N Patten-Williams										
Performance [3]	23/05/16	-	-	700,000	-	-	-	-	-	700,000
Remuneration [4]	24/11/16	-	-	117,768	76,985	65%	76,985	-	-	40,783

[1] Inputs to the valuation of the performance options opening balance during the year under the Black Scholes option valuation method are included under Series 5 in the Share-Based Payments section of the Remuneration report.

[2] Inputs to the valuation of the performance options opening balance during the year under the Black Scholes option valuation method are included under Series 6 in the Share-Based Payments section of the Remuneration report.

[3] Inputs to the valuation of the performance options granted during the year under the Black Scholes option valuation method are included under Series 9 in the Share-Based Payments section of the Remuneration report.

[4] Inputs to the valuation of the remuneration options granted during the year under the Black Scholes option valuation method are included under Series 8 in the Share-Based Payments section of the Remuneration report.

There are no amounts unpaid in relation to options exercised during the year. An option converts to one fully paid ordinary share.

The below table shows a reconciliation of performance rights held by each KMP during the year:

2018	Grant Date	Opening balance unvested	Granted	Issue price $	Vested	Vested %	Exercised	Forfeited	Closing balance unvested	Fair value $
S Pether										
2018	22/11/17	-	1,700,000	$0.74	-	-	-	-	1,700,000	$1,258,000

EXECUTIVE EMPLOYMENT AGREEMENTS

Remuneration and other terms of employment for the following key management personnel are formalised in employment agreements. All contracts with executives may be terminated early by either party with notice, per individual agreement, and subject to the termination payments as detailed below:

Name	Position	Commencement Start Date	Base Salary (including superannuation)	Termination Benefit
B McFadzean	Managing Director	2 November 15	$191,625	3 months' notice
D Archer	Technical Director	1 April 10	$191,625	4 months' notice
M Di Silvio	CFO & Company Secretary	15 February 16	$191,625	4 months' notice
J Netterfield	Project Manager	16 November 15	$219,000	4 months' notice
N Patten-Williams	Marketing Manager	23 May 16	$219,000	4 months' notice
S Pether	Chief Operating Officer	1 April 17	$246,375	4 months' notice

OTHER TRANSACTIONS WITH KMP AND THEIR RELATED PARTIES

There were no other transactions with KMP or their related parties.

USE OF REMUNERATION CONSULTANTS

During the financial year ended 30 June 2018, the Company engaged Chris Ryan to review and benchmark executive remuneration and the Company's incentive plans. The total fees paid to Chris Ryan for services during the year were $11,200.

The advice considered the following key aspects of executive remuneration and referenced practices amongst a comparator group selected by Chris Ryan:

- Ratio of fixed and at-risk remuneration; and
- Market practice in relation to levels of incentive programs.

Remuneration consultants are engaged by and report directly to the Board of Directors and are required to confirm in writing their independence from the Company's senior management and other executives. As a consequence, the Board of Directors is satisfied that the recommendations were made free from undue influence from any members of the Key Management Personnel.

END OF AUDITED REMUNERATION REPORT

EVENTS OCCURRING AFTER THE REPORTING PERIOD

There have been no additional matters or circumstances that have arisen after balance date that have significantly affected, or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

AUDITOR INDEPENDENCE

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 24 and forms part of this Directors' report for the year ended 30 June 2018.

Signed in accordance with a resolution of the Directors.

Mr Bruce McFadzean
Managing Director
Perth, 5 September 2018

HLB Mann Judd

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 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia	**D I Buckley**
5 September 2018	**Partner**

	Notes	2018 $'000	2017 $'000
Continuing operations			
Other income	5	71	12
Employee benefits expense	5	(3,560)	(4,968)
Corporate expenses	5	(2,504)	(2,422)
Other expenses	5	(208)	(3,311)
Gain on demerger	5	1,325	-
Results from operating activities		**(4,876)**	**(10,689)**
Net financing income	5	360	260
Net loss before income tax		**(4,516)**	**(10,429)**
Income tax benefit	6	2,789	1,215
Loss for the year		**(1,727)**	**(9,214)**
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year		**(1,727)**	**(9,214)**
Basic and diluted loss per share	7	(0.81)	(5.25)

The Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes

	Notes	2018 $'000	2017 $'000
Current assets			
Cash and cash equivalents	10	23,142	8,335
Trade and other receivables	11	610	289
Inventories		18	-
Total current assets		23,770	8,624
Non-current assets			
Plant and equipment	12	228	107
Leased asset	13	282	-
Exploration and evaluation expenditure	14	7,256	38,525
Mine development	15	46,268	-
Total non-current assets		54,034	38,632
Total assets		**77,804**	**47,256**
Current liabilities			
Trade and other payables	16	6,110	1,279
Interest bearing liabilities	17	153	-
Provisions	8	278	270
Total current liabilities		6,541	1,549
Non-current liabilities			
Interest bearing liabilities	17	148	-
Total non-current liabilities		148	-
Total liabilities		**6,689**	**1,549**
Net assets		**71,115**	**45,707**
Equity			
Issued capital	18	80,602	54,722
Reserves		7,325	6,070
Accumulated losses		(16,812)	(15,085)
Total equity		**71,115**	**45,707**

The Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes

	Issued Capital	Accumulated losses	Share-based payment reserve	Total
	$'000	$'000	$'000	$'000
Balance as at 1 July 2016	38,644	(5,871)	2,497	35,270
Loss for the year	-	(9,214)	-	(9,214)
Total comprehensive loss for the year	-	(9,214)	-	(9,214)
Shares issued during the year	17,130	-	-	17,130
Share issue costs	(1,052)	-	-	(1,052)
Recognition of share-based payments	-	-	3,573	3,573
Balance as at 30 June 2017	**54,722**	**(15,085)**	**6,070**	**45,707**
Loss for the year	-	(1,727)	-	(1,727)
Total comprehensive loss for the year	-	(1,727)	-	(1,727)
Shares issued during the year	32,002	-	-	32,002
Return of capital for demerger	(4,000)	-	-	(4,000)
Share issue costs	(2,122)	-	-	(2,122)
Recognition of share-based payments	-	-	1,255	1,255
Balance as at 30 June 2018	**80,602**	**(16,812)**	**7,325**	**71,115**

The Consolidated Statement of Changes in Equity should be read in conjunction with accompanying notes

