



SheffieldResources
LIMITED

ABN 29 125 811 083

Interim Financial Report

For the half year ended 31 December 2017

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DIRECTORS' REPORT

Your Directors submit the financial report of the Group for the half year ended 31 December 2017. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows.

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	Non-Executive Chairman
Bruce McFadzean	Managing Director
David Archer	Technical Director
Bruce McQuitty	Non-Executive Director

REVIEW OF OPERATIONS

During the half year, the Company continued progress toward development of its world class Thunderbird Mineral Sands Project (Thunderbird), located in the Canning Basin in northern Western Australia. A number of milestones for offtake, financing and construction readiness were delivered, as described below.

The Company welcomed several major new off-take partners, with a number of binding offtake agreements signed with the following parties:

- **Ruby Ceramics Pvt Ltd** - minimum annual supply of 6,000 tonnes of premium zircon;
- **Sukaso Ceracolors Ceramics Pvt Ltd** - minimum annual supply of 12,000 tonnes of premium zircon;
- **CFM Minerales s.a** - minimum annual supply of 4,000 tonnes of premium zircon;
- **Hainan Wensheng High-Tech Materials Company Limited** - minimum annual supply of 27,000 tonnes of zircon concentrate;
- **Nanjing Rzisources International Trading Co Ltd** - minimum annual supply of 15,000 tonnes of premium zircon and 23,000 tonnes of zircon concentrate

Subsequent to the end of the half year, the company entered into an agreement for the minimum annual supply of 9,000 tonnes of premium zircon with Qingyuan Jinsheng ZR & TI Resources Co. Ltd.

With the conclusion of the above agreements, 100% of zircon concentrate and approximately 75% of premium zircon for Stage 1 of Thunderbird has been secured under binding agreements (see ASX announcements dated 12 September 2017, 25 September 2017, 30 October 2017, 12 December 2017, 22 December 2017 and 1 February 2018). Thunderbird product demand remains strong as Sheffield's negotiations toward agreement on the remaining premium zircon and ilmenite products remain on track.

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

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

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

Environmental permitting activities continued to advance with the Environmental Protection Agency (EPA) recommending approval of Thunderbird Project during the December quarter. The environmental approvals process is expected to conclude in early Q2 2018.

In December 2017, the Full Federal Court of Australia set aside a previous order made by the court, in finding that good faith procedural obligations continue to apply following a future act determination application (FADA). Subsequently, the court ordered that the matter be remitted to the National Native Title Tribunal (NNTT) to reconsider the previous good faith finding to include the negotiation period post FADA. It is anticipated the NNTT will hear the case in the current quarter.

Mineral Resource estimates were completed for the Robbs Cross and Thomsons deposits at the Eneabba HMS Project, located about 110km north of Perth in Western Australia's Midwest region. At Robbs Cross, immediately north of Sheffield's Drummond Crossing deposit, Mineral Resources comprising 17.8 million tonnes @ 1.9% heavy mineral (HM) above a 1.4% HM cut-off (Indicated and Inferred) have been estimated. At Thomsons, Mineral Resources comprising 26 million tonnes @ 2.0% heavy mineral (HM) above a 1.4% HM cut-off (Inferred) have been estimated. Both deposits have high components of valuable heavy minerals (VHM), with mineralisation near-surface. The addition of Robbs Cross and Thomsons brings total Mineral Resources for Sheffield's Eneabba HMS Project to over 7.6 million tonnes contained HM (Measured, Indicated and Inferred) in seven deposits, including 897kt of zircon, 540kt of rutile, 323kt of leucoxene and 4,703kt of ilmenite (refer Sheffield Resources Limited December 2017 Quarterly Activities Report dated 30 January 2017 for further details).

The Company was successful in achieving a number of strategic corporate objectives during the half year. In December 2017, Sheffield completed the divestment of its portfolio of gold and base metal assets, with the highly successful spin out of Carawine Resources Limited ("Carawine") and subsequent Initial Public Offer of Carawine. Also during the half year, the Company concluded an oversubscribed equity placement and share purchase plan, raising \$32 million (before costs).

THUNDERBIRD MINERAL SANDS PROJECT

Project Construction Readiness

During the half year, following conclusion of a detailed tender process targeting the selection of an engineering, procurement and construction (EPC) contractor, Sheffield appointed GR Engineering Services Limited (GRES) as preferred EPC tenderer. An Early Works Agreement and Key Term Sheet is in place and GRES are advancing engineering and design activities in preparation for construction of Stage 1 of Thunderbird. Front end engineering design work to support the low temperature roast (LTR) process is well underway.

