

CORPORATE GOVERNANCE STATEMENT

Approach to Corporate Governance

Sheffield Resources Limited (“**Sheffield**” or the “**Company**”) has established a corporate governance framework, the key features of which are set out in this statement.

In establishing its corporate governance framework, the Company has referred to the recommendations set out in the ASX Corporate Governance Council’s Corporate Governance Principles and Recommendations 3rd edition (**Principles & Recommendations**). The Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company’s corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the “if not, why not” reporting regime, where, after due consideration, the Company’s corporate governance practices do not follow a recommendation, the Board has explained its reasons for not following the recommendation and disclosed what, if any, alternative practices the Company has adopted instead of those in the recommendation.

The following governance-related documents can be found on the Company’s website at:
www.sheffieldresources.com.au/irm/content/corporate-governance.aspx?RID=372

Charters

- Board
- Audit and Risk Committee
- Nomination and Remuneration Committee

Policies and Procedures

- Code of Conduct
- Community Relations Policy
- Continuous Disclosure Policy (including Shareholder Communications Policy)
- Directors Test of Independence Policy
- Diversity and Inclusion Policy
- Environment Policy
- Evaluation of Performance Policy
- Health and Safety Policy
- Risk Management Policy
- Securities Trading Policy
- Selection and Appointment of Directors Policy
- Sustainability Policy

The Company reports below on whether it has followed each of the recommendations during the financial year (**Reporting Period**). The information in this statement is current at 5 September 2019, as approved by a resolution of the Board.

Principle 1 – Lay Solid Foundations for Management and Oversight

Recommendation 1.1

The Company has established the respective roles and responsibilities of its Board and management, and those matters expressly reserved to the Board and those delegated to management and has documented this in its Board Charter.

Recommendation 1.2

The Company undertakes appropriate due diligence checks before appointing a person or putting forward to shareholders a candidate for election as a director and provides shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

The checks of potential directors, which are undertaken, and the information provided to shareholders are set out in the Company’s *Selection and Appointment of Directors Policy*.

Recommendation 1.3

The Company has a written agreement with each director and senior executive setting out the terms of their appointment. The material terms of any employment, service or consultancy agreement the Company, or any of its child entities, has entered into with its Managing Director, any of its directors, and any other person or entity who is a related party of the

Managing Director or any of its directors has been disclosed in accordance with ASX Listing Rule 3.16.4 (taking into consideration the exclusions from disclosure outlined in that rule).

Recommendation 1.4

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board as outlined in the Company's Board Charter. The Company Secretary's role is also outlined in the employment agreement between the Company Secretary and the Company.

Recommendation 1.5

The Company is committed to building a diverse and inclusive workforce across a wide range of workforce demographics that extends beyond gender for its future operations. To date, the Company has developed a *Diversity and Inclusion Policy* that extends beyond gender diversity goals. However, given the Company's size, early stage of development and relatively small number of employees, the Company is yet to define measurable objectives for achieving diversity targets, and expects to set in place a range of objectives that are consistent with its growth strategy in future.

The Company currently has a total of 24 employees and directors, of whom 25% are women. One woman currently occupies a senior executive role, no women holding Board positions.

Recommendation 1.6

The Chair is responsible for evaluation of the Board and, when deemed appropriate, Board committees and individual directors. The Board, via the Chair, is responsible for evaluating the Managing Director.

The Company utilised a combination of both individual feedback and performance questionnaires during the Reporting Period, consistent with its *Evaluation and Performance Policy*.

Recommendation 1.7

The Managing Director is responsible for evaluation the performance of senior executives in accordance with the process disclosed in the Company's *Evaluation of Performance Policy*.

During the Reporting Period evaluation of senior executives took place via formal and informal feedback sessions and consistent with the Company's performance evaluation process.

Principle 2 – Structure the board to add value

Recommendation 2.1

The Board has not established a separate Nomination Committee. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate Nomination Committee. Accordingly, the Board performs the role of the Nomination Committee.

Although the Board has not established a separate Nomination Committee, it has adopted a *Nomination and Remuneration Committee Charter*, which describes the role, composition, functions and responsibilities of the full Board in its capacity as the Nomination and Remuneration Committee. When the Board convenes as the Nomination and Remuneration Committee it carries out those functions which are delegated to it in the Company's Nomination and Remuneration Committee Charter. Separate meetings of the full Board in its capacity as the Nomination and Remuneration Committee are held and minutes of those meetings are taken.

The Board deals with any conflicts of interest that may occur when convening in the capacity of the Nomination and Remuneration Committee by ensuring that the director with conflicting interests is not party to the relevant discussions.

As noted above, the full Board carries out the role of the Nomination and Remuneration Committee. The full Board did not officially convene as a Nomination and Remuneration Committee during the Reporting Period; however, nomination and remuneration related discussions occurred from time to time during the year as required.