	Notes	2018 $'000	2017 $'000
Cash flows from operating activities			
Research and development tax refund		2,728	1,215
Payments to supplier and employees		(5,311)	(4,754)
Interest received		364	259
Return of bond payments		-	45
Net cash (used in) operating activities	10	(2,219)	(3,235)
Cash flows from investing activities			
Proceeds from sale of tenements		-	500
Payments for exploration and evaluation expenditure		(2,044)	(10,022)
Payments for plant and equipment		(184)	(55)
Proceeds from disposal of financial assets		30	62
Payments for development expenditure		(10,534)	-
Net cash (used in) investing activities		(12,732)	(9,515)
Cash flows from financing activities			
Proceeds from issue of shares		32,002	17,130
Payments for share issue costs		(2,122)	(1,052)
Payments for lease liability		(122)	-
Net cash provided by financing activities		29,758	16,078
Net increase in cash and cash equivalents		14,807	3,328
Cash and cash equivalents at the beginning of the year		8,335	5,007
Cash and cash equivalents at the end of the year	10	23,142	8,335

The Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes

BASIS OF PREPARATION

PERFORMANCE FOR THE YEAR

EMPLOYEE BENEFITS

ASSETS

EQUITY AND LIABILITIES

FINANCIAL INSTRUMENTS

GROUP COMPOSITION

OTHER INFORMATION

ACCOUNTING POLICIES

BASIS OF PREPARATION

This Section of the financial report sets out the Group's (being Sheffield Resources Limited and its controlled entities) accounting policies that relate to the Financial Statements as a whole. Where an accounting policy is specific to one Note, the policy is described in the Note to which it relates.

The Notes include information which is required to understand the Financial Statements and is material and relevant to the operations and the financial position and performance of the Group. Information is considered relevant and material if:

- the amount is significant due to its size or nature
- the amount is important in understanding the results of the Group
- it helps to explain the impact of significant changes in the Group's business
- it relates to an aspect of the Group's operations that is important to its future performance

NOTE 1: CORPORATE INFORMATION

The consolidated financial report of Sheffield Resources Limited for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of the Directors on 5 September 2018. The Board of Directors has the power to amend the Consolidated Financial Statements after issue.

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

The nature of the operations and principal activities of the Company are disclosed in the Directors' Report.

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

NOTE 2: REPORTING ENTITY

The Financial Statements are for the Group consisting of Sheffield Resources Limited and its subsidiaries. A list of the Group's subsidiaries is provided in Note 20.

NOTE 3: BASIS OF PREPARATION

These general purpose Financial Statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated Financial Statements of Sheffield Resources Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

These Financial Statements have been prepared under the historical cost convention except for certain financial assets and liabilities which are required to be measured at fair value.

a) Basis of consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

b) Foreign currency translation

Functional and Presentation Currency

Both the functional and presentation currency of Sheffield is Australian Dollars. Each entity in the Group determines its own functional currency and items included in the Financial Statements of each entity are measured using that currency.

Foreign Currency Translation

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange at balance date.

All translation differences relating to transactions and balances denominated in foreign currency are taken to the Consolidated Statement of Comprehensive Income.

NOTE 3: BASIS OF PREPARATION (Continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

c) Goods and services tax ('GST')

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.

d) Comparatives

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

e) Early adoption of Australian Accounting Standards

The Group has early adopted AASB 16 Leases with a date of initial application of 1 July 2016. As a result, the Group's policies were amended to comply with AASB 16 as issued in this Financial Report. AASB 16 replaces AASB 117 Leases and results in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The lease liability is measured at the present value of the lease payments that are not paid at the balance date and is unwound over time using the interest rate implicit in the lease repayments. The right-of-use asset comprises the initial lease liability amount, initial direct costs incurred when entering into the lease less any lease incentives received. The asset is depreciated over the term of the lease. The new standard replaces the Group's operating lease expense with an interest and depreciation expense. The weighted average incremental borrowing rate at the date of initial application was 7.62%. This has been applied to the liabilities recognised at transition date. The Group has elected to apply the "Modified Retrospective Approach" when transitioning to the new standard. Under this approach, the Group will not be required to restate the comparative information for its operating leases and the cumulative effect of the initial application is adjusted against opening retained earnings. The Group has elected to measure the carrying amounts of the right of use assets as though the standard had applied from the commencement date of the leases. Due to the commencement date of the lease being May 2017, the opening balance adjustment to retained earnings was nil. The Group leases office premises in Perth.

As outlined above, no restatement of the prior period has occurred. The overall earnings impact on adoption of AASB 16 at 30 June 2018 is increase in depreciation and amortisation of $0.141m and finance expense of $0.026m.

The Group has also early adopted AASB 15 Revenue from Contracts with Customers. The adoption has not had an impact on the results.

PERFORMANCE FOR THE YEAR

This section provides additional information about those individual line items in the Statement of Comprehensive Income that the Directors consider most relevant in the context on the operations of the entity.

NOTE 4: SEGMENT REPORTING

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

Description of Projects

i. Thunderbird Project

This project consists of mineral sand tenements located in the Canning Basin that form part of the potential Thunderbird mineral sand mining operation.

ii. Sheffield Project

This project consists of mineral sand exploration tenements located in Western Australia.

iii. Unallocated items

Part of the following items and associated assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- corporate expenses; and
- share-based payment expense

NOTE 4: SEGMENT REPORTING (Continued)

2018	Sheffield project $'000	Thunderbird project $'000	Other $'000	Total $'000
Other income	-	-	71	71
Employees benefit expense	-	-	(2,305)	(2,305)
Corporate expenses	-	-	(2,504)	(2,504)
Other income/(expenses)	-	-	30	30
Impairment of deferred exploration and evaluation	(238)	-	-	(238)
Share-based payments	-	-	(1,255)	(1,255)
Gain on demerger	-	-	1,325	1,325
Net financing income	-	-	360	360
Segment results	(238)	-	(4,278)	
Tax benefit				2,789
Net loss after tax				(1,727)
Segment assets	6,021	47,859	23,924	77,804
Segment liabilities	-	5,560	1,129	6,689
Capital expenditure	485	17,109	925	18,519

2017	Sheffield project $'000	Thunderbird project $'000	Carawine project $'000	Other $'000	Total $'000
Other income	-	-	-	12	12
Employees benefit expense	-	-	-	(1,395)	(1,395)
Corporate expenses	-	-	-	(2,422)	(2,422)
Other income/(expenses)	(1,519)	-	-	-	(1,519)
Impairment of deferred exploration and evaluation	(1,306)	(415)	(71)	-	(1,792)
Share-based payments	-	-	-	(3,573)	(3,573)
Net financing income	-	-	-	260	260
Segment results	(2.825)	(415)	(71)	(7,118)	
Tax benefit					1,215
Net loss after tax					(9,214)
Segment assets	5,779	30,393	2,353	8,731	47,256
Segment liabilities				1,549	1,549
Capital expenditure	818	8,683	521	-	10,022

NOTE 5: REVENUE AND EXPENSES

	2018 $'000	2017 $'000
Other income		
Other	71	12
	71	12

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.

