



SheffieldResources
LIMITED

Interim Financial Report
For the Half Year Ended 31 December 2022

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CORPORATE DIRECTORY

Directors

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

Company Secretary

Mr Mark Di Silvio

Registered Office

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Share Register

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Securities Exchange

Australian Securities Exchange
Level 40 Central Park
152-158 St Georges Terrace
Perth WA 6000

ASX Code: **SFX**

Auditors

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

Solicitors

HWL Ebsworth Lawyers
Level 20, 240 St Georges Terrace
Perth WA 6000

Bankers

Australia and New Zealand Banking Group Ltd (ANZ)
Level 5, 240 St Georges Terrace
Perth WA 6000

Australian Business Number (ABN)

29 125 811 083

DIRECTORS' REPORT

The Directors present their report on Sheffield Resources Limited (Sheffield, parent entity or the Company) and its controlled entities (collectively known as the Group or consolidated entity) for the half year ended 31 December 2022.

PRINCIPAL ACTIVITIES

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

DIRECTORS

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

Name	Period of Directorship
Mr Bruce Griffin	Executive Chair
Mr John Richards	Lead Independent Non-Executive Director
Mr Ian Macliver	Non-Executive Director
Mr Gordon Cowe	Non-Executive Director
Mrs Vanessa Kickett	Non-Executive Director

REVIEW OF OPERATIONS

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

During the reporting period, activities culminated in a Final Investment Decision (FID) in early October 2022 for the flagship Thunderbird Mineral Sands Project (Thunderbird) in the Kimberley region of Western Australia. Alongside the Final Investment Decision for Thunderbird, KMS issued a Full Notice to Proceed in favour of primary EPC contractor GR Engineering Services Limited (GRES), in conjunction with similar notices to gas supply, power generation and mining services suppliers.



Figure 1: Thunderbird Process Plant site (January 2023)



Figure 2: Process Plant Site (foreground) and laydown area (background)



Figure 3: Thunderbird village accommodation – completed Q4 2022

Thunderbird Construction Activities

The reporting period resulted in significant progress toward completion of civil works, and plant infrastructure construction. Led by EPC contractor GRES, construction activities are progressing in line with planned schedules.

Process plant steel structures are being progressively installed in conjunction with process tanks and associated equipment. Civil earthworks to support the power generation facilities are now complete, enabling installation of power generation equipment during 2023. Tailings storage facility and stormwater storage pond civil earthworks are approaching completion, with HDPE lining of the stormwater storage pond well underway.

Expenditure by KMS on the Thunderbird construction and early works program since the inception of the joint venture in March 2021 has totalled over \$210m through to the end of December 2022. At the end of December 2022, the project is progressing on schedule and in line with budget, with KMS cash reserves of \$41m and approximately \$243m of undrawn project financing available.

Completion of Project Financing

During the reporting period, the Company announced that the Northern Australia Infrastructure Facility (NAIF) had ratified and executed binding documentation for a \$160m loan facility comprising a 12-year tenor to support the development of Thunderbird. In addition to the NAIF loan facility, KMS and OMRF (Th) LLC, a related entity of the Orion Mineral Royalty Fund (Orion), executed binding and definitive documentation for a US\$110m Production Linked Facility (approximately A\$155m).

The combined \$315m debt financing package completed the project financing requirements for Thunderbird, with KMS achieving financial close in early Q4 2022. During October 2022, the first \$72m was drawn down from the combined debt financing package.

Thunderbird is fully funded through to first production which remains on track for first product shipment in Q1 2024, enabling the delivery of strong cashflows and benefits to all stakeholders across the projected 36 year mine life. Total project funding requirement of \$484m has included the full and final satisfaction of attributable project equity contributions totaling \$169m from joint venture partners Sheffield & Yansteel, in addition to the \$315m senior loan facilities provided by NAIF and Orion.

First customer shipment remains on track for Q1 2024. A forecast timeline to first production is shown below.

