Sheffield Resources LIMITED

ABN 29 125 811 083

Half-Year Report

For the half-year ended 31 December 2011

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DIRECTORS' REPORT

Your directors submit the financial report of the consolidated entity for the half-year ended 31 December 2011. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

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

WILL BURBURY	Executive Chairman
BRUCE MCQUITTY	Managing Director
DAVID ARCHER	Technical Director

Review of Operations

<u>Introduction</u>

Sheffield continued to build momentum through the second half of 2011 (and subsequent to the end of the reporting period), with mineral resource estimates and new exploration discoveries underpinning the Company's emergence as a significant new player in the resurgent heavy mineral sands sector.

Markets for mineral sands commodities remain very strong. Recent announcements by Iluka Resources Ltd (ASX:ILU) dated 12 October 2011 and 8 December 2011 suggest current prices in the order of US$2,420 per tonne for zircon and US$2,430-US$2,497 for rutile.

Highlights for the period included:

<u>Dampier HMS project</u>

- Grant of key exploration licence
- Exploration Target[1] of **450-850Mt @ 5-10% HM (25.5-85Mt HM)** outlined following review of historic drilling
- Mineral assemblage averages 8% zircon

<u>Eneabba HMS Project</u>

- Total Mineral Resources of **160.81Mt @ 2.5% HM** for 4.08Mt of contained HM, including 394,000t of zircon and 336,000t of rutile
- Scoping studies commenced
- Exploration Targets[1] of **35Mt-70Mt @ 1.5%–2.5% HM** and **220-340 Mt @ 1.2-1.6% HM** outlined at Drummond Crossing and Irwin, respectively - zircon and rutile rich dunal-style mineralisation

<u>McCalls HMS Project</u>

- An Inferred Mineral Resource of **4.43Bt @ 1.2% HM** for 53Mt contained HM, including 43Mt of chloride ilmenite and 3.5Mt of zircon

Sheffield's current HMS mineral resource inventory is summarised in Tables 1-3 and depicted against those of ASX listed peers in Figure 1, on the following page.

[1]Sheffield has not yet reported Mineral Resources at the Dampier, Drummond Crossing, Irwin and Three Pools projects and any discussion in relation to targets and Mineral Resources is conceptual in nature. There has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

DIRECTORS' REPORT

Review of Operations (continued)

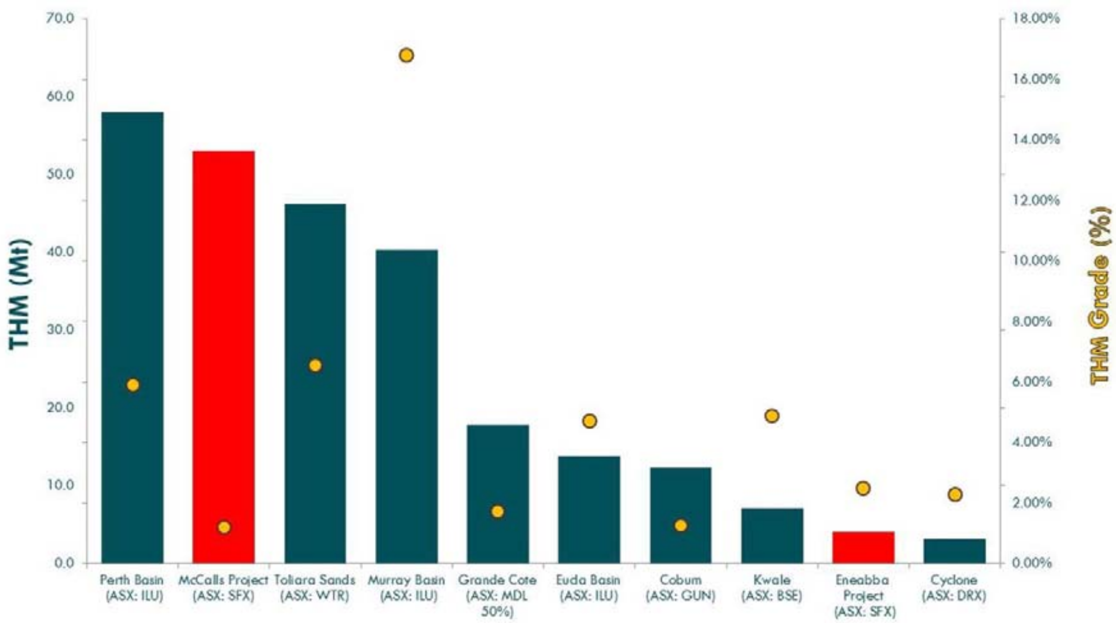


Figure 1: Comparison of Sheffield's mineral resources against those of peer companies *(resources data sourced by Sheffield from recent ASX releases)*