	2018 $'000	2017 $'000
Employee benefits expense		
Wages and salary	1,835	912
Superannuation	275	235
Share-based payments – employee benefits	1,255	3,573
Other	195	248
	3,560	4,968

	2018 $'000	2017 $'000
Corporate expenses		
Investor and publics relations expense	-	57
Accounting fees	54	59
Legal fees	1	63
Conferences and seminars	44	105
Operating lease variable outgoings	160	242
Consultancy fees	1,194	820
Depreciation – non-mine site assets	204	49
Other	847	1,027
	2,504	2,422

	2018 $'000	2017 $'000
Other expenses		
Impairment of deferred exploration and evaluation expenditure	238	1,792
Loss on sale of interest in permits	-	1,519
Profit on disposal of asset	(30)	-
	208	3,311

NOTE 5: REVENUE AND EXPENSES (Continued)

	2018 $'000	2017 $'000
Gain on demerger of subsidiary		
Exploration and evaluation at disposal date	(2,675)	-
Share capital reduction	4,000	-
Gain on demerger of Carawine Resources Ltd	1,325	-

Derecognition of the carrying amount of deferred exploration expenditure on the in-specie distribution of Carawine shares (return of capital) to Sheffield shareholders. The resulting transaction had no net cash impact on the Group. The 20,000,000 shares held by Sheffield Resources Limited were distributed to Sheffield shareholders via the in-specie distribution of Carawine shares.

	2018 $'000	2017 $'000
Net financing income		
Interest income	386	260
Interest expense on lease liability	(26)	-
	360	260

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

NOTE 6: INCOME TAX

The prima facie income tax expense on pre-tax accounting loss from operations reconciles to the income tax expense in the financial statements as follow:

	2018 $'000	2017 $'000
Accounting loss before income tax	**(4,516)**	**(10,429)**
Income tax benefit calculated at 27.5%	(1,242)	(2,868)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	345	982
Accruals	(13)	28
Other non-deductible expenses	57	1,053
Share issue costs	(279)	(115)
Immediate deduction for exploration costs	(563)	(2,756)
Unrecognised tax losses	983	3,676
Capital gain on Carawine demerger	1,076	-
Accounting gain on Carawine demerger	(364)	-
Research and development tax offset	2,789	1,215
	2,789	**1,215**

The tax rate used in the above reconciliation is the corporate tax rate of 27.5% payable by Australian corporate entities on taxable profits under Australian tax law.

NOTE 6: INCOME TAX (Continued)

The Company has tax losses arising in Australia. The tax benefit of these losses of $13.587m (2017: $15.048m) 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.

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.

Unrecognised deferred tax assets and liabilities

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

	2018 $'000	2017 $'000
Deductible temporary differences	1,039	391
Tax losses [1]	13,588	13,830
Adjustment in tax losses disclosure	-	1,217
Exploration and evaluation	(1,995)	(10,594)
Development expenditure	(8,360)	-
	4,272	4,844

[1] The prior year tax losses were incorrect and as such an amount of $2,443,037 has been adjusted through current year tax losses.

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.

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.

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.

NOTE 6: INCOME TAX (Continued)

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.

NOTE 7: LOSS PER SHARE

	2018 $'000	2017 $'000
Loss used in calculating basic and diluted loss per share	(1,727)	(9,214)
Loss used in calculating basic and diluted loss per share from continuing operations	(1,727)	(9,214)
	Number	Number
Weighted average number of ordinary shares used in the calculation of basic and diluted loss per share	212,611,162	175,396,837

As the Group is in a loss position the conversion of options to shares is not considered dilutive because conversion would cause the loss per share to decrease.

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.

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.

EMPLOYEE BENEFITS

This section of the Notes includes information that must be disclosed to comply with accounting standards and other pronouncements relating to the remuneration of employees and consultants of the Group, but that is not immediately related to individual line items in the Financial Statements.

NOTE 8: EMPLOYEE BENEFITS

	2018 $'000	2017 $'000
Employee benefits	278	270

The provision for employee benefits represents annual leave and long service leave payable.

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.

NOTE 8: EMPLOYEE BENEFITS (Continued)

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 as current liabilities 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 liabilities 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 expect 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.

NOTE 9: SHARE-BASED PAYMENTS

The Company provides benefits to employees (including Directors) in the form of shar-based payments whereby employees render services in exchange for shares or rights over shares ('share-based payments').

The cost of these share-based payments with employees is measured be reference to the fair value at the date they are granted. The value is determined using an appropriate valuation model. In valuing share-based payments, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Sheffield ('market conditions') if applicable.

The cumulative expense is recognised for share-based payments at each reporting date until vesting date and reflects the extent to which the vesting period has expired and the number of awards, that will ultimately vest.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of a share-based payment are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification as measured at the date of modification.

Where a share-based payment is cancelled (other than cancellation when a vesting condition has not been satisfied), it is treated as if it had vested on the date of cancellation and any expense not yet recognised for the award is recognised immediately. However, if a new award is submitted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of the outstanding options is reflected as additional share dilution in the computation of earnings per share.

Employee Share Option Plan

Employees of the Group (including Directors) may be issued with options over ordinary shares of Sheffield. Options are issued for nil consideration and are subject to performance criteria established by the Directors of Sheffield.

Employees do not possess any rights to participate in the Employee Share Option Plan as participation is determined by the Directors of Sheffield. Options may be exercised at any time from the date of vesting to the date of expiry. The exercise price for employee options granted under the Employee Share Option Plan will be fixed by the Directors prior to the grant of the option. Each employee share option converts to one fully paid ordinary share of Sheffield. The options do not provide any dividend or voting rights. The options are not quoted on the ASX.

The objective of the grant of options to employees is to assist in the recruitment, retention, reward and motivation of the employees of the Group.

A total of 9,382,599 options over ordinary shares under the Employee Share Option Plan were in place during the year. As at 30 June 2018, 2,352,500 have vested and 7,030,099 remain unvested. During the year ended 30 June 2018, 1,916,980 (2017: 1,004,728) options over ordinary shares were exercised over the period at a weighted average share price on the date of exercise of 0.7438 (2017: 0.6069).

These options over ordinary share were in place during the year and as at 30 June 2018.

Certain performance options on issue during the year have non-market-based performance conditions. As at 30 June 2018, these performance options have not yet vested.

The non-market-based performance conditions include:

- 2,000,000 performance options on the completion of financing for the construction of the Thunderbird project;
- 3,000,000 performance options on the delivery of the first shipment to market of mineral sands product from the Thunderbird project;

NOTE 9: SHARE-BASED PAYMENTS (Continued)

- 275,000 performance options on completion of off-take agreements for more than 50% of a minimum of the first 2 years forecast annual volumes of ilmenite product from the Thunderbird project; and
- 275,000 performance options on completion of off-take agreements for more than 50% of a minimum of the first 2 years forecast annual volumes of ilmenite product from the Thunderbird project.

