



SheffieldResources
LIMITED

ABN 29 125 811 083

Interim Financial Report

For the half-year ended 31 December 2013

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DIRECTORS' REPORT

Your directors submit the financial report of the consolidated entity for the half-year ended 31 December 2013. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

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

| | |
|--------------|--------------------|
| WILL BURBURY | Executive Chairman |
|--------------|--------------------|

| | |
|----------------|-------------------|
| BRUCE MCQUITTY | Managing Director |
|----------------|-------------------|

| | |
|--------------|--------------------|
| DAVID ARCHER | Technical Director |
|--------------|--------------------|

REVIEW OF OPERATIONS

Dampier HMS

Operations during the reporting period were primarily focused on the Company's flagship Dampier Heavy Mineral Sands (HMS) project, located near Derby in the Canning Basin region of Western Australia. The Dampier project contains the world class Thunderbird deposit and another prospect called Argo, located 12km to the west of Thunderbird.

During the half-year, the Company completed its second aircore drilling campaign at Dampier comprising 281 holes for 18,841m at Thunderbird and 45 holes for 2,902m at Argo.

At Thunderbird, a drilling pattern of 500m x 250m was completed across the entire deposit. Three crosses of closely spaced (~60m) holes were drilled to obtain bulk sample for metallurgical testwork and to test grade continuity. The drilling results outlined an extensive, thick lobe of high grade mineralisation within the deposit, which has a north-south orientation and is approximately 6km x 2.5km in area. The results of step-out drilling extended the deposit down-dip and along strike and mineralisation remains open in most directions.

A resource update for Thunderbird is in preparation and will be finalised during Q1 2014. The resource will incorporate the results of mineral assemblage determination work, currently being undertaken on 569 composite samples collected from various domains interpreted within the deposit.

The results of the resource update will be used to finalise pit optimization and mine scheduling in order to complete a scoping study on Thunderbird. Some aspects of scoping study are at the pre-feasibility level and it is anticipated that work on Thunderbird will transition to a PFS during Q2 2014.

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

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

Environmental consultants *Ecologia* progressed Level 2 flora and fauna surveys at Thunderbird during the half year. Reports on these surveys are nearing completion.

The aircore drilling at Argo outlined relatively low grade mineralisation over a 2km x 1.5km area, with an average interval thickness of 13m and depth to top of 49m.

Red Bull Nickel

Two aircore drilling programmes were undertaken at Red Bull during the half-year. The first programme of 367 holes for 13,129m, completed in July 2013, outlined three substantial nickel-copper-cobalt anomalies in the northern project area. These anomalies, named the Earlobe, Stud and Sleeper prospects, occur within an 8km strike length of a layered mafic-ultramafic complex. A best intersection of 5m @ 0.73% Ni (REAC240) was obtained from the Stud prospect.

A second aircore drilling programme comprising 96 holes for 4,334m was completed in December 2013. This drilling targeted potential extensions to the three identified prospects and a previously untested 3km strike-length of the mafic-ultramafic intrusive sequence between the Stud and Earlobe prospects.

Results from the second aircore drilling programme extended the Stud anomaly to 1.8km strike length at a 0.2% Ni cut-off and demonstrated elevated copper (to 0.11% Cu) and cobalt (to 0.05% Co) values, in addition to nickel. A new Ni-Cu-Co (PGE, Cr) anomaly was identified at Hook prospect, to the north of Earlobe.

Petrographic studies undertaken on end-of-hole aircore drill chips show that the main host rock to Ni-Cu-Co anomalism at the Earlobe, Stud and Sleeper prospects is a pyroxene granulite. Significantly, violarite FeNi_2S_4 , a supergene sulphide mineral associated with the weathering and oxidation of primary pentlandite $(\text{Fe,Ni})_9\text{S}_8$, was observed in trace amounts in two drill holes from the Stud prospect (REAC273 and REAC238).

The next programme of work, scheduled for Q2 2014, will include a further phase of aircore drilling and ground geophysical surveys prior to deeper drilling of targets.

The Company continued to build its position in the Fraser Range region by applying for a further 11 exploration licences. Seven of these have multiple competing applications, with the successful applicant likely to be determined by ballot.