A number of contracting activities continue to progress well, including the negotiation of electricity and gas supply arrangements and mining services arrangements with shortlisted counterparties.

Early Works Program

Initial earthworks and site access to support Thunderbird were initiated during the December quarter. The early works program is being undertaken in accordance with the State Government approved MoPW program, with activity during the quarter focussed on upgrading site access roads and clearing areas in preparation for accommodation village installation. Kimberley based earthmoving contractors and businesses have been engaged to carry out the work program, delivering economic benefits to the region.



Figure 1 & 2: Site access and clearance of accommodation area underway at Thunderbird

Accommodation Village

During the quarter, Sheffield acquired a modern 328-room accommodation village and associated infrastructure for Thunderbird. The quality and modern amenities include an industrial scale kitchen, dining areas and laundry facilities,

providing Sheffield with a significant opportunity to realise a cost effective solution for Thunderbird accommodation. The village installation is expected to commence during Q1 2018 as part of the Minor or Preliminary Works and in readiness for the proposed EPC schedule.

Work Ready Program

The construction Work Ready Program (WRP), launch in mid-2017, was completed with 14 participants successfully graduating from the program. The program was delivered in partnership with local employment and training organisations Winun Ngari Aboriginal Corporation, based in Derby, and Nirrumbuk Aboriginal Corporation, based in Broome.

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



Figure 3 & 4: Trainees and mentors from Derby based Winun Ngari Aboriginal Corporation and Broome based Nirrumbuk Aboriginal Corporation

Sustainability

Permitting activities continued to advance throughout the half year with the Environmental Protection Agency (EPA) recommending approval of Thunderbird Project. The environmental approval process for Thunderbird is targeted for completion in early Q2 2018.

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

The significance of this decision for Sheffield is that it changes the previously understood construction of the Native Title Act, which was that the obligation to negotiate in good faith ceased to apply once a FADA has been made. This hearing by the NNTT is anticipated in early 2018.

Marketing and Offtake

Significant offtake milestones were achieved during the half year, with Sheffield securing binding offtake agreements for the future sales of 50,000 tonnes of zircon concentrate and 37,000 tonnes of premium zircon, (see ASX 2017 announcements dated 12 September, 25 September, 30 October, 12 December, and 22 December). Subsequent to the end of the half year, the company entered into an agreement for the minimum annual supply of 9,000 tonnes of premium zircon with Qingyuan Jinsheng ZR & TI Resources Co. Ltd (see ASX announcement dated 1 February 2018). Total binding offtake agreements now represent 100% of zircon concentrate and 93% of the premium zircon produced from Stage 1 of the Thunderbird Project. Negotiations continue with suitable counterparties for the remainder of the premium zircon and LTR ilmenite.

Market conditions for TiO₂ products have remained steady during the half year with prices and demand remaining strong. This situation is expected to continue well into 2018.

Supply shortages have continued to positively impact pricing for zircon products throughout the December quarter of 2017. Continued supply constraints and limited surplus stock is expected to place further upward price pressure on zircon material into 2018.

Project Financing

In October 2017, Sheffield concluded a debt financing process, culminating in the appointment of Taurus Mining Finance Fund as mandated lead arranger and underwriter of a US\$200M debt finance facility package to support the development of Thunderbird (see ASX announcement dated 18 October 2017). Due diligence activities are well advanced ahead of concluding a full form debt facility agreement.

EXPLORATION ACTIVITIES

DAMPIER REGIONAL MINERAL SANDS

Planning and permitting for regional exploration on the Dampier project have continued, with programs expected to commence during H1 2018.

DERBY EAST PROJECT

Sheffield is investigating the potential of the Derby East Project tenements, located 25km east of Derby, to yield commercial quantities of sand for construction purposes. Work to date has been encouraging (see Sheffield's September, 2017 Quarterly Report for details), with further drilling required to better define the potential quantities of these sands, along with additional test work designed to assess suitability for specific end-use requirements. Sheffield will continue to evaluate the opportunity presented by this deposit.