Options issued in consideration for services

On 31 August 2016, the Company granted 4,000,000 options to consultants in consideration for ongoing market advisory services (Series 7). The options have a 3-year term and an exercise price of $0.676. The options may be exercised at time on or before 31 August 2019.

The fair value of these options has been disclosed as consultant costs in a prior year.

These options were in place during the year and as at 30 June 2018.

Options on issue – amendment to estimated amortisation period

During the year ending 30 June 2018, the Group revised the estimated amortisation period relating to options with performance measures.

The following table describes the change in vesting date:

Measure	Original amortisation end date	Revised amortisation end date	Series	Applicable Vesting Condition
1	Vested	-	5,6,9	Completion of feasibility study
2	30 Jun 17	31 Dec 18	5,6,9,10	Financing complete
3	30 Jun 17	30 Jun 18	9	Offtake agreements ilmenite
4	30 Jun 17	30 Jun 18	9	Offtake agreements zircon
5	31 Mar 19	31 Mar 20	5,6,9,10	First product shipped

The change in accounting estimate has resulted in a reduction to the share-based payments expense of $0.0915m.

Movement in options

The table illustrates the number and weighted average exercise prices of and movements in unlisted options issued during the year:

	2018		2017	
	Options Number	Weighted average exercise price	Options Number	Weighted average exercise price
Outstanding at the beginning of the year	14,581,657	0.43	8,873,713	0.16
Granted during the year	810,422	0.001	7,912,672	0.37
Exercised during the year	(1,916,980)	0.001	(1,004,728)	0.001
Expired during the year	(92,500)	0.001	(1,200,000)	0.001
Outstanding at the end of the year	13,382,599	0.47	14,581,657	0.43
Exercisable at the end of the year	2,352,500	0.84	2,009,480	0.97

The weighted average contractual remaining life of the share options outstanding as at 30 June 2018 is 1.74 years (2017: 2.66 years).

The range of exercise prices for options outstanding as at 30 June 2018 is $0.001 - $1.16 (2017: $0.001 - $1.16).

The fair value of the options is measured at grant date using the Black-Scholes option valuation method taking into account the terms and conditions upon which the instrument was granted. The services received and liabilities to pay for those services are recognised over the vesting period.

NOTE 9: SHARE-BASED PAYMENTS (Continued)

The following tables lists the weighted average inputs to the model for options outstanding during the financial year.

	Series 2	Series 3	Series 4	Series 5, 6, 9, 10 & 12 (Weighted Average)	Series 7	Series 11
Dividend yield	0%	0%	0%	0%	0%	0%
Expected volatility	50%	75%	55%	59%	74%	71%
Risk-free interest rate	4.75%	2.82%	3.4%	2.02%	1.46%	2.1%
Expected life of options	5.00 years	5.00 Years	5.00 years	4.14 years	3.00 years	4.00 years
Exercise price	$0.66	$0.87	$1.16	$0.001	$0.676	$0.84
Grant date share price	$0.29	$0.48	$0.68	$0.57	$0.65	$0.60
Number	500,000	1,400,000	1,600,000	7,310,422	4,000,000	235,000
Fair value at grant date	$0.189	$0.213	$0.224	$0.57	$0.296	$0.274
Grant date	26 Sep 13	20 Mar 13	20 Mar 13	See table below	31 Aug 16	24 Nov 16
Expiry date	26 Sep 18	19 Mar 19	19 Mar 21	See table below	31 Aug 19	24 Nov 20

	Series 5	Series 6	Series 9	Series 10	Series 12
Grant date	2 Nov 15	16 Nov 15	17 Nov 16	24 Nov 16	22 Nov 17
Expiry date	2 Feb 20	2 Feb 20	24 Nov 20	24 Nov 20	30 Nov 21

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

Performance rights issued under the Employee Incentive Plan

The Employee Incentive Plan was established to enable employees of the Group to be issued with performance rights entitling each participant to a fully paid ordinary share. The performance rights, issued for nil consideration are issued in accordance with the terms and conditions approved at a General Meeting by shareholders and in accordance with performance criteria established by the Directors.

Employees do not possess any rights to participate in the Employee Incentive Plan as participation is solely determined by the Directors. Performance rights convert to one fully paid ordinary share in Sheffield at an exercise price of nil upon meeting certain non-market-based performance conditions. The performance rights do not provide any dividend or voting rights. The performance rights are not quote on the ASX. If an employee ceases to be employed by the Group within the period, the unvested performance rights will be forfeited.

The objective of the Employee Incentive Plan is to assist in the recruitment, reward, retention and motivation of the KMP of the Group.

During the year ended 30 June 2018, 2,012,500 performance rights were issued with certain non-market-based performance conditions. As at 30 June 2018, these performance rights have not yet vested.

The non-market based performance conditions include:

- 850,000 performance rights on the completion of project construction of the Thunderbird project;
- 850,000 performance rights on the successful transition from construction to operations of the Thunderbird project;
- 62,500 performance rights on the approval of the final investment decision in relation to the Thunderbird project;
- 125,000 performance rights on the Thunderbird project coming in on time and in budget; and
- 125,000 performance rights on the delivery of the first shipment to market of mineral sands product from the Thunderbird project.

NOTE 9: SHARE-BASED PAYMENTS (Continued)

Movement in performance rights

	2018		2017	
	Options Number	Weighted average exercise price	Options Number	Weighted average exercise price
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	2,012,500	0.74	-	-
Vested during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	2,012,500	0.74	-	-
Exercisable at the end of the year	-	-	-	-

The fair value of the performance rights is measured at grant date was estimated by taking the market price of the Company's shares on that date less the present value of expected dividends that will not be received on the performance rights during the vesting period.

The weighted average remaining contractual life of the performance rights as at 30 June 2018 is 4.02 years (2017: not applicable)

ASSETS

This section provides additional information about those individual line items in the Statement of Financial Position that the Directors consider most relevant in the context of the operations of the entity.

NOTE 10: CASH AND CASH EQUIVALENT

	2018	2017
	$'000	$'000
Cash at bank and on hand	139	1,332
Short-term deposits	23,003	7,003
	23,142	8,335

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.

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.

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.