In addition to Red Bull, and the 11 applications referred to above, Sheffield has a further 4 tenements in the Fraser Range, for a total of 17, with a combined area of 2,420km². The majority of these tenements lie over the large regional gravity high associated with the prospective, denser mafic/ultramafic rocks of the Fraser Complex.

Eneabba HMS

On 30 October 2013, the Company announced a maiden Mineral Resource for the Drummond Crossing deposit of 52.2Mt @ 2.1% HM, containing 1.07Mt HM (Indicated and Inferred) as summarized in Table 1, below.

Table 1: Drummond Crossing prospect Mineral Resource (1.1% HM cut-off)¹

| Resource Category | Mineral Resources | | | | | In-situ (Mt)* | HM | Mineral Assemblage ² | | | |
|-------------------|-------------------|--------------|------------|-----------------------|----------|---------------|----|---------------------------------|-----------|------------|------------|
| | Material (Mt)* | Bulk Density | HM % | Slimes % ³ | Osize % | | | Zircon % | Rutile % | Leuc. % | Ilmenite % |
| Indicated | 48.7 | 2.0 | 2.1 | 16 | 9 | 1.02 | | 14 | 10 | 3.6 | 53 |
| Inferred | 3.5 | 2.0 | 1.5 | 16 | 8 | 0.05 | | 13 | 10 | 2.8 | 55 |
| Total | 52.2 | 2.0 | 2.1 | 16 | 9 | 1.07 | | 14 | 10 | 3.5 | 53 |

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

¹ This estimate is classified and reported in a manner compliant with the JORC code and guidelines (JORC, 2004).

² The Mineral Assemblage is represented as the percentage of the Heavy Mineral (HM) component of the deposit, as determined by QEMSCAN. TiO₂ minerals defined according to the following ranges: Rutile >95% TiO₂; Leucoxene 85-95% TiO₂; Ilmenite <55-85% TiO₂.

³ Reported below a 35% slimes upper cut-off.

The Drummond Crossing resource contains 150,000t of zircon, 107,000t of rutile, 570,000t of ilmenite and 38,000t of leucoxene.

A regional surface sampling programme of 676 samples yielded four new dunal HMS targets: Mt Adams, Robbs Cross, Ding Road and Thomsons.

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

McCalls HMS

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

Pilbara Iron

A helicopter-supported mapping and sampling programme was undertaken on tenement E45/4029. A total of 47 rock chip samples were taken.

This work has outlined a significant new iron prospect named Mt Vettel, located 150km from Port Hedland and 20km to the west of Atlas Iron's (ASX:AGO) Mt Webber iron project. The iron mineralisation at Mt Vettel occurs as high grade bedded iron mineralisation with some minor capping detrital iron mineralisation and varies between 15m and 150m width over a strike length of 1km. The bedded iron mineralisation is characterised by high iron grades and very low contaminant levels, particularly phosphorous (average of 61.24% Fe, 0.038% P, 0.98% Al₂O₃ and 4.77% SiO₂ from 37 samples).

The results are extremely encouraging and highlight the potential for Mt Vettel to contain significant Direct Shipping Ore (DSO), located within trucking distance of Port Hedland.

The Company has scheduled a maiden RC drilling programme for Mt Vettel in Q2 2014.

Oxley Potash

The Oxley potash project has an unconventional, hard rock style of potash mineralisation, hosted by a sequence of ultrapotassic microsyenite lavas which typically contain over 90% sanidine (potash) feldspar and grade between 8% and 10% K₂O over widths of 15-75m.

During the half-year, the Company commenced preliminary metallurgical testwork on samples composited from its maiden drilling programme, completed in 1H 2013. The testwork will evaluate processes that can extract potassium from the sanidine feldspar to obtain products suitable for the fertiliser market. This work is expected to be completed during Q1 of 2014.

Moora Talc Belt

The Company commenced beneficiation testwork on drill core samples from the Fowlers talc deposit. The work will investigate whether marketable product specifications can be achieved through simple processing such as crushing, screening and washing.

COMPLIANCE STATEMENTS

EXPLORATION RESULTS

The information in this report that relates to Exploration Results is based on information compiled by Mr David Boyd, a Competent Person who is a Member of Australian Institute of Geoscientists (AIG). Mr Boyd is a full-time employee of Sheffield Resources Ltd and has sufficient experience that is relevant to the styles of mineralisation and types 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 Boyd consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

PREVIOUSLY REPORTED INFORMATION

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

Dampier HMS

- "THUNDERBIRD HIGH GRADE MINERALISATION EXTENDS BEYOND DEFINED RESOURCE", 16 December 2013.