ENEABBA MINERAL SANDS

Maiden Mineral Resource estimates incorporating results from recent exploration drilling were completed at the Robbs Cross and Thomsons HMS deposits, within Sheffield's 100% owned Eneabba Project located about 110km north of Perth in Western Australia's Midwest region. Please refer Sheffield Resources Limited December 2017 Quarterly Activities Report dated 30 January 2017 for full details.

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

Further Work

Future work for the Eneabba Project will initially concentrate on a review of the remainder of the Project's Mineral Resources (Yandanooka, Durack, West Mine North and Ellengail) to enable reporting under the JORC Code (2012).

CORPORATE ACTIVITIES

During the half year, the Company completed a share placement to professional and sophisticated investors, raising a total of \$30 million to advance the development of Thunderbird. Additionally, the Company concluded a \$2 million underwritten share purchase plan which was significantly oversubscribed (see ASX announcement dated 25 October 2017 and 16 November 2017).

The Company concluded a debt financing process, culminating in the appointment of Taurus as mandated lead arranger and underwriter of a US\$200M debt finance facility package to support the development of the Thunderbird Mineral Sands Project (see ASX announcement dated 18 October 2017). In conjunction with mandated debt facility arrangements, Sheffield continues to advance discussions with a number of strategic partners with a view to participation in the development of the Thunderbird project.

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 half year financial report. This Independence Declaration is set out on page 11 and forms part of this Directors' report for the half year ended 31 December 2017.

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.



Mr Bruce McFadzean
Managing Director

13 FEBRUARY 2018

Ore Reserves and Mineral Resources

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

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

Ore Reserves											
<i>Dampier Project Ore Reserves^{1,4}</i>											
Deposit	Ore Reserve Category	Ore Tonnes (millions)	In-situ HM Tonnes (millions)	HM Grade (%)	Valuable HM Grade (In-situ) ²					Slimes (%)	Osize (%)
					Zircon %	HiTi Leuc %	Leuc %	Ilmenite %			
Thunderbird	Proved	235.8	31.4	13.3	1.00	0.29	0.26	3.55	16.5	13.7	
	Probable	444.8	45.4	10.2	0.80	0.26	0.26	2.85	15.2	11.0	
	Total	680.6	76.8	11.3	0.87	0.27	0.26	3.10	15.7	12.0	
Deposit	Ore Reserve Category	Ore Tonnes (millions)	In-situ HM Tonnes (millions)	HM Grade (%)	Mineral Assemblage ³					Slimes (%)	Osize (%)
					Zircon (%)	HiTi Leuc (%)	Leuc (%)	Ilmenite (%)			
Thunderbird	Proved	235.8	31.4	13.3	7.5	2.2	1.9	26.7	16.5	13.7	
	Probable	444.8	45.4	10.2	7.8	2.5	2.6	28.0	15.2	11.0	
	Total	680.6	76.8	11.3	7.7	2.4	2.3	27.4	15.7	12.0	

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

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

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

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

Mineral Resources

Dampier Project Mineral Resources^{1,2,5}

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

Eneabba Project Mineral Resources^{2,4,6}

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

McCalls Project Mineral Resources^{2,4,6}

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

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

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

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

4) West Mine North, Durack, Drummond Crossing, Robbs Cross, Thomsons and McCalls are reported below a 35% Slimes upper cutoff.

5) Mineral Resources for Dampier, McCalls, Robbs Cross and Thomsons were prepared and first disclosed under the JORC Code (2012).

6) Mineral Resources reported for Yandanooka, Durack, Drummond Crossing, Ellengail and West Mine North were prepared and first disclosed under the JORC Code 2004. These have not been updated since to comply with the JORC Code 2012 on the basis that the information on which the Resource estimates are based has not materially changed since it was last reported.

The Company's Ore Reserves and Mineral Resources Statement is based on information first reported in previous ASX announcements by the Company. These announcements are listed below and are available to view on Sheffield's website www.sheffieldresources.com.au. Mineral Resources and Ore Reserves reported for the Dampier Project and Mineral Resources reported for McCalls, Robbs Cross and Thomsons were prepared and first disclosed under the JORC Code (2012). Mineral Resources reported for Yandanooka, Durack, Drummond Crossing, Ellengail and West Mine North were prepared and first disclosed under the JORC Code (2004), these have not been updated since to comply with the JORC Code (2012) on the basis that the information on which the Mineral Resource estimates are based has not materially changed since it was last reported.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the 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 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 Person's findings are presented have not been materially modified from the relevant original market announcement.