Reconciliation of loss after tax for the year to net cash flows from operations is as follows:

NOTE 10: CASH AND CASH EQUIVALENT (Continued)

	2018 $'000	2017 $'000
Loss after tax for the year	(1,727)	(9,214)
Share-based payments	1,255	3,573
Depreciation	204	49
Impairment of exploration and evaluation expenditure	238	1,792
Loss on sale of interest in permits	-	1,519
Profit on sale of assets	(30)	(12)
Gain on demerger	(1,325)	-
Other	25	-
Movements in operating assets and liabilities		
(Increase)/decrease in receivables	(58)	55
(Decrease) in trade and other payables	(715)	(1,130)
(Decrease)/increase in provisions	(86)	133
Net cash used in operating activities	(2,219)	(3,235)

NOTE 11: TRADE AND OTHER RECEIVABLES

	2018 $'000	2017 $'000
Other receivables	516	197
Bank guarantees [1]	94	92
	610	289

[1] Bank guarantees include $0.0624m (2017: $0.0624m) held as security for the office lease and bears 2.2% per annum interest and $0.030m (2017: $0.030m) held as security for the credit card facility and bears 2.1% per annum interest.

No receivables are past due nor impaired.

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.

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 terms.

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.

NOTE 12: PLANT AND EQUIPMENT

	2018 $'000	2017 $'000
Plant and equipment		
Cost or fair value	606	628
Accumulated depreciation	(378)	(521)
	228	107
Balance as at 1 July	107	101
Additions	184	55
Depreciation	(63)	(49)
Balance as at 30 June	228	107

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	2-10 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.

NOTE 12: PLANT AND EQUIPMENT (Continued)

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.

NOTE 13: LEASED ASSETS

	2018 $'000	2017 $'000
Right of use assets		
Cost or fair value	423	-
Accumulated depreciation	(141)	-
	282	-
Balance as at 1 July	-	-
Additions	423	-
Depreciation	(141)	-
Balance as at 30 June	282	-

Right of use leased assets

Leased assets are capitalised at the commencement date of the lease and comprise of the initial lease liability amount, initial direct costs incurred when entering into the lease less any lease incentives received. On initial adoption of AASB 16 the Group has adjusted the right-of-use assets at the date of initial application by the amount of any provision for onerous leases recognised immediately before the date of initial application. Following initial application, an impairment review is undertaken for any right of use lease asset that shows indicators of impairment and an impairment loss is recognised against any right of use lease assets that is impaired.

NOTE 14: EXPLORATION AND EVALUATION EXPENDITURE

	2018 $'000	2017 $'000
Exploration and evaluation phase – at cost		
Balance as at 1 July	38,525	32,314
Expenditure incurred	2,044	10,022
Transfer to mine development [1]	(30,400)	-
Demerger of subsidiary [2]	(2,675)	-
Sale of interest in tenements	-	(2,019)
Impairment of exploration expenditure [3]	(238)	(1,792)
Balance as at 30 June	7,256	38,525

[1] During the year ended 30 June 2018, the decision to commence development at the Thunderbird Mineral Sands Project was made. Costs associated with the Thunderbird Project, previously capitalised to exploration and evaluation have been transferred to mine development.

[2] On 7 December 2017, the subsidiary Carawine Resources Limited was demerged from the Group via an in-specie distribution. Assets held by the subsidiary were transferred at cost to the demerged entity.

[3] The majority of the impairment loss relates to the relinquishment of the Mt Adams, Perth Basin area of interest. This tenement was relinquished as a result of the demerger of Carawine Resources Limited.

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.

NOTE 14: EXPLORATION AND EVALUATION EXPENDITURE (Continued)

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:

a) the rights to tenure of the area of interest are current; and
b) at least one of the following conditions is also met:

- the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation 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.

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.

NOTE 15: MINE DEVELOPMENT

	2018 $'000	2017 $'000
Exploration and evaluation phase – at cost		
Balance as at 1 July	-	-
Expenditure incurred	15,868	-
Transfer from exploration and evaluation	30,400	-
Balance as at 30 June	46,268	-

Mine development costs are derived from expenditure associated with developing and progressing the Thunderbird project.

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.

EQUITY AND LIABILITIES

This section provides additional information about those individual line items in the Statement of Financial Position that the Directors consider most relevant in the context of the operations of the entity.

NOTE 16: TRADE AND OTHER PAYABLES

	2018 $'000	2017 $'000
Trade payables	4,166	1,115
Other payables	1,944	164
	6,110	1,279

Trade payables are non-interest bearing and are normally settled on 30-day terms.

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.

NOTE 17: INTEREST BEARING LIABILITIES

	2018 $'000	2017 $'000
Current		
Lease liability	153	-
Non-current		
Lease liability	148	-

The Group has entered into a commercial lease to rent office space. The lease has a fixed term of 1 year with an option to renew for the next 2 years.

Leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in short-term and long-term payables. Lease payments are apportioned between the finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against Statement of Comprehensive Income.

Leased assets are depreciated on a straight-line basis over the estimated useful life of the asset.

Reconciliation of movements in interest bearing liabilities to cash flows arising from financing activities:

	2018 $'000
Balance as at 1 July	-
Lease inception	423
Payments for lease liability	(122)
Balance as at 30 June	301

NOTE 18: CAPITAL AND CAPITAL MANAGEMENT

	2018 $'000	2017 $'000
228,990,124 (2017: 181,358,784) fully paid ordinary shares	80,602	54,722

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.

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.

NOTE 18: CAPITAL AND CAPITAL MANAGEMENT (Continued)

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.

	2018		2017	
	Number	$'000	Number	$'000
Balance as at 1 July	181,358,784	54,722	147,414,062	38,644
Issue of fully paid ordinary shares 1	45,714,360	32,000	32,939,994	17,129
Issued on exercise of share options 2	1,916,980	2	1,004,728	1
Return on capital for demerger	-	(4,000)	-	-
Share issue costs	-	(2,122)	-	(1,052)
Balance as at 30 June	228,990,124	80,602	181,358,784	54,722

[1] On 30 October 2017, the Company issued 42,857,143 fully paid ordinary shares for $0.70 to sophisticated and professional investors.

On 23 November 2017, the Company issued 2,857,217 fully paid ordinary shares for $0.70 under a share purchase plan.

[2] On 6 October 2017, the Company issued 857,500 fully paid ordinary shares for $0.001 on the exercise of share options.

On 7 November 2017, the Company issued 346,657 fully paid ordinary shares for $0.001 on the exercise of share options.

On 1 March 2018, the Company issued 275,000 fully paid ordinary shares for $0.001 on the exercise of share options

On 10 May 2018, the Company issued 437,823 fully paid ordinary shares for $0.001 on the exercise share options.

Capital 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 2017.

The capital structure of the Group consists of cash and cash equivalents, debt 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.

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.

FINANCIAL INSTRUMENTS

This section of the Notes discusses the Group's exposure to various risks and shows how these could affect the Group's financial position and performance.

NOTE 19: FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT

The Group's principal financial instruments comprise cash, receivables and payables.

The Group monitors and manages its exposure to key financial risks in accordance with the Group's financial management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

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.

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.