Table 1: Sheffield's contained Valuable HM (VHM) Resource inventory (0.9% HM cutoff).

Deposit	Resource Category	Zircon (kt)*	Rutile (kt)*	Leuc. (kt)*	Ilmenite (kt)*	**Total VHM (kt)***
West Mine North	Measured	18	33	42	200	**293**
West Mine North	Indicated	71	87	46	506	**709**
Yandanooka	Indicated	201	117	168	1,072	**1,558**
Yandanooka	Inferred	12	8.5	15	73	**108**
Ellengail	Inferred	92	90	20	658	**860**
McCalls	Inferred	3,491	1,063	2,576	42,911	**50,041**
Total	Measured	18	33	42	200	**293**
Total	Indicated	272	204	214	1,577	**2,268**
Total	Inferred	3,595	1,162	2,611	43,641	**51,009**
Total	**All**	**3,885**	**1,399**	**2,867**	**45,418**	**53,570**

* Tonnes have been rounded to reflect the relative uncertainty of the estimate.

[2] The contained HM tonnages shown in the Table above are sourced from the Tables 2 & 3, below.

DIRECTORS' REPORT

Review of Operations (continued)

Table 2: Sheffield's Eneabba Project Mineral Resource[2] Inventory, at a 0.9% HM cutoff.

Deposit	Resource Category	Material (Mt)*	Bulk Density	HM %	Slimes %[4]	Osize %	**Insitu HM (Mt)***	Mineral Assemblage[3] Zircon %	Rutile %	Leuc. %	Ilm. %
West Mine North	Measured	6.47	2.0	5.6	14.8	1.2	**0.36**	4.9	9.1	11.6	54.9
West Mine North	Indicated	**36.11**	1.9	2.3	13.1	2.8	**0.84**	8.4	10.3	5.4	60.0
West Mine North	All	42.58	1.9	2.8	13.4	2.5	**1.21**	7.9	10.1	6.4	59.2
Yandanooka	Indicated	61.00	2.0	2.8	14.7	9.4	**1.72**	11.7	6.8	9.8	62.3
Yandanooka	Inferred	10.75	1.9	1.1	12.9	9.0	**0.12**	10.1	7.0	12.5	59.8
Yandanooka	All	71.75	2.0	2.6	14.4	9.3	**1.84**	11.5	6.9	10.2	61.9
Ellengail	Inferred	46.45	2.0	2.2	15.6	2.1	**1.04**	8.9	8.7	1.9	63.5
Ellengail	All	46.45	2.0	2.2	15.6	2.1	**1.04**	8.9	8.7	1.9	63.5
Total	Measured	6.47	2.0	5.6	14.8	1.2	**0.36**	4.9	9.1	11.6	54.9
Total	Indicated	97.13	2.0	2.6	14.1	6.9	**2.56**	10.5	8.1	8.2	61.5
Total	Inferred	57.21	2.0	2.0	15.1	3.4	**1.16**	9.1	8.4	3.9	62.8
Total	**All**	**160.81**	**2.0**	**2.5**	**14.5**	**5.4**	**4.08**	**9.8**	**8.2**	**6.8**	**61.7**

Table 3: Sheffield's McCalls Project Mineral Resource[2] at a 0.9% HM cutoff.