The Nomination and Remuneration Committee Charter is disclosed on the Company's website.

Recommendation 2.2

The Company's objective is to have an appropriate mix of expertise and experience on the Board, and where appropriate its committees, so that the Board can effectively discharge its corporate governance and oversight responsibilities.

The Board considers key areas of expertise to be:

- a) Strategy and business development
- b) Commercial acumen
- c) Risk management
- d) Health and safety
- e) Financial knowledge and experience
- f) Government and community relations
- g) Executive leadership

The Board considers key areas of experience to be:

- a) Metals and minerals exploration
- b) Mining project development
- c) Capital markets and business development

Board Experience, Skills and Attributes Matrix

A summary of the experience, skills and attributes of the Board is shown in the table below:

Experience, skills and attributes	Board
Corporate Finance Senior executive or equivalent experience in business strategy with financial acumen, experience in mergers & acquisitions, equity and project financing. Holds a broad reach within markets.	4
Capital projects Industry experience involving large-scale capital outlays and long-term investment horizons.	4
Strategy/Risk Track record of developing and implementing a successful strategy, including appropriately probing and challenging management on the delivery of agreed strategic planning objectives. Experience in Audit and Risk management.	4
Mineral Sands Senior executive experience in the mineral sands industry, including in-depth knowledge of the Company's strategy, markets, competitors, operational issues, technology and regulatory concerns.	5
Mining and Technical Senior executive experience in a large mining organisation combined with an understanding of the Company's corporate purpose to create long-term shareholder value through the discovery, acquisition, development and marketing of natural resources.	4
Project Development and construction Experience in project construction, project operations, asset optimisation and capital projects and infrastructure.	4
Corporate Governance Demonstrated experience in upholding the highest standards of governance, knowledge of corporate legislation and an ability to assess the effectiveness of senior management.	5
Sustainability and Stakeholder Management Experience related to workplace health and safety, environmental, human resources and organisational culture, community relations, social responsibility and Aboriginal engagement.	4
Remuneration and Nomination Board Remuneration Committee membership or management experience in relation to remuneration, including incentive programs, with experience in measuring and managing KMP/Executive performance, Executive and Board succession planning	4
Executive Leadership Sustainable success in business at a relevant senior executive level/CEO level.	4
Professional Qualifications/Experience Finance, Business, Economics, Technical (mining discipline), Legal; and/or Project/Construction experience.	6

Recommendation 2.3

The Board's assessment of the independence of each current director is set out below.

Name	Appointment Date	Independent (Y/N)	Status
Will Burbury	6 June 2007	No	Tenure
Bruce McQuitty	14 December 2009	No	Tenure
David Archer	14 December 2009	No	Tenure & Executive Director
Bruce McFadzean	2 November 2015	No	Executive Director
Ian Macliver	1 August 2019	Yes	
John Richards	1 August 2019	Yes	

Recommendation 2.4

The Board does not have a majority of directors who are independent, primarily due to their tenure in the Company and/or their executive capacity with the Company. During mid-2019, the Company established a Board renewal process and is actively pursuing candidates with relevant experience to join the Board of the Company, with a view to expanding director independence.

Recommendation 2.5

The non-executive Chair of the Board is Mr Will Burbury. Mr Burbury is considered to be non-independent due to his current tenure in the Company and previous executive employment capacity as Executive Chairman.

Recommendation 2.6

The Company has a peer based induction program that it uses when new directors join the Board and when new senior executives are appointed. The goal of the program is to assist new directors to participate fully and actively in Board decision-making at the earliest opportunity and to assist senior executives to participate fully in management decision-making at the earliest opportunity.

The Board regularly reviews whether the directors as a group have the skills, knowledge and familiarity with the Company and its operating environment required to fulfil their role on the Board and the Board committees effectively using a Board skills matrix. Where any gaps are identified, the Board considers what training or development should be undertaken to fill those gaps. In particular, the Board ensures that any director who does not have specialist accounting skills or knowledge has a sufficient understanding of accounting matters to fulfil his or her responsibilities in relation to the Company's financial statements.

Principle 3 – Act ethically and responsibly

Recommendation 3.1

The Company has established a *Code of Conduct* for its directors, senior executives and employees, which is disclosed on the Company's website.

Principle 4 – Safeguard integrity in corporate reporting

Recommendation 4.1

The Board has not established a separate Audit Committee. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate Audit Committee. Accordingly, the Board performs the role of Audit Committee. Although the Board has not established a separate Audit Committee, it has adopted an *Audit and Risk Committee Charter*. When the Board convenes as the Audit and Risk Committee, it carries out those functions which are delegated to it in the Company's Audit and Risk Committee Charter. Items that are usually required to be discussed by an Audit and Risk Committee are marked as separate agenda items at Board meetings when required. The Board deals with any conflicts of interest that may occur when convening in the capacity of the Audit and Risk Committee by ensuring that the director with conflicting interests is not party to the relevant discussions.