NOTE 19: FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT (Continued)

2018	Floating interest rate	< 1 year	1 to 5 years	> 5 years	Non-interest bearing	Total	Weighted average interest rate	
	$'000	$'000	$'000	$'000	$'000	$'000	Fixed %	Floating %
Financial assets								
Cash and cash equivalents	12	23,003	-	-	127	23,142	1.80	1.70
Trade and other receivables	-	94	-	-	516	610	2.20	-
Total financial assets	12	23,097	-	-	643	23,752		
Financial liabilities								
Trade and other payables	-	-	-	-	6,110	6,110	-	-
Interest bearing liabilities	-	153	148	-	-	301	7.62	-
Total financial liabilities	-	153	148	-	6,110	6,411		

2017	Floating interest rate	< 1 year	1 to 5 years	> 5 years	Non-interest bearing	Total	Weighted average interest rate	
	$'000	$'000	$'000	$'000	$'000	$'000	Fixed %	Floating %
Financial assets								
Cash and cash equivalents	1,290	7,045	-	-	-	8,335	2.11	1.49
Trade and other receivables	-	92	-	-	197	289	2.11	-
Total financial assets	1,290	7,137	-	-	197	8,624		
Financial liabilities								
Trade and other payables	-	-	-	-	1,279	1,279	-	-
Total financial liabilities					1,279	1,279		

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 immaterial.

NOTE 19: FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT (Continued)

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 Board of Directors periodically.

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.

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 contractual outflows and maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements within 1 year is $6.263m (2017: $1.279m within 6 months) and within 1 to 5 years $0.148m (2017: nil).

Fair values

The fair values of financial assets and liabilities approximate the carrying amounts shown in the Balance Sheet.

GROUP COMPOSITION

This section of the Notes includes information that must be disclosed to comply with accounting standards and other pronouncements relating to the structure of the Group, but that is not immediately related to individual line items in the Financial Statements.

NOTE 20: LIST OF SUBSIDIARIES

Subsidiary Entities

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 %	
		2018	2017	2018	2017
Moora Talc Pty Ltd	Australia	100	100	100	100
Ironbridge Resources Pty Ltd	Australia	100	100	100	100
Thunderbird Operations Pty Ltd	Australia	100	100	100	100
Carawine Resources Pty Ltd [1]	Australia	-	100	-	100

[1] On 7 December 2017, the subsidiary Carawine Resources Limited was demerged from the Group via an in-specie distribution. Assets held by the subsidiary were transferred at cost to the demerged entity.

NOTE 21: PARENT ENTITY INFORMATION

	2018 $'000	2017 $'000
Assets		
Current assets	23,430	8,624
Non-current assets	46,496	38,632
Total assets	69,926	47,256
Liabilities		
Current liabilities	982	1,550
Non-current liabilities	148	-
Total liabilities	1,130	1,550
Equity		
Issued capital	80,602	54,722
Reserves	7,325	6,070
Accumulated losses	(19,131)	(15,086)
Total equity	68,796	45,706
Financial performance		
Loss for the year	(4,045)	(9,214)
Other comprehensive income	-	-
Total comprehensive income	**(4,045)**	**(9,214)**

The Company had no contingent liabilities or contractual commitments as at 30 June 2018 (2017: nil). The Company has bank guarantees as noted in Note 11.

OTHER INFORMATION

This section of the Notes includes other information that must be disclosed to comply with accounting standards and other pronouncements, but that is not immediately related to individual line items in the Financial Statements.

NOTE 22: CONTINGENT LIABILITIES

The Group has no contingent liabilities as at 30 June 2018 (2017: nil).

NOTE 23: REMUNERATION OF AUDITORS

The auditor of Sheffield Resources Limited is HLB Mann Judd.

	2018 $	2017 $
Amounts received or due and receivable by HLB Mann Judd for the audit or review of the financial report of the entity	52,500	40,700

NOTE 24: COMMITMENTS

Exploration commitments

To maintain current rights of tenure to exploration tenements, the Group is required to meet the minimum expenditure requirements specified by various State and Territory Governments. These obligations are subject to renegotiation when application for a mining lease is made and at other times. These obligations are not provided for in this financial report.

The minimum amounts required to retain tenure in 2019 is $1.767m (2018: $2.641m). These obligations are expected to be fulfilled in the normal course of operations. Commitments beyond 2018 are dependent upon whether existing rights of tenure are renewed or new rights of tenure are acquired.

Capital commitments

The Group has $3.663m in capital commitments due within one year as at 30 June 2018 (2017: nil) in relation to early works being undertaken at the Thunderbird mineral sands project.

NOTE 25: RELATED PARTIES TRANSACTIONS

Loans to subsidiaries

Loans made by Sheffield Resources Limited to wholly-owned subsidiaries are contributed to meet required expenditure payable on demand and are not interest bearing.

Transactions with other Related Parties

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

NOTE 26: KEY MANAGEMENT PERSONNEL DISCLOSURES

The following persons acted as Directors of the Company during the financial year:

- Mr Will Burbury (Non-Executive Chairman)
- Mr Bruce McFadzean (Managing Director)
- Mr David Archer (Technical Director)
- Mr Bruce McQuitty (Non-Executive Director)

The following persons are the key management personnel of the Company during the financial year:

- Mr Jim Netterfield (BFS Study Manager)
- Mr Mark Di Silvio (Company Secretary & Chief Financial Officer)
- Mr Neil Patten-Williams (Marketing Manager)
- Mr Stuart Pether (Chief Operating Officer)

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

	2018 $	2017 $
Short-term employee benefits	1,317,630	1,127,832
Post-employment benefits	141,369	146,067
Share-based payments	1,257,989	2,648,278
	2,716,988	3,922,177

NOTE 27: EVENTS OCCURRING AFTER THE REPORTING PERIOD

There have been no additional matters or circumstances that have arisen after balance date that have significantly affected, or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

ACCOUNTING POLICIES

This section of the Notes includes information that must be disclosed to comply with accounting standards and other pronouncements, but that is not immediately related to individual line items in the Financial Statements.

NOTE 28: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events, which are believed to be reasonable under the circumstances. However, actual outcomes would differ from these estimates if different assumptions were used and different conditions existed.

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

Share-based 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 using a Black-Scholes model, using the assumptions detailed in Note 9.

As a performance incentive, senior employees were granted options and performance rights during the financial year ended 30 June 2018 which contain assumptions of a real risk of forfeiture where performance targets are not achieved. Management has ascribed various probabilities based upon stretch criteria and operational factors toward the achievement of nominated performance targets. Accordingly, the said probability was taken into account when calculating the share-based payment expense of the options and in the formulation of the resultant expense to profit or loss.