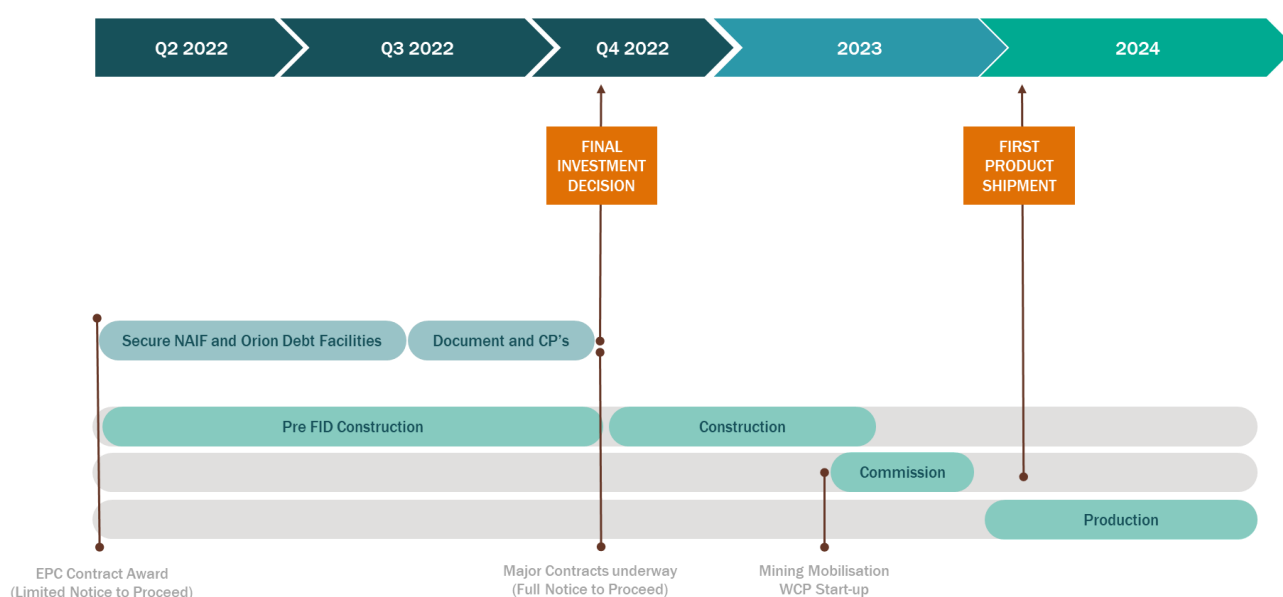


Figure 4: Timeline to FID and First Production

Products and Offtake Agreements

KMS has in place a number of non-magnetic (zircon) concentrate take or pay offtake agreements, accounting for in excess of 80% of forecast production volume for the initial five year production period for Thunderbird.

During the reporting period, Thunderbird secured a second export pathway for bulk products, with the application for bulk product export from the Port of Broome accepted by the Environmental Protection Authority (EPA) of Western Australia. In addition to the current Port of Derby logistics arrangement, this provides KMS with an alternate deep water logistics option for the export of bulk product from Thunderbird.

Markets

Mineral sands markets remained buoyant during the first half of 2022 with both zircon and titanium feedstock prices continuing to increase before flattening out during the second half of 2022.

Premium zircon from major producers moved from c.US\$1,350 per tonne in mid-2019 through to c.US\$2,200 per tonne during Q3 2022 and remained around this level in Q4 2022. Demand softness in China first observed in Q3 2022 continued in Q4 2022, primarily as a result of weakness in the property market and the impact of zero-COVID lockdowns followed by the sudden reversal of the China zero-COVID policy. The market in Europe weakened in Q4 2022 due energy supply constraints. Global zircon supply remains balanced, and inventory levels remain low, limiting the pressure on prices with major producer prices expected to soften in early 2023 but remain above US\$2,000 per tonne, well above long term price forecasts.

The titanium feedstock market was strong throughout the first half of 2022 with the weakness in Chinese demand that first emerged in Q3 2022 continuing into Q4 for similar reasons to zircon. Global sulfate ilmenite prices were essentially flat in the second half of 2022 and remain very high relative to long term forecasts at around US\$350 per tonne in FOB. Sulfate ilmenite prices are expected to soften in 2023. Longer-term, high-grade pigment feedstock demand for production of chloride grade pigment is forecast to grow, and chloride slag (produced from sulfate ilmenite) is the most likely source of new supply.

The trend towards China importing and processing concentrates to supply zircon and titanium feedstocks continued throughout 2022. Imports of concentrates into China are up strongly year on year with imports of ilmenite and high grade feedstocks down. A similar shift was observed in zircon with China concentrates imports up and zircon sand imports lower in 2022 compared with 2021.

Community Engagement

The KMS team continued community engagement and consultation processes throughout the reporting period. These included several community based and Traditional Owner forums across Broome and Derby, providing information on the recent FID announcement and site activities.

KMS also conducted a regional jobs fair, providing prospective employees with the opportunity to consult with KMS personnel, suppliers and contractors regarding potential employment opportunities.

Further community engagement activities are scheduled throughout 2023.



Figure 5: Kimberley Mineral Sands regional Jobs Fair

Sheffield Business Development Activities

During the reporting period, Sheffield screened a number of project investment opportunities in the mineral sands sector. Sheffield will continue to assess and consider business development opportunities in the mineral sands sector going forward, with a view to expanding the Company's asset portfolio beyond its core asset; its 50% interest in KMS.

ORE RESERVES AND MINERAL RESOURCES

Sheffield announced an updated Ore Reserve totalling 754 million tonnes @ 11.0% HM for the Thunderbird deposit, in the Kimberley Region of Western Australia, on 24 March 2022 and has completed a Bankable Feasibility Study Update for development of the Thunderbird Mineral Sands Project, on 24 March 2022. The Ore Reserve estimate is based on the current, July 2016 Thunderbird Mineral Resource estimate, announced to the ASX on 5 July 2016. Measured and Indicated Mineral Resources were converted to Proved and Probable Ore Reserves respectively, subject to mine design, modifying factors and economic evaluation.