Domain	Resource Category	Material (Mt)*	Bulk Density	HM %	Slimes %[4]	Osize %	**Insitu HM (Mt)***	Mineral Assemblage[3] Zircon %	Rutile %	Leuc. %	Ilm. %
McCalls	Inferred	4,431	2.3	1.2	26.5	1.4	**53**	6.6	2.0	4.9	80.8
Total	**All**	**4,431**	**2.3**	**1.2**	**26.5**	**1.4**	**53**	**6.6**	**2.0**	**4.9**	**80.8**

**Tonnes have been rounded to reflect the relative uncertainty of the estimate.*

[2] This estimate is classified and reported in a manner compliant with the JORC code and guidelines (JORC, 2004). Further details on the Mineral Resource at each deposit can be found in this document and on the ASX Announcements page of the Company's website. [3] The Mineral Assemblage is represented as the percentage of the Heavy Mineral (HM) component of the deposit, as determined by QEMSCAN. TiO_2 minerals defined according to the following ranges: Rutile >95% TiO_2; Leucoxene 85-95% TiO_2; Ilmenite <55-85% TiO_2. [4] West Mine North and McCalls are reported below a 35% Slimes upper cutoff.

DIRECTORS' REPORT

Review of Operations (continued)

Dampier HMS project

The Dampier HMS project is located approximately 60km west of the port of Derby in Western Australia's Kimberley region and lies outside the recently proclaimed Kimberley National Heritage Estate listed area.

Following a detailed review of past drilling by Rio Tinto (ASX: RIO) who explored the project between 2003 and 2009, Sheffield outlined an Exploration Target[1] of **450-850Mt @ 5-10% HM** for the Thunderbird prospect. The Exploration Target is based on 8 Rio Tinto drill intersections on two near-perpendicular sections across the deposit. Within the Exploration Target area the mineral assemblage averages 7.9% zircon, 2.3% rutile, 6.0% leucoxene, 16.9% altered ilmenite, and 16.6% ilmenite (refer to ASX release of 8 November 2011 for further details). The scale and grade of Thunderbird ranks it in the top tier of undeveloped zircon projects.

The Thunderbird Exploration Target is surrounded by a larger, sparsely drilled area, 15km in strike length, containing lower grade heavy mineral drill intersections. This broader target is supported by a large thorium radiometric anomaly, thought to be sourced from rare earth-bearing monazite and xenotime within the heavy mineral concentrations.

The heavy mineral concentrations are hosted by shallowly-dipping and deeply weathered sand units of the Cretaceous Jowlaenga Formation. The heavy mineral is fine-grained and typical of large shallow-water offshore mineral sand deposits. The fine grainsize, variable iron cementation and hardness may present some metallurgical challenges (lower recoveries) however these are offset by the high heavy mineral grade and the potentially high value zircon, rutile and leucoxene-rich mineral assemblage.

Aboriginal Heritage Surveys over the project will be completed after the northern wet season, ahead of an aircore drilling programme of sufficient density to enable estimation of an inferred resource and to provide representative samples for metallurgical work. Sheffield anticipates this drilling will commence in Q2 2012.

Eneabba HMS project

Sheffield's Eneabba Project contains six advanced exploration prospects: West Mine North, Ellengail, Yandanooka, Durack, Drummond Crossing and Irwin. The Project is close to existing mineral sands operations and to a network of highways and railway lines connecting to the Geraldton and Fremantle/Kwinana ports. Sheffield's strategy is to develop multiple HMS deposits capable of supporting sequential mining with a flexible mobile plant.

During the reporting period the Company announced mineral resource estimates for the Yandanooka, Ellengail and West Mine North deposits.

On 16 August 2011, the Company announced a mineral resource for the Yandanooka deposit of **71.75Mt @ 2.6% HM** in the Indicated and Inferred categories (1.84 million tonnes of contained HM), including an Indicated Resource for the high grade core of **37.5Mt at 3.8% HM** (1.41Mt of contained HM). The deposit has a high value mineral assemblage comprising 11.5% zircon, 6.9% rutile, 10.2% leucoxene and 61.9% ilmenite.

On 25 October 2011, the Company announced a mineral resource for the Ellengail project of **46.45 Mt @ 2.2% HM** (Inferred), containing 1.04Mt HM, including a high grade core of **11.25Mt @ 5.0% HM** containing 560,000t HM (Inferred). The heavy mineral assemblage comprises 8.9% zircon, 8.7% rutile, 63.5% ilmenite and 1.9% leucoxene. Previous work by Iluka Resources Ltd has determined a TiO_2 content of the ilmenite of 54.7%, based on analysis of 11 composite samples.