During the year ended 30 June 2018, as a result of the changes in the timeline for the development of the Thunderbird mineral sands project, the Group has revised vesting target dates relating to its share-based payments. This revision in timeline has resulted in a material change to share-based payments expense and corresponding reserve. The change in vesting conditions is described in Note 9.

Impairment of Exploration and Evaluation Expenditure

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

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

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

Impairment of Mine Development Expenditure

The future recoverability of capitalised mine development expenditure is dependent on a number of factors, including the level of proved and probable reserves and measured, indicated and inferred mineral resources, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental obligations) and changes to commodity prices.

To the extent that capitalised mine development expenditure is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made.

Determination of Mineral Resources and Ore Reserves

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

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

NOTE 29: CHANGES IN ACCOUNTING POLICIES

In the year ended 30 June 2018, 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.

Except as noted in Note 3, 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.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the year ended 30 June 2018 are outlined below.

NOTE 30: NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

AASB 9 Financial instruments (effective from 1 July 2018)

AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities and introduces new rules for hedge accounting. All financial assets that are within the scope of AASB 9 are required to be measured at either amortised cost or fair value, while financial liabilities measured at fair value through profit and loss will require consideration as to the portion change in fair value that is attributable to changes in the credit risk of that liability. Such changes in value with a connection to change in credit risk will be presented in other comprehensive income rather than profit or loss.

The requirements for hedge accounting under AASB 9 retain similar accounting treatments to those currently available under AASB 139. The new standard introduces greater flexibility to types of transactions eligible for hedge accounting while the previous requirement for hedge effectiveness testing has been replaced with the principle of an 'economic relationship' and the requirement for retrospective assessment of hedge effectiveness has been removed. The standard has however introduced enhanced disclosure requirements regarding risk management activities.

The Group has considered the impact on its consolidated Financial Statements and assessed that the effect of the new standard will be minimal.

AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment transactions (effective from 1 July 2018)

This standard amends AASB 2 Share-Based Payments clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for:

- The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- Share-based payment transactions with a net settlement feature for withholding tax obligations;
- A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The Group has considered the impact on its consolidated Financial Statements and assessed that the effect of the new standard will be minimal.

AASB Interpretation 23 Uncertainty over Income Tax Treatments (effective from 1 July 2019)

This Interpretation clarifies the application of the recognition and measurement criteria in AASB 112 Income Taxes when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit, tax bases, unused tax losses, unused tax credits and tax rates;
- How an entity considers changes in facts and circumstances.

The Group has considered the impact on its consolidated Financial Statements and assessed that the effect of the new standard will be minimal.

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 2018 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 2018.

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

....

Mr Bruce McFadzean

Managing Director

5 September 2018

HLB Mann Judd

Accountants | Business and Financial Advisers

Independent Auditor's Report
To the Members of Sheffield Resources Limited

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Sheffield Resources Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2018, 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, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report**.**

Key Audit Matter	How our audit addressed the key audit matter
Carrying amount of exploration and evaluation expenditure Note 14 of the financial report	
The carrying amount of exploration and evaluation expenditure as at 30 June 2018 was $7.256 million. In accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources*, the Group capitalises all exploration and evaluation expenditure, including acquisition costs and subsequently applies the cost model after recognition. Our audit focussed on the Group's assessment of the carrying amount of the capitalised exploration and evaluation asset, as this is one of the most significant assets of the Group. We planned our work to address the audit risk that the capitalised expenditure may no longer meet the recognition criteria of the standard. In addition, we considered it necessary to assess whether facts and circumstances existed to suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.	Our procedures included but were not limited to the following: • Obtained an understanding of the key processes associated with management's review of the carrying values of each area of interest; • Considered the Directors' assessment of potential indicators of impairment; • Obtained evidence that the Group has current rights to tenure of its areas of interest; • Examined the exploration budget for the year ending 30 June 2018 and discussed with management the nature of planned ongoing activities; • Enquired with management, reviewed ASX announcements and reviewed minutes of Directors' meetings to ensure that the Group had not resolved to discontinue exploration and evaluation at any of its areas of interest; • Substantiated a sample of expenditure by agreeing to supporting documentation; and • Examined the disclosures made in the financial report.
Carrying amount of mine development Note 14 and 15 of the financial statements	
During the year the Group transferred $30.4 million from exploration and evaluation expenditure to mine development following the decision to commence development at the Thunderbird Mineral Sands Project. Subsequent to transfer an additional $15.8 million mine development was incurred and capitalised. The carrying amount of mine development as at 30 June 2018 was $46.3 million. The impairment assessment conducted under AASB 136 *Impairment of Assets* as at the date of transfer involved a comparison of the recoverable amount of the Thunderbird Mineral Sands Project assets with their carrying amounts in the financial statements. The evaluation of the recoverable amount of these assets at transfer is considered a key audit matter as it was based upon a model which required significant judgement in verifying the key assumptions supporting the expected	Our audit procedures included but were not limited to: • Evaluated the amount which management proposed to transfer; • Obtained an understanding of the process associated with the preparation of the model to assess the recoverable amount of the Thunderbird Mineral Sands Project at transfer; • Critically evaluated management's methodology in the model and the basis for key assumptions; • Performed sensitivity analysis around the key inputs in the model that either individually or collectively would be required for assets to be impaired and considered the likelihood of such movement in those key assumptions; • Considered whether the assets comprising the cash-generating unit had been correctly allocated; • Compared forecast cash flows in the model to the latest approved forecasts;

discounted future cash flows of the Thunderbird Mineral Sands Project. In addition, our audit focussed on the Group's assessment of the carrying amount of the capitalised mine development, as this is one of the most significant assets of the Group.	• Considered the appropriateness of the discount rate used in the model; and • Substantiated a sample of expenditure subsequent to date of transfer by agreeing to supporting documentation; and • Examined the disclosures made in the financial report.
Demerger of Carawine Resources Limited Note 5, 14 and 18 of the financial statements	
During the year, the Group disposed of its subsidiary Carawine Resources Limited via an in-specie distribution to the shareholders of Sheffield Resources Limited. It is due to its size that this is considered a key audit matter.	Our audit procedures included but were not limited to: • Read and considered the terms of the demerger; • Consideration of the requirements of Interpretation 17 *Distribution of Non-cash Assets to Owners* regarding non-cash distributions; • Verified the quantum and separation of the asset from the continuing business; • Verified the quantum of the distribution with reference to the number and value of shares issued; and • Examined the disclosures made in the financial report.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

HLB Mann Judd

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Sheffield Resources Limited for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

D Buckley

Danny Buckley
Partner

Perth, Western Australia
5 September 2018

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 31 August 2018.

Ordinary Share Capital

- At the date of this report, 228,990,124 fully paid ordinary shares are held by 2,000 individual shareholders.

