SHEFFIELD RESOURCES

Sheffield Resources Limited

ABN 29 125 811 083

Interim Financial Report

31 December 2010

Contents	**Page**

DIRECTORS' REPORT

Your directors submit the financial report of the company for the half-year ended 31 December 2010. 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

Sheffield listed on the Australian Securities Exchange (ASX) on 15 December 2010, following completion of the Company's Initial Public Offering (IPO) which closed early and heavily oversubscribed.

The issue of 35,000,000 ordinary shares in the IPO raised $7 million, ensuring a strong financial position and adequate funding for exploration. Cash reserves at the end of the period were $6,415,080.

Sheffield is a Western Australian-based company whose primary exploration focus is bulk commodity projects located close to existing accessible infrastructure. The Company is targeting commodities that are geared towards the steel industry feed cycle (iron ore and tungsten) and the emerging fillers-ceramics-pigments cycle (talc, zircon, titanium). Over the past 12 months there has been a considerable improvement in the prices of the Company's targeted commodities.

Sheffield has over 6,000km^2 of highly prospective 100% owned tenure, all situated within Western Australia. Most of the tenements are clustered to form larger consolidated projects. Many of the projects have established mineralisation confirmed by extensive historical drilling. The Company's strategy will be to advance these projects resource status from where they can be developed quickly into commercial operations.

During December seven of Sheffield's tenements were granted, including those covering the high priority Yandanooka and Irwin HMS targets in the North Perth Basin. This brings the total number of granted tenements to 14 and has paved the way for field programmes to begin.

<u>Heavy Mineral Sands "HMS" (zircon, titanium)</u>

Sheffield controls over 5,000km^2 of tenure in the established North Perth Basin mineral sands province and the emerging Carnarvon, Eucla and Canning Basin provinces.

Sheffield's North Perth Basin tenement package of over 2,500km^2 contains several advanced exploration projects which are well positioned close to existing mineral sands operations and to a network of highways and railway lines connecting to Geraldton and Fremantle/Kwinana ports.

On 29 December 2010 Sheffield announced that it had entered into an agreement to purchase four tenements, including three granted mining leases, from Iluka Resources Ltd (ASX:ILU). These tenements, which comprise the West Mine North and Ellengail HMS projects, are located near Eneabba in the North Perth Basin. Both West Mine North and Ellengail contain significant concentrations of heavy minerals outlined by extensive prior drilling. The acquisition, which was subsequently completed on 10 March 2011, provides Sheffield with advanced exploration projects on granted mining tenure near existing infrastructure, offering opportunity for near-term development.

Subsequent to the reporting period, on 17 January 2011, Sheffield announced the acquisition of the McCalls HMS project from a prospecting syndicate for a consideration of $30,000 in cash and 500,000 Sheffield shares. McCalls is a large ex-BHP exploration project located 110km north of Perth and is well located with respect to existing infrastructure. Following the acquisition, Sheffield is now the unencumbered holder of exploration licence application ELA70/3929 over the McCalls project which, together with Sheffield's adjacent tenements E70/3967 and ELA70/3931, form a contiguous tenement area of 471km^2.

DIRECTORS' REPORT

Review of Operations (continued)

Talc

Sheffield holds more than 1,152km^2 of tenure over the 175km-long Moora Talc Belt. For the past 50 years the Moora Talc Belt has been exclusively controlled by large mining companies such as Rio Tinto, WMC and Unimin.

The Moora Talc Belt includes the large Three Springs mine which is owned by Rio Tinto Limited subsidiary Luzenac Australia Pty Ltd and has been operating since 1948. Three Springs is renowned for producing high purity talc and is a relatively simple "dig-and-deliver" operation. Sheffield's strategy is to discover large talc deposits of similar quality to Three Springs.

Within Sheffield's Moora Talc Belt project there are over 20 known talc occurrences and many more grassroots targets. During the reporting period Sheffield's geologists undertook and extensive review of historical talc exploration data and have prioritised several targets for follow up drilling.

Iron

Sheffield is targeting direct shipping hematite iron ore in the world class Pilbara iron province. Sheffield's Pilbara iron ore tenements include three granted exploration licences (two of which were granted subsequent to the reporting period) and 16 tenement applications, of which three are second-in-time and five are subject to ballot with multiple competing parties. Sheffield's strategy is to build up consolidated tenement holdings over time in this highly competitive region. Reconnaissance mapping has so far identified iron enrichment on three of the Company's tenements.

Tungsten

Sheffield is targeting the Halls Creek Mobile Belt in WA's Kimberley region for tungsten and tin-tantalum-REE mineralisation. The Company has one granted tenement E80/4394 covering the Bertha's Butt tungsten prospect, located 40km to the east of Halls Creek.