Red Bull Nickel

- "LARGE Ni-Cu-Co ANOMALIES IDENTIFIED IN THE FRASER RANGE", 11 February 2014.

This report also includes information that relates to Exploration Targets, Exploration Results and Mineral Resources which were prepared and first disclosed under the JORC Code 2004. The information has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. The information was extracted from the Company's previous ASX announcements as follows:

Dampier HMS

- "RECORD GRADES FROM WORLD CLASS THUNDERBIRD DEPOSIT", 25 November 2013.
- "HIGH GRADE DRILLING RESULTS FROM THUNDERBIRD", 11 November 2013.
- "RECORD DRILL INTERSECTION AT THUNDERBIRD", 21 October, 2013.
- "THUNDERBIRD PRODUCTS CONFIRMED AS HIGHLY MARKETABLE", 1 August, 2013.

Red Bull Nickel

- "AIRCORE DRILLING UNDERWAY AT RED BULL NICKEL PROJECT", 27 November 2013.
- "THREE NEW NICKEL TARGETS FROM AIRCORE DRILLING AT RED BULL", 12 September, 2013.

Eneabba HMS

- "1Mt HEAVY MINERAL RESOURCE ADDED TO ENEABBA PROJECT", 30 October 2013.

Pilbara Iron

- "HIGH GRADE IRON RESULTS FROM NORTH PILBARA PROJECT", 23 October 2013.

Oxley Potash

- "MAJOR NEW POTASH DISCOVERY IN WA'S MID-WEST", 19 July 2013.

These announcements are available to view on Sheffield Resources Ltd's web site www.sheffieldresources.com.au.

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

FORWARD LOOKING AND EXPLORATION TARGET STATEMENTS

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

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.

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 5 and forms part of this directors' report for the half-year ended 31 December 2013.

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

Bruce McQuitty
Director



27 February 2014

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Sheffield Resources Limited for the year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

This declaration is in respect of Sheffield Resources Limited and the entities it controlled during the year.



Perth, Western Australia
27 February 2014

N G Neill
Partner

**CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

| | Consolidated | |
|---|---------------------------|---------------------------|
| | 31 December 2013 \$ | 31 December 2012 \$ |
| Continuing operations | | |
| Interest income | 102,234 | 168,905 |
| Employee benefit expense | (164,365) | (165,169) |
| Depreciation expense | (53,472) | (61,113) |
| Share based payment expense | (94,466) | (58,910) |
| Impairment of deferred exploration and evaluation expenditure | (395,318) | (139,891) |
| Other expenses | (443,698) | (336,002) |
| Profit/(loss) before income tax | (1,049,085) | (592,180) |
| Income tax benefit | 1,199,726 | 683,718 |
| Profit/(loss) after tax from continuing operations | 150,641 | 91,538 |
| Other comprehensive income | - | - |
| Total comprehensive profit/(loss) for the period | 150,641 | 91,538 |
| Basic earnings/(loss) per share (cents per share) | 0.13 | 0.09 |
| Dilutive earnings/(loss) per share (cents per share) | 0.12 | 0.08 |

The accompanying notes form part of these financial statements

**CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013**

| | | Consolidated | |
|---|---|---------------------|-------------------|
| | | 31 December 2013 | 30 June 2013 |
| | | \$ | \$ |
| Assets | | | |
| Current Assets | | | |
| Cash and cash equivalents | | 3,369,406 | 8,401,226 |
| Trade and other receivables | | 341,380 | 177,369 |
| Other financial assets | | 228,289 | 228,289 |
| Total Current Assets | | <u>3,939,075</u> | <u>8,806,884</u> |
| Non-Current Assets | | | |
| Plant and equipment | 2 | 159,892 | 204,521 |
| Deferred exploration and evaluation expenditure | 3 | 17,274,548 | 12,345,246 |
| Total Non-Current Assets | | <u>17,434,440</u> | <u>12,549,767</u> |
| Total Assets | | <u>21,373,515</u> | <u>21,356,651</u> |
| Liabilities | | | |
| Current Liabilities | | | |
| Trade and other payables | | 240,145 | 854,816 |
| Employee benefits | | 113,216 | 108,523 |
| Total Current Liabilities | | <u>353,361</u> | <u>963,339</u> |
| Total Liabilities | | <u>353,361</u> | <u>963,339</u> |
| Net Assets | | <u>21,020,154</u> | <u>20,393,312</u> |
| Equity | | | |
| Issued capital | 4 | 22,276,962 | 21,895,227 |
| Reserves | | 792,506 | 698,040 |
| Accumulated losses | | (2,049,314) | (2,199,955) |
| Total Equity | | <u>21,020,154</u> | <u>20,393,312</u> |