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

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

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

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

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

FORWARD LOOKING AND CAUTIONARY STATEMENTS

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

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 2017, 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
13 February 2018

D I Buckley
Partner

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT/(LOSS) AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	Consolidated	
	31 December 2017 \$	31 December 2016 \$
Continuing operations		
Interest income	143,717	131,191
Other Income	-	12,074
Employee benefits expense	(865,592)	(569,036)
Depreciation expense	(27,484)	(27,468)
Impairment of deferred exploration and evaluation expenditure	(213,667)	(217,564)
Share-based payments	(368,165)	(2,330,625)
Other expenses	(1,346,241)	(1,150,412)
Gain on demerger of subsidiary	2 990,458	-
Gain on disposal of asset	30,000	-
Sale of interest in tenements	-	(1,518,951)
Loss before income tax	(1,656,974)	(5,670,791)
Income tax benefit	-	1,214,716
Loss after tax from continuing operations	(1,656,974)	(4,456,075)
Other comprehensive income	-	-
Total comprehensive loss for the period	(1,656,974)	(4,456,075)
Basic earnings per share (cents per share)	(0.84)	(2.62)
Dilutive earnings per share (cents per share)	(0.84)	(2.62)

The accompanying notes form part of these financial statements

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Notes	Consolidated	
		31 December 2017 \$	30 June 2017 \$
Assets			
Current Assets			
Cash and cash equivalents		31,638,473	8,334,797
Trade and other receivables		966,338	289,265
Other financial assets		-	-
Total Current Assets		32,604,811	8,624,062
Non-Current Assets			
Plant and equipment	3	2,577,014	107,289
Deferred exploration and evaluation expenditure	4	5,790,876	38,524,480
Mine development	5	35,279,400	-
Total Non-Current Assets		43,647,290	38,631,769
Total Assets		76,252,101	47,255,831
Liabilities			
Current Liabilities			
Trade and other payables	6	5,293,589	1,279,017
Employee benefits		232,714	270,493
Total Current Liabilities		5,526,303	1,549,510
Total Liabilities		5,526,303	1,549,510
Net Assets		70,725,798	45,706,321
Equity			
Issued capital	7	81,030,243	54,721,957
Reserves		6,438,058	6,069,893
Accumulated losses		(16,742,503)	(15,085,529)
Total Equity		70,725,798	45,706,321

The accompanying notes form part of these financial statements

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	Issued Capital	Accumulated Losses	Reserves	Total Equity
	\$	\$	\$	\$
Balance at 1 July 2016	38,643,783	(5,871,151)	2,497,303	35,269,935
Loss for the period	-	(4,456,075)	-	(4,456,075)
Total comprehensive loss for the period	-	(4,456,075)	-	(4,456,075)
Shares issued during the period	17,129,456	-	-	17,129,456
Share issue costs	(1,051,628)	-	-	(1,051,628)
Share-based payments	-	-	2,330,625	2,330,625
Balance at 31 December 2016	54,721,611	(10,327,226)	4,827,928	49,222,313

	Issued Capital	Accumulated Losses	Reserves	Total Equity
	\$	\$	\$	\$
Balance at 1 July 2017	54,721,957	(15,085,529)	6,069,893	45,706,321
Loss for the period	-	(1,656,974)	-	(1,656,974)
Total comprehensive loss for the period	-	(1,656,974)	-	(1,656,974)
Shares issued during the period	32,001,257	-	-	32,001,257
Share issue costs	(2,027,195)	-	-	(2,027,195)
Share capital reduction demerger	(3,665,776)	-	-	(3,665,776)
Share-based payments	-	-	368,165	368,165
Balance at 31 December 2017	81,030,243	(16,742,503)	6,438,058	70,725,798