On 7 November 2011, the Company announced a mineral resource for West Mine North of **42.58Mt @ 2.8% HM** (Measured and Indicated), containing 1.2Mt HM, including a high-grade core of 10.09Mt at 7.7% HM containing 779,000t of HM (Measured and Indicated). The heavy mineral assemblage comprises 7.9% zircon, 10.1% rutile, 59.2% ilmenite and 6.4% leucoxene.

Preliminary metallurgical testwork has confirmed that the ilmenite at Sheffield's Yandanooka and West Mine North deposits has a high titanium content (60-66% TiO_2) and is potentially suitable for chloride route or synthetic rutile processing (ASX release 27 October 2011).

Scoping studies are nearing completion on Sheffield's Yandanooka, West Mine North and Ellengail HMS projects. The studies are being undertaken to assess the economic viability of the projects and to determine priorities for the next phase of work.

[1]See footnote on Page 1

DIRECTORS' REPORT

Review of Operations (continued)

The exploration potential of the Eneabba district was underscored by a new discovery at Drummond Crossing and exploration success at the Irwin prospect:

- At Drummond Crossing, located 20km north of Eneabba, drilling by Sheffield has outlined an Exploration Target[1] of **35-70Mt @ 1.5-2.5% HM** (see ASX release dated 24 January 2012). The mineralisation is dunal style, averages 9m thickness and occurs from surface over an area of approximately 3.5km N-S by 1.5km E-W. QEMSCAN results confirm a valuable heavy mineral (VHM) assemblage comprising 14.9% Zircon, 10.2% Rutile, 4.4% Leucoxene and 51% Ilmenite. The scale of the Exploration Target and the high valuable heavy mineral component to the assemblage are considered very encouraging.

- At Irwin, located 80km south of Geraldton, Sheffield has outlined an Exploration Target of **220Mt-340Mt @ 1.2-1.6% HM**. QEMSCAN results indicate a high value mineral assemblage with 10.0% zircon and 7.4% rutile, 2.3% Leucoxene and 58.7% Ilmenite. As such, Irwin represents a large near-surface heavy mineral deposit with low slimes component (average 5.2%) - important attributes for potential dredge-mining.

Further drilling will be undertaken on the Eneabba project during Q2 2011 to delineate mineral resources at the Durack and Drummond Crossing prospects.

McCalls HMS project

The McCalls project is located 110km north of Perth. Subsequent to the reporting period, on 20 February 2012, Sheffield announced a maiden Inferred Resource of **4.4Bt @ 1.2% HM** for 53Mt of contained HM for McCalls.

Ilmenite dominates the heavy mineral assemblage at 80.8%, as determined by QEMSCAN average particle chemistry, along with a significant zircon component of 6.6%. Additional rutile (2%) and leucoxene (4.9%) bring the valuable heavy mineral component to 94.3%.

Ilmenite characterisation studies conducted on a single sample composited from Sheffield's drilling produced concentrates containing between 60% and 66% TiO_2, indicating potential suitability for chloride-route or synthetic rutile processing (see ASX release 27 October 2011). The work also demonstrated the heavy mineral has properties well suited to conventional mineral processing methods.

Significantly, the McCalls deposit contains over 40 million tonnes of chloride grade ilmenite, ranking it as one of the largest accumulations of chloride grade ilmenite in the world. The deposit also contains approximately 3.5 million tonnes of zircon. Sheffield considers McCalls to be a strategically significant asset, however the Company currently prioritises the Dampier and Eneabba projects ahead of McCalls and will explore all options for adding value to the project, including joint venture opportunities with third parties.

Sheffield plans further drilling and scoping work at McCalls during Q2 2012. The drilling will focus on delineating higher grade and zircon-rich zones within the deposit.

Pilbara Iron project

First pass RC drilling (25 holes for 1,212m) at Three Pools intersected broad zones of iron mineralisation from near surface, for example:

50m @ 57.5% Fe from 0m (TPRC012)

42m @ 57.6% Fe from 6m (TPRC011)

44m @ 56.0% Fe from 0m – includes 18m @ 59.6% Fe from 26m (TPRC017)

52m @ 56.9% Fe from 16m (TPRC022)

46m @ 56.2% Fe from 2m – includes 30m @ 59.3% Fe from 16m (TPRC023)

(Refer to ASX release of 1 December 2011 for full details).