Ore Reserve for Dampier Project as at 31 December 2022

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

Deposit	Ore Reserve Category	Material (Million Tonnes)	In-situ HM (Million Tonnes) ⁷	Total HM Grade (%)	Valuable HM Grade (In-situ) ⁵					
					Zircon (%)	HiTi Leuc (%)	Leuc (%)	Ilmenite (%)	Slimes (%)	Oversize (%)
Thunderbird	Proved	239	31	12.9	0.96	0.29	0.28	3.4	16	14
	Probable	514	52	10.1	0.79	0.26	0.27	2.9	15	11
	Total	754	83	11.0	0.84	0.27	0.27	3.1	15	12

Deposit	Ore Reserve Category	Material (Million Tonnes)	In-situ HM (Million Tonnes) ⁷	Total HM Grade (%)	HM Assemblage ⁶					
					Zircon (%)	HiTi Leuc (%)	Leuc (%)	Ilmenite (%)	Slimes (%)	Oversize (%)
Thunderbird	Proved	239	31	12.9	7.5	2.2	2.2	27	16	14
	Probable	514	52	10.1	7.8	2.6	2.6	28	15	11
	Total	754	83	11.0	7.7	2.4	2.5	28	15	12

Note 1: The Ore Reserve estimate was prepared by Entech Pty Ltd and first disclosed under the JORC Code (2012), refer to ASX announcement 24 March 2022 for further details. Ore Reserve is reported to a design overburden surface with appropriate consideration of modifying factors, costs, mineral assemblage, process recoveries and product pricing.

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

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

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

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

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

Note 7: The contained in-situ percentages for the valuable heavy minerals were determined by multiplying the percentage of HM by the percentage of each valuable heavy mineral within the heavy mineral assemblage at the Resource block model scale.

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

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

Mineral Resources for Dampier Project as at 31 December 2022

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

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

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

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

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

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

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

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

Note 7: The contained in-situ HM tonnes were derived from the HM Grade and material tonnes in the Mineral Resource table.

GOVERNANCE AND INTERNAL CONTROLS

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

COMPETENT PERSONS AND COMPLIANCE STATEMENTS

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

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

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

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

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

SUPPORTING INFORMATION REQUIRED UNDER ASX LISTING RULES, CHAPTER 5

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

PREVIOUSLY REPORTED INFORMATION

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

- Mineral Resource and Ore Reserve Statement: "MINERAL RESOURCE AND ORE RESERVE STATEMENT" 24 September 2019
- Thunderbird Ore Reserve Update: "THUNDERBIRD ORE RESERVE UPDATE" 24 March 2022
- Thunderbird BFS Update: "THUNDERBIRD BFS, FINANCING AND PROJECT UPDATE", 24 March 2022
- Night Train Inferred Resource and Mineral Assemblage results "HIGH GRADE MAIDEN MINERAL RESOURCE AT NIGHT TRAIN" 31 January 2019
- Thunderbird Mineral Resource: "SHEFFIELD DOUBLES MEASURED MINERAL RESOURCE AT THUNDERBIRD" 5 July 2016
- Thunderbird drilling: "EXCEPTIONALLY HIGH GRADES FROM INFILL DRILLING AT THUNDERBIRD MINERAL SANDS PROJECT" 9 February 2015

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

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

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

Item	Report title	Report Date	Competent Person(s)
Thunderbird Ore Reserve	Thunderbird Ore Reserve Update	24 March 2022	P. Scrimshaw
Thunderbird Mineral Resource	Sheffield Doubles Measured Mineral Resource at Thunderbird	5 July 2016	M. Teakle, C. Standing
Night Train Mineral Resource	High Grade Maiden Mineral Resource at Night Train	31 January 2019	C. Standing

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

FORWARD LOOKING, CAUTIONARY STATEMENTS AND RISK FACTORS

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

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

OPERATING AND FINANCIAL REVIEW

The Group recorded a consolidated loss of \$4.2m for the half year ended 31 December 2022 (31 December 2021: consolidated loss of \$2.1m). At 31 December 2022, the Group had \$5.2m in cash and cash equivalents (30 June 2022: \$40.2m) and the Group's net assets were \$152.0m (30 June 2022: \$155.6m).

COVID-19 IMPACT

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

ROUNDING

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

EVENTS SUBSEQUENT TO REPORTING PERIOD

On 23 January 2023, Sheffield issued 126,683 fully paid ordinary shares for nil consideration to former employees of Sheffield. The former employees exercised the performance rights previously granted to them during their employment with the Company.

On 14 February 2023, Sheffield provided an update to Thunderbird Mineral Sands Project construction activities. The Company noted that construction activities were over 75% complete and the total direct expenditures through to commencement of operations now estimated at \$407m, with a total funding requirement remaining at \$484m.

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

Signed in accordance with a resolution of the Directors.