The accompanying notes form part of these financial statements

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	Consolidated	
	31 December 2017 \$	31 December 2016 \$
	Inflows/(Outflows)	
Cash flows from operating activities		
Research and development tax refund	-	1,214,716
Receipts from customers	-	-
Payments to suppliers and employees	(2,934,602)	(2,899,249)
Interest received	69,734	76,468
Net cash inflows/(outflows) from operating activities	(2,864,868)	(1,608,065)
Cash flows from investing activities		
Payments for exploration and evaluation expenditure	(548,265)	(6,079,407)
Payments for development expenditure	(790,044)	-
Payments for plant and equipment	(2,497,209)	(7,289)
Payments for other financial assets	-	(4,999,990)
Proceeds from disposal of financial assets	-	62,018
Proceeds from disposal of assets	30,000	-
Proceeds from sale of tenements	-	500,000
Net cash (outflows) from investing activities	(3,805,518)	(10,524,668)
Cash flows from financing activities		
Proceeds from issue of shares	32,001,257	17,129,456
Payments for share issue costs	(2,027,195)	(1,051,628)
Net cash inflows from financing activities	29,974,062	16,077,828
Net increase/(decrease) in cash held	23,303,676	3,945,095
Cash and cash equivalents at the beginning of the period	8,334,797	5,007,475
Cash and cash equivalents at the end of the period	31,638,473	8,952,570

The accompanying notes form part of these financial statements

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2017

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These 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 condensed 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 2017 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.

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 purpose 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.

Significant accounting judgments and key estimates

The preparation of half year financial report 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.

Except as described below, in preparing this half year financial report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2017.

During the half year, as a result of changes in the timeline for the development of the Thunderbird Mineral Sands Project, the Group has revised the vesting target dates relating to its share-based payments. This revision in timeline has resulted in a material change to share-based payments expense and corresponding reserve. The change in vesting conditions is described in note 12.

Accounting policies and method of computation

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding interim reporting period. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

During the period the Group applied the following new accounting policy:

Mine Development

Mine development expenditure represents the costs incurred in preparing mines for commissioning and production, and also includes other directly attributable costs incurred before production commences. These costs are capitalised to the extent they are expected to be recouped through successful exploitation of the related mining project. Once production commences, these costs are amortised over the estimated economic life of the mine on a units of production basis. The development costs are written off if the mine property is abandoned. Development costs incurred to maintain production are expensed as incurred against the related production.

Any rebate received for eligible Research and Development ("R&D") activities are offset against the area where the costs were initially incurred. For R&D expenditure that has been capitalised any claim received will be offset against Mine development expenditure in the Consolidated Statement of Financial Position.

At each reporting date, the entity assess whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the entity makes a forma estimate of recoverable amount. Where the carrying amount of an asset exceeds it recoverable amount the asset is considered impaired and is written down to it recoverable amount

Adoption of new and revised standards

The group has reviewed all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current half year. The group has also reviewed all standards and interpretations that have been issued but are not yet effective for the half year ended 31 December 2017. As a result of this review, the directors have determined that there is no material impact on the Group and, therefore, no material change is necessary to Group accounting policies.

NOTE 2: GAIN ON DEMERGER OF SUBSIDIARY

	Consolidated	
	31 December 2017	30 June 2017
	\$	\$
Exploration and evaluation at disposal date	(2,675,318)	-
Share capital reduction	3,665,776	-
Gain on demerge of Carawine Resources Ltd	990,458	-

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

NOTE 3: PLANT AND EQUIPMENT

	Consolidated	
	31 December 2017	30 June 2017
	\$	\$
Non-Current Assets		
Balance at beginning of period net of accumulated depreciation and impairment	107,289	101,174
Transfer from mine development	5 2,481,599	-
Additions	15,610	55,517
Depreciation charge for the year	(27,484)	(49,402)
	2,577,014	107,289

NOTE 4: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	31 December 2017	30 June 2017
	\$	\$
Costs carried forward in respect of areas of interest in the following phases:		
Exploration and evaluation phase – at cost		
Balance at beginning of period	38,524,480	32,313,985
Expenditure incurred	1,492,397	10,021,650
¹ Transfer to mine development	(31,337,016)	-
² Demerger of subsidiary	(2,675,318)	-
Sale of interest in tenements	-	(2,018,951)
Exploration expenditure impaired / written off	(213,667)	(1,792,204)
Total deferred exploration and evaluation expenditure	5,790,876	38,524,480

¹ During the half year the decision to commence development of the Thunderbird Mineral Sands project was made. Costs associated with the Thunderbird project, previously capitalised to exploration and evaluation have been transferred to mine development

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

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: MINE DEVELOPMENT EXPENDITURE

	Consolidated	
	31 December 2017	30 June 2017
	\$	\$
Balance at beginning of period	-	-
Transfer from exploration and evaluation	31,337,016	-
Additions	6,423,983	-
Transfer to plant and equipment	³ (2,481,599)	-
Total mine development expenditure	35,279,400	-

¹ During the half year the Group purchased an accommodation village to be installed at the Thunderbird Project. The costs associated with this purchase have been transferred to property, plant & equipment.