The results confirm an Exploration Target[1] of **20-60Mt @ 56-60% Fe** for the Three Pools project. Further drilling is planned for Q3 2012.

[1]See footnote on Page 1

DIRECTORS' REPORT

Review of Operations (continued)

Moora Talc Belt project

Assay results from the Company's 1,238m core drilling programme completed in June 2011 have defined the chemical characteristics of the talc, with high grade talc intersected at all six prospects drilled. Furthermore, significant widths of talc were defined at three of the prospects; Fowlers, Prowaka South and Tilleys. These results confirm that the chemical characteristics of Sheffield's talc are comparable to those of Luzenac's Three Springs mine which is renowned for its premium grade microcrystalline talc. Sheffield's strategy is to discover similar premium quality talc deposits capable of supporting long-life direct shipping mining operations. Further drilling is planned for Q2 2012.

Other Projects

The Company's Berthas Butt tungsten project (E80/4394) is located 40km to the east of Halls Creek in the Kimberley region of Western Australia. Initial mapping and sampling work confirmed the presence of multiple zones of tungsten mineralisation with strike lengths of between 20 and 400m, and widths of up to 10 metres which were sparsely drilled by Union Oil Development Corporation in the early 1980s. Sheffield's sampling (12 samples) from 3 of these zones returned assays ranging from 0.074-1.93% WO_3.

The Woodleigh HMS project tenements, located in the Carnarvon Basin, were surrendered following a strategic review of prospectivity. This is consistent with the Company's strategy to turn over non-strategic ground and to focus on high value projects.

COMPETENT PERSONS' STATEMENTS

The information in this announcement that relates to exploration results is based on information compiled by Mr Bruce McQuitty and Mr David Archer. Both Mr McQuitty and Mr Archer are full time employees of the Company. Mr McQuitty and Mr Archer are Members of the Australasian Institute of Geoscientists and each has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and the activity to which they are undertaking to qualify as Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC Code")'. Each of Mr McQuitty and Mr Archer consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

MINERAL RESOURCE ESTIMATES

The information in this announcement that relates to resource estimation is based on information compiled under the guidance of John Vann. Mr Vann is a Principal of Quantitative Group and acts as a consultant to the Company. Mr Vann is a Fellow of the Australasian Institute of Mining and Metallurgy and a Fellow of the Australasian Institute of Geoscientists and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and the activity to which they are undertaking to qualify as Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC Code")'. Mr Vann consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

The information in this announcement that relates to reporting of resource and exploration results is based on information compiled under the guidance of Mark Teakle. Mr Teakle is a consultant to the Company. Mr Teakle is a Member of the Australasian Institute of Geoscientists and the Australasian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and the activity to which they are undertaking to qualify as Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC Code")'. Mr Teakle consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

FORWARD LOOKING AND EXPLORATION TARGET 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 "seek", "expected", "target", "scheduled", "intends", "potential", "prospective" and similar expressions.

The terms "Target" and "Exploration Target", where used in this report, should not be misunderstood or misconstrued as an estimate of Mineral Resources and Reserves as defined by the JORC Code (2004), and therefore the terms have not been used in this context. Exploration Targets are conceptual in nature and it is uncertain if further exploration or feasibility study will result in the determination of a Mineral Resource or Reserve.

DIRECTORS' REPORT

Events Subsequent To Reporting Date

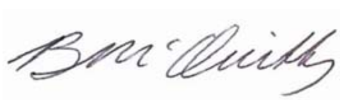
On 10 February 2012, the Group announced that it had resolved to raise approximately $10 million through a placement of up to 33.35 million shares at an issue price of 30 cents per share to institutional and sophisticated investors. On 21 February 2012, tranche one of the placement being 8.8 million shares were issued, raising $2,640,000, with the balance of shares to be issued subject to shareholder approval at a General Meeting of shareholders currently scheduled for 16 March 2012.