For and on behalf of the Directors



Bruce Griffin

Executive Chair

Perth, Western Australia

21 February 2023

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Sheffield Resources Limited for the half-year ended 31 December 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Perth, Western Australia
21 February 2023



N G Neill
Partner

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HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half year ended 31 December 2022

	Note	31 December 2022 \$'000	31 December 2021 \$'000
Continuing operations			
Other income		239	6
Share-based payments	9	(554)	(719)
Employee benefits		(711)	(625)
Other corporate expenses		(725)	(540)
Share of joint venture results	7	(2,477)	(205)
Bank fees and charges		(1)	(1)
Loss before income tax		(4,229)	(2,084)
Income tax expense		-	-
Loss after income tax		(4,229)	(2,084)
Other comprehensive income / (loss)			
Other comprehensive income / (loss)		-	-
Total comprehensive loss, net of tax		(4,229)	(2,084)
Loss per share attributable to ordinary equity holders			
Basic loss per share (cents per share)		(1.22)	(0.60)
Diluted loss per share (cents per share)		(1.22)	(0.60)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Note	31 December 2022 \$'000	30 June 2022 \$'000
Current assets			
Cash and cash equivalents		5,245	40,223
Trade and other receivables		50	42
Total current assets		5,295	40,265
Non-current assets			
Investment in joint venture	7	146,829	115,535
Total non-current assets		146,829	115,535
Total assets		152,124	155,800
Current liabilities			
Trade and other payables		110	112
Provisions		63	62
Total current liabilities		173	174
Total liabilities		173	174
Net assets		151,951	155,626
Equity			
Issued capital	8	133,091	133,091
Reserves	9	13,864	13,310
Retained earnings		4,996	9,225
Total equity		151,951	155,626

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half year ended 31 December 2022

	Issued capital \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000
Balance as at 1 July 2022	133,091	13,310	9,225	155,626
Comprehensive income / (loss)				
Loss for the half year	-	-	(4,229)	(4,229)
Other comprehensive income / (loss)	-	-	-	-
Total comprehensive loss	-	-	(4,229)	(4,229)
Transactions with owners				
Share-based payments	-	554	-	554
Total transactions with owners	-	554	-	554
Balance as at 31 December 2022	133,091	13,864	4,996	151,951
	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total \$'000
Balance as at 1 July 2021	133,091	12,150	(16,854)	128,387
Comprehensive income / (loss)				
Loss for the half year	-	-	(2,084)	(2,084)
Other comprehensive income / (loss)	-	-	-	-
Total comprehensive loss	-	-	(2,084)	(2,084)
Transactions with owners				
Share-based payments	-	719	-	719
Total transactions with owners	-	719	-	719
Balance as at 31 December 2021	133,091	12,869	(18,938)	127,022

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the half year ended 31 December 2022

	31 December 2022	31 December 2021
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers	-	117
Payments to suppliers and employees	(1,445)	(1,364)
Interest received	239	6
Bank fees and charges	(1)	(1)
Net cash used in operating activities	(1,207)	(1,242)
Cash flows from investing activities		
Payments for exploration and evaluation expenditure	-	(163)
Investment in joint venture	(33,771)	-
Release of bonds and securities	-	27
Net cash used in investing activities	(33,771)	(136)
Cash flows from financing activities		
Proceeds from issue of shares	-	-
Payments for share issue costs	-	-
Net cash from financing activities	-	-
Net decrease in cash and cash equivalents	(34,978)	(1,378)
Cash and cash equivalents at the beginning of the period	40,223	6,519
Cash and cash equivalents at the end of the period	5,245	5,141

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2022

1. CORPORATE INFORMATION

The consolidated financial report for the half year ended 31 December 2022 covers Sheffield Resources Limited (Sheffield, parent entity or the Company) and its controlled entities (collectively known as the Group or consolidated entity). The principal activities during the period were mineral sands exploration and development within Australia.

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

The consolidated financial report of Sheffield for the half year ended 31 December 2022 was authorised for issue in accordance with a resolution of the Directors on 21 February 2023.

2. STATEMENT OF COMPLIANCE

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

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

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2022 and any public announcements made by Sheffield Resources Limited during the half year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

3. BASIS OF PREPARATION

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

For the purposes of preparing the interim report, the half year has been treated as a discrete reporting period. The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

Share-based payments transactions

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

Investment in joint venture

The Group determines whether it is necessary to recognise an impairment loss on its investment in joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and carrying value, and then recognises the loss within "Share of joint venture profit / loss" in the statement of profit or loss.