Corporate

Geologist David Boyd was appointed as Exploration Manager to drive the Company's exploration programmes. David is a first class honours graduate from the University of Western Australia whose 17 year career includes senior positions with Consolidated Minerals, Barrick, Placer Dome and RGC/Goldfields. The Board also intends to attract additional management skills as its projects advance.

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 3 and forms part of this directors' report for the half-year ended 31 December 2010.

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

16 March 2011

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Sheffield Resources Limited for the half-year ended 31 December 2010, 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
16 March 2011

N G NEILL
Partner, HLB Mann Judd

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 4 130 Stirling Street Perth 6000 PO Box 8124 Perth BC 6849 Western Australia. Telephone +61 (08) 9227 7500. Fax +61 (08) 9227 7533.
Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au

CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Note	31 December 2010 $	31 December 2009 $
Other income		**38,486**	**-**
Share based payment expense		**(252,430)**	-
Exploration expenditure written off		**(130,783)**	-
Other expenses		**(317,128)**	-
Loss before income tax	2	**(661,855)**	**-**
Income tax expense		**-**	-
Loss after tax from continuing operations		**(661,855)**	**-**
Other comprehensive income		**-**	**-**
Total comprehensive loss for the period		**(661,855)**	**-**
Basic loss per share (cents per share)		**(2.64)**	**-**

The accompanying notes form part of these financial statements

CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

	Note	31 December 2010 $	30 June 2010 $
Assets			
Current Assets			
Cash and cash equivalents		6,415,080	61,439
Trade and other receivables		104,481	7,586
Total Current Assets		6,519,561	69,025
Non-Current Assets			
Deferred exploration and evaluation expenditure	3	68,874	-
Total Non-Current Assets		68,874	-
Total Assets		6,588,435	69,025
Liabilities			
Current Liabilities			
Accrued expenses		181,190	-
Trade and other payables		161,613	-
Total Current Liabilities		342,803	-
Total Liabilities		342,803	-
Net Assets		6,245,632	69,025
Equity			
Issued capital	4	7,061,032	475,000
Reserves		252,430	-
Accumulated losses		(1,067,830)	(405,975)
Total Equity		6,245,632	69,025

The accompanying notes form part of these financial statements

CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Issued Capital	Accumulated Losses	Option Reserve	Total Equity
Balance at 1 July 2010	**475,000**	**(405,975)**	**-**	**69,025**
Loss for the period	-	(661,855)	-	(661,855)
Total comprehensive loss for the period	**-**	**(661,855)**	-	**(661,855)**
Share-based payments	-	-	252,430	252,430
Shares issued during the half-year	6,586,032	-	-	6,586,032
Balance at 31 December 2010	**7,061,032**	**(1,067,830)**	**252,430**	**6,245,632**

	Issued Capital	Accumulated Losses	Option Reserve	Total Equity
Balance at 1 July 2009	**1**	**-**	**-**	**1**
Loss for the period	-	-	-	-
Total comprehensive loss for the period	-	-	-	-
Balance at 31 December 2009	**1**	**-**	**-**	**1**

The accompanying notes form part of these financial statements

CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Notes	31 December 2010 $	31 December 2009 $
		Inflows/(Outflows)	
Cash flows from operating activities			
Payments to suppliers and employees		(78,583)	-
Interest received		5,033	-
Net cash (outflow) from operating activities		(73,550)	-
Cash flows from investing activities			
Payments for exploration and evaluation expenditure		(159,343)	-
Other		502	-
Net cash (outflow) from investing activities		(158,841)	-
Cash flows from financing activities			
Proceeds from issue of shares		7,090,000	-
Payments for share issue costs		(503,968)	-
Net cash inflow from financing activities		6,586,032	-
Net increase in cash held		6,353,641	-
Cash and cash equivalents at the beginning of the period		61,439	-
Cash and cash equivalents at the end of the period		6,415,080	-

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

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

It is recommended that this financial report be read in conjunction with the Prospectus 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.

The accounting policies adopted are consistent with those outlined in the Prospectus.

Basis of preparation

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

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

Significant accounting judgments and key estimates

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

Exploration and evaluation expenditure

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Capitalised exploration and evaluation expenditure

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

Factors which could impact the future recoverability include the level of measured, indicated and inferred mineral resources, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

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

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent that it is determined in the future that this capitalised expenditure should be written off, this will reduce profits and net assets in the period in which this determination is made.

Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2010, the Company has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2010.