No other matters or circumstances have arisen since the end of the half year which have significantly affected or may significantly affect the operations or the state of affairs of the Group in the future financial years.

Auditor's Independence Declaration

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 review of the interim financial report. This Independence Declaration is set out on page 8 and forms part of this directors' report for the half-year ended 31 December 2011.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.



Bruce McQuitty

Director

12 March 2012

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Sheffield Resources Limited for the half-year ended 31 December 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

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

HLB Mann Judd

Perth, Western Australia
12 March 2012

N G NEILL
Partner, HLB Mann Judd

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CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Note	Consolidated 31 December 2011 $	Company 31 December 2010 $
Other income		**91,420**	38,486
Share based payment expense		**(128,916)**	(252,430)
Exploration expenditure written off		**(43,030)**	(130,783)
Other expenses		**(415,505)**	(317,128)
Loss before income tax	2	**(496,031)**	(661,855)
Income tax expense		**-**	-
Loss after tax from continuing operations		**(496,031)**	(661,855)
Other comprehensive income		**-**	-
Total comprehensive loss for the period		**(496,031)**	(661,855)
Basic loss per share (cents per share)		**(0.85)**	(2.64)

The accompanying notes form part of these financial statements

CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

	Note	Consolidated 31 December 2011 $	Company 30 June 2011 $
Assets			
Current Assets			
Cash and cash equivalents		2,241,107	4,094,817
Trade and other receivables		110,320	209,432
Other financial assets		40,005	33,544
Total Current Assets		2,391,432	4,337,793
Non-Current Assets			
Plant and Equipment	3	238,586	224,208
Deferred exploration and evaluation expenditure	4	3,641,639	2,196,453
Total Non-Current Assets		3,880,225	2,420,661
Total Assets		6,271,657	6,758,454
Liabilities			
Current Liabilities			
Trade and other payables		126,004	268,523
Employee benefits		37,581	32,709
Total Current Liabilities		163,585	301,232
Total Liabilities		163,585	301,232
Net Assets		6,108,072	6,457,222
Equity			
Issued capital	5	7,363,881	7,345,916
Reserves		416,326	287,410
Accumulated losses		(1,672,135)	(1,176,104)
Total Equity		6,108,072	6,457,222

The accompanying notes form part of these financial statements

CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Consolidated			
	Issued Capital	Accumulated Losses	Option Reserve	Total Equity
Balance at 1 July 2011	**7,345,916**	**(1,176,104)**	**287,410**	**6,457,222**
Loss for the period	-	(496,031)	-	(496,031)
Total comprehensive loss for the period	**-**	**(496,031)**	**-**	**(496,031)**
Share-based payments	-	-	128,916	128,916
Shares issued during the half-year	21,000	-	-	21,000
Share issue costs	(3,035)	-	-	(3,035)
Balance at 31 December 2011	**7,363,881**	**(1,672,135)**	**416,326**	**6,108,072**

	Company			
	Issued Capital	Accumulated Losses	Option Reserve	Total Equity
Balance at 1 July 2010	**465,100**	**(396,075)**	**-**	**69,025**
Loss for the period	-	(661,855)	-	(661,855)
Total comprehensive loss for the period	**-**	**(661,855)**	-	**(661,855)**
Share-based payments	-	-	252,430	252,430
Shares issued during the half-year	6,586,032	-	-	6,586,032
Balance at 31 December 2010	**7,051,132**	**(1,057,930)**	**252,430**	**6,245,632**

The accompanying notes form part of these financial statements

CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Notes	Consolidated 31 December 2011 $	Company 31 December 2010 $
		Inflows/(Outflows)	
Cash flows from operating activities			
Payments to suppliers and employees		(299,460)	(78,583)
Interest received		116,131	5,033
Net cash (outflow) from operating activities		(183,329)	(73,550)
Cash flows from investing activities			
Payments for exploration and evaluation expenditure		(1,626,279)	(159,343)
Payments for fixed assets		(62,067)	502
Net cash (outflow) from investing activities		(1,688,346)	(158,841)
Cash flows from financing activities			
Proceeds from issue of shares		21,000	7,090,000
Payments for share issue costs		(3,035)	(503,968)
Net cash inflow from financing activities		17,965	6,586,032
Net (decrease)/increase in cash held		(1,853,710)	6,353,641
Cash and cash equivalents at the beginning of the period		4,094,817	61,439
Cash and cash equivalents at the end of the period		2,241,107	6,415,080