The accompanying notes form part of these financial statements

**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

| | Consolidated | | | |
|---|-------------------|-----------------------|-------------------|-------------------|
| | Issued Capital | Accumulated Losses | Option Reserve | Total Equity |
| | \$ | \$ | \$ | \$ |
| Balance at 1 July 2013 | 21,895,227 | (2,199,955) | 698,040 | 20,393,312 |
| Profit for the period | - | 150,641 | - | 150,641 |
| Total comprehensive profit/(loss) for the period | - | 150,641 | - | 150,641 |
| Share-based payments | - | - | 94,466 | 94,466 |
| Shares issued during the half-year | 385,714 | - | - | 385,714 |
| Share issue costs | (3,979) | - | - | (3,979) |
| Balance at 31 December 2013 | 22,276,962 | (2,049,314) | 792,506 | 21,020,154 |

| | Consolidated | | | |
|---|-------------------|-----------------------|-------------------|-------------------|
| | Issued Capital | Accumulated Losses | Option Reserve | Total Equity |
| | \$ | \$ | \$ | \$ |
| Balance at 1 July 2012 | 17,268,999 | (2,320,892) | 639,131 | 15,587,238 |
| Profit for the period | - | 91,538 | - | 91,538 |
| Total comprehensive profit/(loss) for the period | - | 91,538 | - | 91,538 |
| Share-based payments | - | - | 58,910 | 58,910 |
| Shares issued during the half-year | 749,000 | - | - | 749,000 |
| Share issue costs | (21,497) | - | - | (21,497) |
| Balance at 31 December 2012 | 17,996,502 | (2,229,354) | 698,041 | 16,465,189 |

The accompanying notes form part of these financial statements

**CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

| | Consolidated | |
|---|---------------------|---------------------|
| | 31 December 2013 | 31 December 2012 |
| | \$ | \$ |
| | Inflows/(Outflows) | |
| Cash flows from operating activities | | |
| Research and development tax refund | 1,199,726 | - |
| Payments to suppliers and employees | (855,787) | (453,943) |
| Interest received | 129,984 | 215,985 |
| Net cash (outflow) from operating activities | 473,923 | (237,958) |
| | | |
| Cash flows from investing activities | | |
| Payments for exploration and evaluation expenditure | (5,868,072) | (3,721,399) |
| Payments for fixed assets | (8,843) | (26,195) |
| Net cash (outflow) from investing activities | (5,876,915) | (3,747,594) |
| | | |
| Cash flows from financing activities | | |
| Proceeds from issue of shares | 385,714 | 742,500 |
| Payments for share issue costs | (14,542) | (10,497) |
| Net cash inflow from financing activities | 371,172 | 732,003 |
| | | |
| Net (decrease)/increase in cash held | (5,031,820) | (3,253,549) |
| Cash and cash equivalents at the beginning of the period | 8,401,226 | 9,297,529 |
| Cash and cash equivalents at the end of the period | 3,369,406 | 6,043,980 |

The accompanying notes form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013****NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES****Statement of compliance**

These interim 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 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 2013 and any public announcements made by Sheffield Resources Limited and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

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

In preparing this interim 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 2013.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