Upon loss of significant influence or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

5. NEW AND REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

The Group adopted all new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and are mandatory for the current financial reporting period beginning 1 July 2022. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

6. SEGMENT REPORTING

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

The Group's operating segments are as follows:

- Sheffield project – Project consists of mineral sand exploration tenements held by Sheffield Resources Limited. Sheffield sold 100% owned Eneabba and McCalls Project during the year ended 30 June 2022. Sheffield did not own any exploration tenement at reporting date.
- Thunderbird project – Project consists of mineral sands tenements located in the Canning Basin that form part of the Thunderbird Mineral Sands project held by Thunderbird Operations Pty Ltd, subsidiary of Kimberley Mineral Sands Pty Ltd (KMS). YGH Australia Investment Pty Ltd (Yansteel) entered into a 50:50 joint venture with Sheffield to own and develop the Thunderbird project in 2021. The ownership of Thunderbird project was previously held by Sheffield through its 100% owned subsidiary KMS prior to the formation of the joint venture. KMS became jointly owned by Sheffield and Yansteel as at 12 March 2021. Please refer to Note 7.
- Other unallocated items – corporate expenses and share-based payments are examples of items that are not allocated to operating segments as they are not considered part of the core operation of any segment.

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

	Sheffield project	Thunderbird project	Other	Total
31 December 2022	\$'000	\$'000	\$'000	\$'000
Other income	-	-	239	239
Corporate expenses	-	-	(1,991)	(1,991)
Share of joint venture loss	-	(2,477)	-	(2,477)
Segment loss before tax	-	(2,477)	(1,752)	(4,229)
Segment assets	-	146,829	5,295	152,124
Segment liabilities	-	-	173	173
Other disclosures				
Investment in joint venture	-	146,829	-	146,829
Capital expenditure	-	-	-	-

	Sheffield project ¹	Thunderbird project	Other	Total
31 December 2021	\$'000	\$'000	\$'000	\$'000
Other income	-	-	6	6
Corporate expenses	-	-	(1,885)	(1,885)
Share of joint venture loss	-	(205)	-	(205)
Segment loss before tax	-	(205)	(1,879)	(2,084)
Segment assets	6,809	116,196	5,210	128,215
Segment liabilities	-	-	1,193	1,193
Other disclosures				
Investment in joint venture	-	116,196	-	116,196
Capital expenditure	161	-	-	161

Note 1: Includes the Eneabba Project which was classed as assets held for sale as at 31 December 2021.

7. INTEREST IN JOINT VENTURE

Kimberley Mineral Sands Pty Ltd Joint Venture

YGH Australia Investment Pty Ltd (Yansteel) entered into a 50:50 joint venture with Sheffield to own and develop the Thunderbird Mineral Sands project (Thunderbird project) in 2021. The ownership of the Thunderbird project was previously held by Sheffield through its 100% owned subsidiary Kimberley Mineral Sands Pty Ltd (KMS) prior to the formation of the joint venture. The project is located in north-west Western Australia. As per the terms of the agreement, Yansteel subscribed for a 50% interest in KMS and provided \$130.1 million in project equity funding. KMS became jointly owned by Sheffield and Yansteel as at 12 March 2021 following completion of the joint venture transaction. Since that date, Sheffield's interest in KMS is accounted for using the equity method in the consolidated financial statements.

KMS made a Final Investment Decision (FID) to construct and develop the Thunderbird project on 7 October 2022. KMS reached financial close on a combined \$315m senior loan facilities provided by Northern Australia Infrastructure Facility (NAIF) and OMRF (Th) LLC, a related entity of Orion Mineral Royalty Fund (Orion). The additional project equity of \$169m is funded from a combination of \$111m in historical Yansteel equity funding, \$24m in new equity funding from Yansteel and \$34m of equity from Sheffield. The Sheffield new equity of \$34m includes the \$10m due in accordance with the KMS Joint Venture agreement. The Thunderbird project is fully funded through to first production and remains on track for first product shipment in Q1 2024.

Carrying amount in joint venture investment is as follows:

	Half Year Ended 31 December 2022	Year Ended 30 June 2022
	\$'000	\$'000
Reconciliation of carrying amount in joint venture investment – KMS		
Share of joint venture investment	115,535	126,401
Equity contribution at final investment decision ¹	10,000	-
Additional equity contribution in KMS ²	23,771	-
Sheffield's share of joint venture results – 50%	(2,477)	(866)
Carrying amount of interest in joint venture	146,829	125,535
Less contingent liabilities ¹	-	(10,000)
Carrying amount of interest in joint venture	146,829	115,535

Note 1: The payment made was contingent upon KMS reaching a final investment decision with regards to the Thunderbird project.

Note 2: Additional equity funding required to ensure that the Thunderbird project was fully funded through to first production.

KMS also had commitments and contingent liabilities as at 30 June 2022, for which the Group has corresponding commitments and contingent liabilities as disclosed in Note 10.