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

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

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2011 and any public announcements made by Sheffield Resources Limited and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

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

Basis of preparation

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

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

Significant accounting judgments and key estimates

The preparation of interim financial reports requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred by or on behalf of the Group is accumulated separately for each tenement. Such expenditure comprises net direct costs and an appropriate portion of related exploration overhead expenditure, but does not include general overheads or administrative expenditure not having a specific nexus with a particular tenement.

Exploration and evaluation expenditure for each tenement is carried forward as an asset provided that one of the following conditions is met:

- such costs are expected to be recouped through successful development and exploitation of resources on the tenement or, alternatively, by its sale; or
- exploration and evaluation activities on the tenement have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing.

Expenditure which fails to meet the conditions outlined above is written off. Furthermore, the directors regularly review the carrying value of exploration and evaluation expenditure and make write downs if the values are not expected to be recoverable.

Identifiable exploration assets acquired are recognised as assets at their cost of acquisition, as determined by the requirements of AASB 6 "Exploration for and Evaluation of Mineral Resources". Exploration assets acquired are reassessed on a regular basis and these costs are carried forward provided that at least one of the conditions referred to in AASB 6 is met.

Exploration and evaluation expenditure incurred subsequent to acquisition in respect of an exploration asset acquired, is accounted for in accordance with the policy outlined above for exploration expenditure incurred by or on behalf of the entity.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and evaluation expenditure (continued)

Acquired exploration assets are not written down below acquisition cost until such time as the acquisition cost is not expected to be recovered.

When a tenement is surrendered or expires and is not replaced or superseded by another tenement in which the Group has an interest, any expenditure carried forward in respect of that tenement is written off. Partial surrenders of tenure do not attract writedowns because there is continuity of tenure.

Expenditure is not carried forward in respect of any tenement unless the Group's rights of tenure to that area of interest are current.

Capitalised 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 tenement 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 measured, indicated and inferred mineral resources, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental restoration 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 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. To the extent that it is determined in the future that this capitalised expenditure should be written off, this will reduce profits and net assets in the period in which this determination is made.

Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2011, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2011.

It has been determined by the Directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2011. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Sheffield Resources Limited ('Company' or 'parent entity') as at 31 December 2011 and the results of all subsidiaries for the year then ended. Sheffield Resources Limited and its subsidiaries are referred to in this financial report as the group or the consolidated entity. The financial statements of the subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing when the Group controls another entity.

Unrealised gains or transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the statement of comprehensive income and within equity in the consolidated statement of financial position. Losses are attributed to the non-controlling interests even if that results in a deficit balance.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

When the group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

NOTE 2: LOSS BEFORE INCOME TAX EXPENSE

	Consolidated	Company
	31 December 2011	31 December 2010
The following revenue items are relevant in explaining the financial performance for the half-year:		
Interest received	91,420	38,486

NOTE 3: PLANT AND EQUIPMENT

	Consolidated		
	Motor Vehicles	Plant and equipment	Total
	$	$	$
At 1 July 2011, net of accumulated depreciation and impairment	58,467	165,741	224,208
Additions	-	62,067	62,067
Depreciation charge for the period	(7,835)	(39,854)	(47,689)
At 31 December 2011, net of accumulated depreciation	50,632	187,954	238,586
At 31 December 2011			
Cost or fair value	62,172	249,786	311,958
Accumulated depreciation	(11,540)	(61,832)	(73,372)
Net carrying amount	50,632	187,954	238,586

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

NOTE 4: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	Company
	31 December 2011	30 June 2011
Costs carried forward in respect of areas of interest in the following phases:		
Exploration and evaluation phase – at cost		
Balance at beginning of period	**2,196,453**	**-**
Expenditure incurred	1,488,216	2,327,236
Exploration expenditure written-off	(43,030)	(130,783)
Total deferred exploration and evaluation expenditure	**3,641,639**	**2,196,453**

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases is dependent upon the successful development and commercial exploitation or sale of the respective areas.