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

The Company has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2010. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Company accounting policies.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

NOTE 2: LOSS BEFORE INCOME TAX EXPENSE

	31 December 2010	31 December 2009
The following revenue and expense items are relevant in explaining the financial performance for the half-year:		
Interest received	38,486	-

NOTE 3: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	31 December 2010	30 June 2010
Costs carried forward in respect of areas of interest in the following phases:		
Exploration and evaluation phase – at cost		
Balance at beginning of period	**-**	**-**
Expenditure incurred	199,657	**-**
Exploration expenditure written-off	(130,783)	**-**
Total deferred exploration and evaluation expenditure	**68,874**	**-**

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 4: ISSUED CAPITAL

	31 December 2010 $	30 June 2010 $
Ordinary shares		
Issued and fully paid	7,061,032	475,000

	31 December 2010 No.	30 June 2010 No.	31 December 2010 $	30 June 2010 $
Movements in ordinary shares on issue				
At start of period	21,000,001	1	475,000	-
Issue of 15,000,000 fully paid ordinary shares at $0.005 each	-	15,000,000	-	75,000
Issue of 2,000,000 fully paid ordinary shares at $0.05 each	-	2,000,000	-	100,000
Issue of 4,000,000 fully paid ordinary shares at $0.075 each	-	4,000,000	-	300,000
Issue of 900,000 fully paid ordinary shares at $0.10 each	900,000	-	90,000	-
Issue of 35,000,000 fully paid ordinary shares at $0.20 each	35,000,000	-	7,000,000	-
Capital raising costs	-	-	(503,968)	-
At end of period	56,900,001	21,000,001	7,061,032	475,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

NOTE 5: DIVIDENDS

No dividends were paid during the half year ended 31 December 2010.

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 Company's principal activity is exploration in bulk minerals in Australia.

NOTE 7: OPTIONS

	31 December 2010 No.	30 June 2010 No.
Movements in options over ordinary shares on issue		
At start of period	10,500,000	-
Unlisted options exercisable at $0.20 each on or before 30 June 2013	17,950,000	10,500,000
Unlisted options exercisable at $0.30 each on or before 30 November 2013	3,000,000	-
Unlisted options exercisable at $0.30 each on or before 13 December 2015	1,550,000	-
At end of period	33,000,000	10,500,000

NOTE 8: CONTINGENT LIABILITIES

The Directors are of the opinion that there are no contingent liabilities as at 31 December 2010 (2009: nil)

NOTE 9: EVENTS SUBSEQUENT TO REPORTING DATE

On 17th January 2011, the Company announced it had acquired the McCalls Heavy Mineral Sands (HMS) project. As outlined in the Company's prospectus, Sheffield entered into an option agreement dated 16 August 2010 to purchase the McCalls project from a prospecting syndicate. The consideration payable on exercise of the option comprises a total of $30,000 in cash and 500,000 Sheffield shares. On 18 January 2011, 250,000 ordinary shares were issued to Zetek Resources Pty Ltd and 250,000 ordinary shares were issued to Mr B. Parry as part consideration for the acquisition of the McCalls Heavy Minerals Sands Project.

Sheffield Resources has completed the purchase of the rights to three heavy mineral sands mining leases and a retention license from Iluka Resources. The tenements include Iluka's West Mine North and Ellengail exploration projects near Eneabba. Sheffield paid Iluka $150,000 on 10 March 2011 and will pay a 1.5 per cent sales royalty in exchange for a 100 per cent interest in the tenements. Sheffield will undertake drilling on its heavy mineral sands and talc projects within the next two months.

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

DIRECTORS' DECLARATION

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

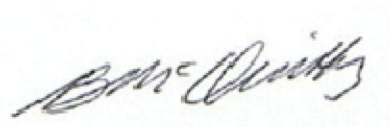
1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:

    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 Company's financial position as at 31 December 2010 and of its performance for the half-year then ended.

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

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



Bruce McQuitty

Director

16 March 2011

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Sheffield Resources Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Sheffield Resources Limited ("the Company") which comprises the condensed statement of financial position as at 31 December 2010, 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.

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 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 financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2010 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 Sheffield Resources Limited, 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.

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 4 130 Stirling Street Perth 6000 PO Box 8124 Perth BC 6849 Western Australia. Telephone +61 (08) 9227 7500. Fax +61 (08) 9227 7533.
Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au

HLB Mann Judd

Accountants | Business and Financial Advisers

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 company's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and

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

HLB Mann Judd

HLB MANN JUDD
Chartered Accountants

Norman Glover

Perth, Western Australia
16 March 2011

N G Neill
Partner