Summarised consolidated statement of profit or loss and other comprehensive income of KMS for the half years ended 31 December 2022 and 2021 are as follows:

	Joint venture (100%) 31 December 2022	Joint venture (100%) 31 December 2021
	\$'000 (Reviewed)	\$'000 (Reviewed)
Kimberley Mineral Sands Pty Ltd Joint Venture – continuing operations		
Other income	82	67
Expenses	(5,556)	(477)
Loss before income tax	(5,474)	(410)
Income tax benefit	521	-
Loss after income tax	(4,953)	(410)
Other comprehensive income / (loss)	-	-
Total comprehensive loss, net of tax	(4,953)	(410)
Reconciliation of share of joint venture results – continuing operations		
Sheffield's share of KMS joint venture results – 50%	(2,477)	(205)

Consolidated statement of financial position of KMS as at 31 December 2022 and 30 June 2022 is as follows:

		Joint venture (100%) 31 December 2022 \$'000 (Reviewed)	Joint venture (100%) 30 June 2022 \$'000 (Audited)
Current assets			
Cash and cash equivalents		40,509	53,197
Trade and other receivables		4,922	1,536
Prepayments		2,225	344
Inventories		143	194
Total current assets		47,799	55,271
Non-current assets			
Other non-current assets		961	511
Prepayments	7 (c)	114,778	-
Plant and equipment	7 (a)	24,172	10,572
Right of use assets	7 (a)	1,898	2,099
Mine assets under development	7 (a)	288,129	160,960
Exploration and evaluation assets		6,690	5,351
Total non-current assets		436,628	179,493
Total assets		484,427	234,764
Current liabilities			
Trade and other payables		27,078	21,778
Lease liabilities		325	360
Provisions		1,826	1,220
Total current liabilities		29,229	23,358
Non-current liabilities			
Lease liabilities		1,850	2,000
Other financial liabilities	7 (c)	114,778	-
Borrowings	7 (b)	71,607	-
Provisions		9,610	4,120
Deferred tax liabilities		7,280	7,802
Total non-current liabilities		205,125	13,922
Total liabilities		234,354	37,280
Net assets		250,073	197,484
Equity			
Issued capital		187,660	130,118
Reserves		88,713	88,713
Accumulated losses		(26,300)	(21,347)
Total equity		250,073	197,484

(a) Plant and equipment, right of use assets and mine assets under development

	Joint venture (100%)			Total \$'000
	Plant & equipment \$'000	Right of use assets \$'000	Mine assets under development \$'000	
31 December 2022				
Non-current assets				
Carrying amount – at cost	26,876	2,749	288,129	317,754
Accumulated depreciation	(2,704)	(851)	-	(3,555)
	24,172	1,898	288,129	314,199
Reconciliation				
Opening balance at the beginning of the period	10,572	2,099	160,960	173,631
Additions	32	-	137,013	137,045
Transfer between asset classes	14,723	-	(14,723)	-
Addition to mine rehabilitation asset	-	-	4,879	4,879
Depreciation expenses	(1,155)	(201)	-	(1,356)
	24,172	1,898	288,129	314,199

	Joint venture (100%)			Total \$'000
	Plant & equipment \$'000	Right of use assets \$'000	Mine assets under development \$'000	
30 June 2022				
Non-current assets				
Carrying amount – at cost	12,121	2,749	160,960	175,830
Accumulated depreciation	(1,549)	(650)	-	(2,199)
	10,572	2,099	160,960	173,631
Reconciliation				
Opening balance at the beginning of the period	3,208	1,831	72,226	77,265
Additions	88	-	92,923	93,011
Transfer between asset classes	7,751	-	(7,751)	-
Recognition of finance lease assets	-	675	-	675
Addition to mine rehabilitation asset	-	-	3,562	3,562
Depreciation expenses	(475)	(407)	-	(882)
	10,572	2,099	160,960	173,631

(b) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and redemption amount is recognised in the profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of the loan are recognised as transaction costs of the loan to the extent that it is probable that the facilities will be drawn down. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facilities to which they relate.

	Joint venture (100%) 31 December 2022 \$'000 (Reviewed)	Joint venture (100%) 30 June 2022 \$'000 (Audited)
Non-current liabilities		
Facility 1 – Northern Australia Infrastructure Facility	25,239	-
Facility 2 - Orion Mineral Royalty Fund	46,368	-
	71,607	-

Facility 1

On 4 October 2022, Kimberley Mineral Sands Pty Ltd's (KMS) wholly owned subsidiary, Thunderbird Operations Pty Ltd (TOPL) entered into a Facility Agreement with the Northern Australia Infrastructure Facility (NAIF) for \$160m inclusive of a term loan and cost overrun facility.

Facility 2

On 30 September 2022, KMS and TOPL entered into a Production Linked Loan Agreement with OMFR (Th) LLC, a related entity of Orion Mineral Royalty Fund (Orion) for US\$110m. The interest rate is subject to a minimum of 2% plus a 5% margin.

With regards to the production linked royalty payment, the payment will be 1.60% of FOB gross revenue for the period. The royalty payment is limited to Stage 1 production capacity capped at an annual production rate of 8.2m tonnes of ore. The repayment term is 25 years and is subject to a buyback provision curtailing the term to 12.5 years. The royalty payment commencement is the earlier of full repayment of facility obligations or 7 years following the date of the loan agreement.