NOTE 5: ISSUED CAPITAL

	Consolidated	Company
	31 December 2011 $	30 June 2011 $
Ordinary shares		
Issued and fully paid	7,373,781	7,345,916

			Consolidated	Company
	31 December 2011 No.	30 June 2011 No.	31 December 2011 $	30 June 2011 $
Movements in ordinary shares on issue				
At start of period	58,658,334	21,000,001	7,345,916	465,100
Issued on 18 January 2011 as part consideration for acquisition of McCalls Heavy Minerals Sands Project	-	500,000	-	50,000
Issue of 900,000 fully paid ordinary shares at $0.10 each	-	900,000	-	90,000
Issue of 35,000,000 fully paid ordinary shares at $0.20 each	-	35,000,000	-	7,000,000
Issued for cash on exercise of share options	105,000	1,258,333	21,000	251,667
Share issue costs	-	-	(3,035)	(510,851)
At end of period	58,763,334	58,658,334	7,363,811	7,345,916

NOTE 6: DIVIDENDS

No dividends were paid or declared during the half year ended 31 December 2011.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

NOTE 7: SEGMENT REPORTING

The directors have considered the requirements of AASB 8 Operating Segments and the internal reports that are reviewed by the chief operating decision maker (the Board of Directors) in allocating resources and have concluded that at this time there are no separate identifiable segments.

The Group's principal activity is exploration of bulk minerals in Australia.

NOTE 8: OPTIONS

	Consolidated	Company
	31 December 2011 No.	30 June 2011 No.
Movements in options over ordinary shares on issue		
Balance at beginning of period	32,291,667	10,500,000
Issue of unlisted options exercisable at $0.20 each on or before 30 June 2013	-	17,950,000
Issue of unlisted options exercisable at $0.30 each on or before 30 November 2013	-	3,000,000
Issue of unlisted options exercisable at $0.30 each on or before 30 December 2013	-	1,550,000
Issue of unlisted options exercisable at $0.44 each on or before 20 March 2016	-	550,000
Issue of unlisted options exercisable at $0.20 each expiring on 30 June 2016	525,000	-
Issue of unlisted options exercisable at $0.44 each expiring on 6 September 2014	250,000	-
Exercise of unlisted options exercisable at $0.20 each expiring on 30 June 2013	(105,000)	(1,258,333)
At end of period	32,961,667	32,291,667

NOTE 9: CONTINGENT LIABILITIES

The Directors are of the opinion that there are no contingent liabilities as at 31 December 2011 (2010: nil)

NOTE 10: EVENTS SUBSEQUENT TO REPORTING DATE

On 10 February 2012, the Group announced that it had resolved to raise approximately $10 million through a placement of up to 33.35 million shares at an issue price of 30 cents per share to institutional and sophisticated investors. On 21 February 2012, tranche one of the placement being 8.8 million shares were issued, raising $2,640,000, with the balance of shares to be issued subject to shareholder approval at a General Meeting of shareholders currently scheduled for 16 March 2012.

No other matters or circumstances have arisen since the end of the half year which have significantly affected or may significantly affect the operations or the state of affairs of the Group in the future financial years.

DIRECTORS' DECLARATION

In the opinion of the directors of Sheffield Resources Limited ('the Company'):

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:

   a. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

   b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year then ended.

2. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.

Bruce McQuitty

Director

12 March 2012

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Sheffield Resources Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Sheffield Resources Limited ("the company") which comprises the condensed statement of financial position as at 31 December 2011, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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Matters relating to the electronic presentation of the reviewed half-year financial report

This review report relates to the half-year financial report of the consolidated for the half-year ended 31 December 2011 included on the company's website. The company's directors are responsible for the integrity of the company's website. We have not been engaged to report on the integrity of this website. The review report refers only to the half-year financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the half-year financial report. If users of the half-year financial report are concerned with the inherent risks arising from publication on a website they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information contained in this website version of the half-year financial report.

Conclusion

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

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

HLB Mann Judd

HLB MANN JUDD
Chartered Accountants

Norman Glover

Perth, Western Australia
12 March 2012

N G NEILL
Partner