Spread of Holdings			Total Holders	Ordinary Shares
1	-	1,000	132	63,341
1,001	-	5,000	395	1,218,180
5,001	-	10,000	312	2,504,734
10,001	-	100,000	893	33,297,916
100,001	-	and over	268	191,905,953
Number of Holders/Shares			2,000	228,990,124

Unmarketable parcels at the date of this report amount to 3,470 shares held by 62 shareholders.

Substantial Shareholders

Ordinary Shareholders	Fully Paid Ordinary Shares	
	Number	Percentage
BlackRock Group[1]	13,937,311	6.09
Mr Walter Mick George Yovich & Mrs Jeanette Julia Yovich <Dubrava Family A/C>	12,418,248	5.42

[1] As at 31 July 2018, BlackRock Group had control over a total of 13,937,311 shares representing 6.09% of the issued fully paid shares in the Company via the following entities:

Entity	Number
BlackRock Investment Management (UK) Limited	9,252,283
BlackRock Investment Management Limited	4,685,028

Voting rights

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

Statement of Quotation and Restrictions

- Listed on the ASX are 22,8990,124 fully paid shares. All fully paid shares are free of escrow conditions.
- All 13,382,599 options are not quoted on the ASX. All options are free of escrow conditions.

Unlisted Options

	Number
Exercisable at $0.66 each on or before 26 September 2018	500,000
Exercisable at $0.87 each on or before 10 March 2019	1,400,000
Exercisable at $1.16 each on or before 19 March 2021	1,600,000
Exercisable at $0.001 each on or before 8 February 2020	3,000,000
Exercisable at $0.676 each on or before 31 August 2019	4,000,000
Exercisable at $0.001 each on or before 24 November 2020	1,575,000
Exercisable at $0.001 each on or before 24 November 2020	700,000
Exercisable at $0.84 each on or before 24 November 2020	235.000

Exercisable at $0.001 each on or before 30 November 2021	372,599
	13,382,599

Unlisted Performance Rights

	Number
Exercisable at $0.00 each on or before 30 November 2021	1,700,000
Exercisable at $0.00 each on or before 1 March 2022	312,500
	2,012,500

Twenty Largest Shareholders

Details of the 20 largest shareholders by registered shareholding as at the date of this report are:

Ordinary Shareholders	Fully Paid Ordinary Shares	
	Number	Percentage %
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	18,190,096	7.94
CITICORP NOMINEES PTY LIMITED	17,259,150	7.54
MR WALTER MICK GEORGE YOVICH & MRS JEANETTE JULIA YOVICH	12,418,248	5.42
MR WALTER MICK GEORGE YOVICH	11,216,887	4.90
MR BRUCE MORRISON MCQUITTY	8,046,507	3.51
MR WILLIAM BURBURY	7,548,500	3.30
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	7,351,736	3.21
SATORI INTERNATIONAL PTY LTD	4,472,813	1.95
MR REES HOLLIER JOHN JONES & MRS MOIRA MARGUERITE JONES & MR WALTER MICK GEORGE YOVICH	3,736,612	1.63
ARCHER ENTERPRISES (WA) PTY LTD	3,680,000	1.61
J P MORGAN NOMINEES AUSTRALIA LIMITED	3,591,274	1.57
CRESCENT NOMINEES LIMITED	3,237,085	1.41
UBS NOMINEES PTY LTD	2,662,500	1.16
BRISPOT NOMINEES PTY LTD	2,378,066	1.04
CS FOURTH NOMINEES PTY LIMITED	2,173,347	0.95
ARCHER ENTERPRISES (WA) PTY LTD	2,171,744	0.95
PENMAEN LIMITED	2,112,407	0.92
BNP PARIBAS NOMS PTY LTD	2,098,454	0.92
NATIONAL NOMINEES LIMITED	1,667,639	0.73
MR DAVID LINDSAY ARCHER & MRS SIMONE ELIZABETH ARCHER	1,640,000	0.72
TOTAL	**117,653,065**	**51.38**

SHEFFIELD RESOURCES LIMITED
ACN 125 811 083
Interests in Mining Tenements
As at 31 August 2018

Project	Tenement	Holder[2]	Interest	Location	Status
Mineral Sands	E04/2455	Sheffield Resources Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2456	Sheffield Resources Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2081[2]	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2083[2]	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2084[2]	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2159[2]	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2171[2]	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2192[2]	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2193[2]	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2194[2]	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2348[2]	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2349[2]	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2350[2]	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2390[2]	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2399[2]	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2400[2]	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	L04/84[2]	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	L04/85[2]	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	L04/86[2]	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	L04/92[2]	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	L04/93[2]	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2478	Sheffield Resources Ltd	100%	Canning Basin	Granted
Mineral Sands	L04/82[2]	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	L04/83[2]	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2494[2]	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	M04/459[2]	Thunderbird Operations Pty Ltd	100%	Canning Basin	Pending
Mineral Sands	E70/3762	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	E70/3929	Sheffield Resources Ltd	100%	Perth Basin	Granted
Mineral Sands	E70/3967	Sheffield Resources Ltd	100%	Perth Basin	Granted
Mineral Sands	E70/4190	Sheffield Resources Ltd	100%	Perth Basin	Granted
Mineral Sands	E70/4584	Sheffield Resources Ltd	100%	Perth Basin	Granted
Mineral Sands	E70/4292	Sheffield Resources Ltd	100%	Perth Basin	Granted
Mineral Sands	E70/4719	Sheffield Resources Ltd	100%	Perth Basin	Granted
Mineral Sands	E70/4747	Sheffield Resources Ltd	100%	Perth Basin	Granted
Mineral Sands	L70/150	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	R70/35[1]	Sheffield Resources Ltd	100%	Perth Basin	Granted
Mineral Sands	E70/4922	Sheffield Resources Ltd	100%	Perth Basin	Granted
Mineral Sands	E70/3859	Sheffield Resources Ltd	100%	Perth Basin	Pending
Mineral Sands	E04/2509[2]	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2510[2]	Thunderbird Operations Pty Ltd	100%	Canning Basin	Pending
Mineral Sands	ELA 2018-00046	Moora Talc Pty Ltd	100%	Eucla Basin (SA)	Pending
Mineral Sands	E45/5214[2]	Thunderbird Operations Pty Ltd	100%	Canning Basin	Pending
Mineral Sands	E04/2540[2]	Thunderbird Operations Pty Ltd	100%	Canning Basin	Pending
Mineral Sands	E04/2554[2]	Thunderbird Operations Pty Ltd	100%	Canning Basin	Pending

Notes:
[1]Iluka Resources Ltd (ASX:ILU) retains a gross sales royalty of 1.5% in respect to tenements R70/35, M70/872, M70/965 & M70/1153.
[2]Thunderbird Operations Pty Ltd is a 100% owned subsidiary of Sheffield Resources Ltd.