(c) Production linked royalty

The Facility 2 royalty arrangement contains a "make whole" condition. Accordingly, a valuation of the make whole condition is required in conjunction with recognition of a financial liability and a corresponding recognition of a prepaid expense as at the issuance date of the loan.

The make whole amount is effectively the present value of the expected royalty payment which will be expensed through the life of the Facility 2 loan. On each financial reporting date, the make whole amount is recalculated with any difference recognised through the statement of profit or loss.

	Joint venture (100%) 31 December 2022 \$'000 (Reviewed)	Joint venture (100%) 30 June 2022 \$'000 (Audited)
Non-current assets		
Prepayments – prepaid expense on financing costs on royalty obligations	114,778	-
	114,778	-
Non-current liabilities		
Other financial liabilities – royalty make whole	114,778	-
	114,778	-

Consolidated statement of cash flows of KMS for the half years ended 31 December 2022 and 2021 are as follows:

	Joint venture (100%) 31 December 2022 \$'000 (Reviewed)	Joint venture (100%) 31 December 2021 \$'000 (Reviewed)
Cash flows from operating activities		
Receipts from customers	37	67
Payments to suppliers and employees	(56)	(263)
Interest received	12	-
Interest and other finance costs paid	(1)	(24)
Net cash used in operating activities	(8)	(220)
Cash flows from investing activities		
Payments for exploration and evaluation expenditure	(1,343)	(472)
Payments for plant and equipment	(14,755)	(50)
Payments for mine assets under development expenditure	(128,711)	(21,090)
Payments for bank guarantees	(470)	(66)
Net cash used in investing activities	(145,279)	(21,678)
Cash flows from financing activities		
Payments for lease liabilities	(185)	(137)
Proceeds from borrowings	75,242	-
Proceeds from issue of shares	57,542	-
Net cash (used in) / from financing activities	132,599	(137)
Net decrease in cash and cash equivalents	(12,688)	(22,035)
Cash and cash equivalents at the beginning of the year	53,197	128,217
Cash and cash equivalents at the end of the period	40,509	106,182

8. ISSUED CAPITAL

Reconciliation of movements in issued capital is as follows:

	Half Year Ended 31 December 2022		Year Ended 30 June 2022	
	Number	\$'000	Number	\$'000
Equity				
Opening balance at beginning of the period	346,587,555	133,091	346,054,761	133,091
Issued of fully paid ordinary shares ¹	-	-	532,794	-
Issued of fully paid ordinary shares ²	547,368	-	-	-
Share issue costs	-	-	-	-
	347,134,923	133,091	346,587,555	133,091

Note 1: Mr Bruce McFadzean stepped down from the Managing Director role on 1 July 2021 and subsequently retired from his position as Non-Executive Director on 6 September 2021. In addition to cash benefits made in favour of Mr McFadzean, the Board determined that Mr McFadzean could retain a portion of awards totalling 532,794 performance rights for nil consideration. Sheffield issued 532,794 fully paid ordinary shares to Mr McFadzean on 6 August 2021.

Note 2: On 13 December 2022, Sheffield issued 547,368 fully paid ordinary shares for nil consideration to former employees of Sheffield. The former employees exercised the performance rights previously granted to them during their employment with the Company.

9. RESERVES

Reconciliation of movements in reserves is as follows:

	Half Year Ended 31 December 2022	Year Ended 30 June 2022
	\$'000	\$'000
Equity		
Opening balance at beginning of the period	13,310	12,150
Share-based payments expenses	554	1,160
	13,864	13,310

Employee share option plan

The following options were in place at reporting date:

Date of expiry	Grant date	Exercise price	Number under options
30 November 2023	19 November 2019	\$0.65	960,000
30 October 2026	25 November 2021	\$0.33	700,000
30 November 2025	25 November 2021	\$0.65	480,000
30 November 2026	22 November 2022	\$0.84	480,000
1 December 2027	22 November 2022	\$0.59	421,271
			3,041,271

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

Date of expiry	Grant date	Exercise price	Number under options
30 November 2026	22 November 2022	\$0.84	480,000
1 December 2027	22 November 2022	\$0.59	421,271
			901,271

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

Number	480,000	421,271
Expiry date	30 November 2026	1 December 2027
Grant date	22 November 2022	22 November 2022
Vesting date	22 November 2022	30 June 2025
Exercise price	\$0.84	\$0.59
Dividend yield	0%	0%
Expected volatility	70%	70%
Risk-free interest rate	3.355%	3.225%
Expected life of options	3.92 years	4.92 years
Grant date share price	\$0.59	\$0.59
Fair value at grant date	\$0.27	\$0.31

Movement in options

	Half Year Ended 31 December 2022		Year Ended 30 June 2022	
	Number under options	Weighted average exercise price	Number under options	Weighted average exercise price
Movement in options				
Outstanding at beginning of the period	2,140,000	\$0.55	960,000	\$0.65
Granted during the period	901,271	\$0.72	1,180,000	\$0.46
Exercised during the period	-	-	-	-
Lapsed during the period	-	-	-	-
Cancelled during the period	-	-	-	-
Outstanding at the end of the period	3,041,271	\$0.60	2,140,000	\$0.55
Exercisable at the end of the period	1,920,000	\$0.54	1,440,000	\$0.55

The weighted average contractual remaining life of the share options outstanding as at 31 December 2022 is 2.93 years (30 June 2022: 2.82 years).