NOTE 6: TRADE AND OTHER PAYABLES

	Consolidated	
	31 December 2017	30 June 2017
	\$	\$
Trade creditors	2,728,712	1,114,965
Accruals	2,446,657	75,830
Other creditors	118,220	88,222
	5,293,589	1,279,017

NOTE 7: ISSUED CAPITAL

	Consolidated	
	31 December 2017	30 June 2017
<i>Ordinary shares</i>	\$	\$
Issued and fully paid	81,030,243	54,721,957

	Consolidated			
	No.		\$	
	31 December 2017	30 June 2017	31 December 2017	30 June 2017
<i>Movements in ordinary shares on issue</i>				
At start of period	181,358,784	147,414,062	54,721,957	38,643,783
Issue of fully paid ordinary shares at \$0.52 each	-	32,939,994	-	17,128,798
Issue of fully paid ordinary shares at \$0.70 each	45,714,360	-	32,000,052	-
Issued for cash on exercise of share options	1,204,157	1,004,728	1,166	1,004
Return of capital for demerger	-	-	(3,665,737)	-
Share issue costs	-	-	(2,027,195)	(1,051,628)
At end of period	228,277,301	181,358,784	81,030,243	54,721,957

NOTE 8: DIVIDENDS

No dividends were paid or declared during the half year ended 31 December 2017.

NOTE 9: SEGMENT REPORTING

December 2017	Sheffield Project	Thunderbird Project	Unallocated Corporate / Other	Consolidated
Other income	-	-	143,717	143,717
Other expenses	-	(68,010)	(1,519,016)	(1,587,026)
Exploration write off	(213,667)	-	-	(213,667)
Segment assets	5,790,876	38,161,542	32,299,683	76,252,101
Segment Liabilities	-	(4,357,782)	(1,168,522)	(5,526,304)

Description of Projects

I. Sheffield Project

This project consists of mineral sand exploration tenements located in Western Australia, exploration activities continue to be conducted in these areas.

II. Thunderbird Project

This project consists of mineral sand tenements located in the Canning Basin that form part of the Thunderbird mineral sand mining operation, currently under construction.

III. Unallocated Items

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

- corporate expenses; and
- share-based payment expense.

NOTE 11: FINANCIAL INSTRUMENT

The directors consider that the carrying value of the financial assets and liabilities as recognised in the financial statements approximate their fair values.

NOTE 12: SHARE-BASED PAYMENT PLANS

Options

The following unlisted options were issued during the half year to employees in accordance with the Employee Share Option Plan of the Company:

	Number	Grant date	Expiry date	Exercise price	Fair value at grant date
SERIES 12	810,422	22/11/2017	30/11/2021	0.001	598,773

During the half year, the Group revised the target vesting dates relating to its options with performance measures. The following table describes the change in vesting dates:

Measure	Original Vesting Date	Revised Vesting Date	Series Applicable	Condition
1	Vested	-	5,6,9	Completion of feasibility study
2	30/06/2017	31/12/2018	5,6,9,10	Financing complete
3	30/06/2017	30/06/2018	9	Offtake agreements ilmenite
4	30/06/2017	30/06/2018	9	Offtake agreements zircon
5	31/03/2019	31/03/2020	5,6,9,10	First product shipped

The change in accounting estimate has resulted in a reduction to the share-based payments expense of \$91,474.

The following share-based payment arrangements were in place in the current and prior period and were not subject to an Employee Share Option plan:

	Number	Grant date	Expiry date	Exercise Price	Fair value at grant date
SERIES 2	500,000	26/03/2013	26/09/2018	0.66	94,466
SERIES 3	1,400,000	20/03/2013	19/03/2019	0.87	297,928
SERIES 4	1,600,000	20/03/2013	19/03/2021	1.16	358,671
SERIES 5 ²	3,000,000	02/11/2015	02/02/2020	0.001	1,883,226
SERIES 6 ³	700,000	16/11/2015	02/02/2020	0.001	409,945
SERIES 7	4,000,000	31/08/2016	31/08/2019	0.676	1,184,494
SERIES 8	877,672	17/11/2016	24/11/2020	0.001	464,357
SERIES 9 ⁴	2,100,000	17/11/2016	24/11/2020	0.001	1,111,065
SERIES 10 ⁵	700,000	24/11/2016	24/11/2020	0.001	419,355
SERIES 11	235,000	24/11/2016	24/11/2020	0.84	64,337
SERIES 12 ¹	810,422	22/11/2017	30/11/2021	0.001	598,773