NOTE 2: PLANT AND EQUIPMENT

| | Consolidated | | |
|--|----------------|---------------------|-----------|
| | Motor Vehicles | Plant and equipment | Total |
| | \$ | \$ | \$ |
| At 1 July 2013, net of accumulated depreciation and impairment | 27,381 | 177,140 | 204,521 |
| Additions | - | 8,843 | 8,843 |
| Depreciation charge for the period | (7,771) | (45,701) | (53,472) |
| At 31 December 2013, net of accumulated depreciation | 19,610 | 140,282 | 159,892 |
| At 31 December 2013 | | | |
| Cost or fair value | 62,172 | 403,813 | 465,985 |
| Accumulated depreciation | (42,562) | (263,531) | (306,093) |
| Net carrying amount | 19,610 | 140,282 | 159,892 |

NOTE 3: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

| | Consolidated | |
|--|-------------------|-------------------|
| | 31 December 2013 | 30 June 2013 |
| | \$ | \$ |
| Costs carried forward in respect of areas of interest in the following phases: | | |
| Exploration and evaluation phase – at cost | | |
| Balance at beginning of period | 12,345,246 | 6,364,484 |
| Expenditure incurred | 5,324,620 | 6,504,919 |
| Expenditure related to tenements sold | - | (379,743) |
| Exploration expenditure written-off | (395,318) | (144,414) |
| Total deferred exploration and evaluation expenditure | 17,274,548 | 12,345,246 |

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

NOTE 4: ISSUED CAPITAL

| | Consolidated | |
|------------------------|---------------------|-----------------|
| | 31 December 2013 | 30 June 2013 |
| <i>Ordinary shares</i> | \$ | \$ |
| Issued and fully paid | 22,276,962 | 21,895,227 |

| | Consolidated | | | |
|--|---------------------|-----------------|---------------------|-----------------|
| | No. | | \$ | |
| | 31 December 2013 | 30 June 2013 | 31 December 2013 | 30 June 2013 |
| <i>Movements in ordinary shares on issue</i> | | | | |
| At start of period | 118,297,502 | 94,856,669 | 21,895,227 | 17,268,999 |
| Issued for cash on exercise of share options | 1,285,714 | 23,440,833 | 385,714 | 4,688,166 |
| Share issue costs | - | - | (3,979) | (61,938) |
| At end of period | 119,583,216 | 118,297,502 | 22,276,962 | 21,895,227 |

NOTE 5: DIVIDENDS

No dividends were paid or declared during the half year ended 31 December 2013.

NOTE 6: SEGMENT REPORTING

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

The Group's principal activity is exploration for mineral sands (zircon and titanium minerals), nickel, potash, iron and talc within the state of Western Australia. There have been no significant changes in the nature of these activities during the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

NOTE 7: OPTIONS

| | Consolidated | |
|--|--------------|--------------|
| | 31 December | 30 June |
| | 2013 | 2013 |
| | No. | No. |
| <i>Movements in options over ordinary shares on issue</i> | | |
| Balance at beginning of period | 7,575,000 | 31,418,332 |
| Issue of unlisted options exercisable at \$0.66 each on or before 26 September 2018 | 500,000 | - |
| Issue of unlisted options exercisable at \$0.53 each on or before 29 July 2017 | - | 500,000 |
| Exercise of unlisted options exercisable at \$0.20 each expiring on 30 June 2013 | - | (23,440,833) |
| Exercise of unlisted options exercisable at \$0.30 each expiring on 30 November 2013 | (1,285,714) | - |
| Lapsing of unlisted options | (1,714,286) | (902,499) |
| At end of period | 5,075,000 | 7,575,000 |

NOTE 8: FINANCIAL INSTRUMENTS

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis

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

| | Fair value as at | |
|-------------------------------|------------------|-------------|
| | 31 December | 31 December |
| | 2013 | 2012 |
| | \$ | \$ |
| Financial assets | | |
| - Trade and other receivables | 341,380 | 852,853 |
| - Bank guarantees | 228,289 | 105,544 |
| Financial liabilities | | |
| - Trade and other payables | 240,145 | 129,985 |

NOTE 9: CONTINGENT LIABILITIES

The Directors are of the opinion that there are no contingent liabilities as at 31 December 2013 (2012: nil).

NOTE 10: 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 Company'):

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
 - a. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year then ended; and
2. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Bruce McQuitty
Director



27 February 2014

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Sheffield Resources Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Sheffield Resources Limited ("the company") which comprises the condensed statement of financial position as at 31 December 2013, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Norman Judd

N G Neill
Partner

Perth, Western Australia
27 February 2014