Employee incentive plan

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

Date of expiry	Grant date	Exercise price	Number under rights
26 October 2025	6 November 2018	Nil	158,940
1 December 2025	22 December 2018	Nil	750,999
30 October 2026	25 November 2021	Nil	135,455
30 October 2026	25 November 2021	Nil	3,318,182
1 December 2027	22 November 2022	Nil	271,526
			4,635,102

Performance rights issued during the half year as remuneration to key management personnel, as approved at the 2022 Annual General Meeting of Shareholders, are as follows:

Date of expiry	Grant date	Exercise price	Number under rights
1 December 2027	22 November 2022	Nil	271,526
			271,526

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

Number	271,526
Expiry date	1 December 2027
Grant date	22 November 2022
Vesting date	30 June 2023
Exercise price	Nil
Dividend yield	0%
Expected volatility	70%
Risk-free interest rate	3.13%
Expected life of rights	4.92 years
Grant date share price	\$0.59
Fair value at grant date	\$0.59

	Half Year Ended 31 December 2022		Year Ended 30 June 2022	
	Number under rights	Weighted average grant price	Number under rights	Weighted average grant price
Movement in performance rights				
Outstanding at beginning of the period	5,227,005	\$0.45	7,916,861	\$0.53
Granted during the period	271,526	\$0.59	3,769,698	\$0.33
Exercised during the period ¹	(547,368)	\$0.77	(532,794)	\$0.78
Lapsed during the period	(316,061)	\$0.33	(4,751,235)	\$0.36
Cancelled / Forfeited during the period	-	-	(1,175,525)	\$0.79
Outstanding at the end of the period	4,635,102	\$0.43	5,227,005	\$0.45
Exercisable at the end of the period	1,045,395	\$0.73	-	-

Note 1: On 13 December 2022, Sheffield issued 547,368 fully paid ordinary shares for nil consideration to former employees of Sheffield. The former employees exercised the performance rights previously granted to them during their employment with the Company.

The weighted average remaining contractual life of the performance rights as at 31 December 2022 is 3.71 years (30 June 2022: 4.08 years).

10. COMMITMENTS

Kimberley Mineral Sands Pty Ltd Joint Venture

YGH Australia Investment Pty Ltd (Yansteel) entered into a 50:50 joint venture with Sheffield to own and develop the Thunderbird Mineral Sands project (Thunderbird project) in 2021. The ownership of the Thunderbird project was previously held by Sheffield through its 100% owned subsidiary Kimberley Mineral Sands Pty Ltd (KMS) prior to the formation of the joint venture. The project is located in north-west Western Australia. As per the terms of the agreement, Yansteel subscribed for a 50% interest in KMS and provided \$130.1 million in project equity funding. KMS became jointly owned by Sheffield and Yansteel as at 12 March 2021 following completion of the joint venture transaction. Since that date, Sheffield's interest in KMS is accounted for using the equity method in the consolidated financial statements. Please refer to Note 7 for additional information.

KMS reported exploration commitments of \$1.63m for 2023. KMS also has the following capital commitments relating to Thunderbird co-existence agreement:

- \$0.4m annual support payment; and
- \$1.0m payable within 20 days of the commencement of production.

KMS has contingent liabilities as at 31 December 2022 of \$1.7m. These liabilities relate to contractual payments due following successful project construction and testing activities.

11. CONTINGENT LIABILITIES

The Group has no other contingent liabilities as at 31 December 2022.

12. EVENTS SUBSEQUENT TO REPORTING PERIOD

On 23 January 2023, Sheffield issued 126,683 fully paid ordinary shares for nil consideration to former employees of Sheffield. The former employees exercised the performance rights previously granted to them during their employment with the Company.

On 14 February 2023, Sheffield provided an update to Thunderbird Mineral Sands Project construction activities. The Company noted that construction activities were over 75% complete and the total direct expenditures through to commencement of operations now estimated at \$407m, with a total funding requirement remaining at \$484m.

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

DIRECTORS' DECLARATION

1. In the opinion of the Directors of the Company:
 - a. the accompanying financial statements and notes are in accordance with the Corporations Act 2001 including:
 - i. giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half year then ended; and
 - ii. complying with Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements.
 - b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
 - c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the half year ended 31 December 2022.

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



Bruce Griffin

Executive Chair

Perth, Western Australia

21 February 2023

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Sheffield Resources Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Sheffield Resources Limited ("the Company") which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, for the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

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

Responsibility of the directors for the financial report

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

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Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Independence

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



HLB Mann Judd
Chartered Accountants

Perth, Western Australia
21 February 2023



N G Neill
Partner