¹On 22 November 2017 following approval at the Company's 2017 Annual General Meeting, the Company granted 810,422 remuneration options to key management personnel who accept a portion of their salary package as equity in lieu of cash. 65,230 options vested immediately with the remainder vesting pro rata each quarter during a period of one year from grant date. At 31 December 2017, 745,192 remuneration options remain unvested. The options have a 4 year term and an exercise price of \$0.001.

²500,000 options relate to performance measures that have vested / lapsed during the period, 1,000,000 options have a vesting date of 31/12/18 (2017: 30/06/17) and 1,500,000 options have a vesting date of 31/03/20 (2017: 31/03/19).

³200,000 options relate to performance measures that have vested/lapsed during the period, 200,000 options have a vesting date of 30/06/18 (2017: 30/06/17) and 300,000 options have a vesting date of 31/03/20 (2017: 31/03/19).

⁴250,000 options relate to performance measures that have vested/lapsed during the period, 450,000 options have a vesting date of 31/12/18 (2017: 30/06/17), 500,000 options have a vesting date of 30/06/18 (2017: 30/06/17) and 850,000 options have a vesting date of 31/03/20 (2017: 31/03/19).

⁵350,000 options have a vesting date of 31/12/18 (2017: 30/06/17) and 350,000 options have a vesting date of 31/03/20 (2017: 31/03/19).

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

SERIES 12

Dividend yield (%)	-
Expected volatility (%)	63
Risk-free interest rate (%)	2.02
Expected life of option (years)	4
Exercise price	0.001
Grant date share price (cents)	74

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

The following share options were exercised during the half year.

	Number exercised	Exercised date	Share price at exercise date
SERIES 5	475,000	06/10/2017	0.67
SERIES 6	145,000	06/10/2017	0.67
SERIES 8	244,699	03/11/2017	0.70
SERIES 8	101,958	06/11/2017	0.76
SERIES 9	47,500	05/10/2017	0.66
SERIES 9	142,500	06/10/2017	0.67
SERIES 9	47,500	30/10/2017	0.75

Performance Rights

The following performance rights were in place in the current period and were subject to the Company Performance Rights plan:

Number	Grant date	Expiry date	Share price at grant date
1,700,000	22/11/2017	30/11/2021	0.74

The Company granted 1,700,000 performance rights to Mr Stuart Pether subject to specific performance conditions. The vesting period for these rights occurs over 4 years with the following conditions attached:

- I. 850,000 Rights: Upon the successful completion of Thunderbird Project construction on time and within budget;
- II. 850,000 Rights: Upon the successful transition from the construction phase to operations phase, represented by achievement of commercial production on time and within budget.

NOTE 11: CONTINGENT LIABILITIES

The Directors are of the opinion that there are no contingent liabilities as at 31 December 2017 (2016: nil).

NOTE 12: MATERIAL CAPITAL COMMITMENTS

During the half year an Early Works agreement was entered into with GR Engineering. This agreement covers key engineering design and procurement activities that are required by the project. The total commitment under this agreement due within 12 months is \$1.5million. Costs incurred under this agreement to date total \$862,000.

NOTE 13: EVENTS SUBSEQUENT TO REPORTING DATE

No 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 Group'):

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 Group's financial position as at 31 December 2017 and of its performance for the half year then ended; and
2. There are reasonable grounds to believe that the Group 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.



Mr Bruce McFadzean
Managing Director

13 FEBRUARY 2018

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Sheffield Resources Limited

Report on the Condensed Interim Financial Report

Conclusion

We have reviewed the accompanying interim financial report of Sheffield Resources Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2017, the condensed consolidated statement of profit/(loss) and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated 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, 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 interim 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 Group's financial position as at 31 December 2017 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*.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the interim 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 interim financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim 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 interim 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 2017 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.

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

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A review of an interim 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



D I Buckley
Partner

Perth, Western Australia
13 February 2018