The Company has also established a procedure for the Selection, Appointment and Rotation of its External Auditor. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant

to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Board.

As noted above, the full Board carries out the role of the Audit Committee. The full Board did not officially convene as an Audit and Risk Committee during the Reporting Period, however audit-related discussions occurred from time to time during the year as required.

The Board has adopted an Audit and Risk Committee Charter which describes the Audit and Risk Committee's role, composition, functions and responsibilities.

Recommendation 4.2

Before the Board approves the Company's financial statements for the full year and half year, it receives from the Managing Director and the Chief Financial Officer a declaration that, in their opinion, the financial records of the Company for the relevant financial period have been properly maintained and that the financial statements for the relevant financial period comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and the consolidated entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Recommendation 4.3

Under section 250RA of the Corporations Act, the Company's auditor is required to attend the Company's annual general meeting at which the audit report is considered, and does agree to be represented by a person who is a suitably qualified member of the audit team that conducted the audit and is in a position to answer questions about the audit. Each year, the Company writes to the Company's auditor to inform them of the date of the Company's annual general meeting. In accordance with section 250S of the Corporations Act, at the Company's annual general meeting where the Company's auditor or their representative is at the meeting, the Chair allows a reasonable opportunity for the members as a whole at the meeting to ask the auditor (or its representative) questions relevant to the conduct of the audit; the preparation and content of the auditor's report; the accounting policies adopted by the Company in relation to the preparation of the financial statements; and the independence of the auditor in relation to the conduct of the audit. The Chair also allows a reasonable opportunity for the auditor (or their representative) to answer written questions submitted to the auditor under section 250PA of the Corporations Act.

A representative of the Company's auditor, HLB Mann Judd attended the Company's annual general meeting held on 29 November 2018.

Principle 5 – Make timely and balanced disclosure

Recommendation 5.1

The Company has established written policies and procedures for complying with its continuous disclosure obligations under the ASX Listing Rules. A summary of the Company's *Continuous Disclosure Policy* is disclosed on the Company's website.

Principle 6 – Respect the rights of security holders

Recommendation 6.1

The Company provides information about itself and its governance to investors via its website at www.sheffieldresources.com.au/irm/content/corporate-governance.aspx?RID=372 as set out in its *Continuous Disclosure Policy*.

Recommendation 6.2

The Company has designed and implemented an investor relations program to facilitate effective two-way communication with investors. The Managing Director engages in informal meetings and telephone calls with a range of investors on a regular basis. The program is set out in the Company's *Continuous Disclosure Policy*.

Recommendation 6.3

The Company has in place a *Shareholder Communication Policy*, which outlines the policies and processes that it has in place to facilitate and encourage participation at meetings of shareholders. Shareholders are able to communicate with

the Managing Director and Company Secretary via their individual and the Company email address at info@sheffieldresources.com.au

Recommendation 6.4

Shareholders are given the option to receive communications from and send communications to, the Company and its share registry electronically. Shareholders are able to communicate regularly with the Company's share registrar, Link Market Services via www.sheffieldresources.com.au/irm/content/share-registry-service.aspx

Principle 7 – Recognise and manage risk

Recommendation 7.1

The Board has not established a separate Risk Committee. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate Risk Committee. Accordingly, the Board performs the role of Audit and Risk Committee. Although the Board has not established a separate Risk Committee, it has adopted an *Audit and Risk Committee Charter*. When the Board convenes as the Audit and Risk Committee it carries out those functions which are delegated to it in the Company's *Audit Risk Committee Charter*. Items that are usually required to be discussed by a Risk Committee are marked as separate agenda items at Board meetings when required.

The Board deals with any conflicts of interest that may occur when convening in the capacity of the Audit and Risk Committee by ensuring that the director with conflicting interests is not party to the relevant discussions.

As noted above, the full Board carries out the role of the Audit and Risk Committee. The full Board did not officially convene as an Audit and Risk Committee during the Reporting Period, however risk related discussions occurred from time to time during the year as required.

The Board has adopted an Audit and Risk Committee Charter, which describes the Audit and Risk Committee's role, composition, functions and responsibilities.

Recommendation 7.2

The Board reviews the Company's risk management framework annually to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risks the Company faces and to ensure that the Company is operating within the risk appetite set by the Board. The Board carried out these reviews during the Reporting Period.

Recommendation 7.3

The Company does not have an internal audit function. To evaluate and continually improve the effectiveness of the Company's risk management and internal control processes, the Board relies on ongoing reporting and discussion of the management of material business risks as outlined in the Company's *Risk Management Policy*.

Recommendation 7.4

The Company has material exposure to a number of economic, environmental and/or social sustainability risks, including expenditure levels relative to exploration success, progress toward development, going concern, commodity price fluctuations, performance of activities, human resources, community and environment, land access and internal control.

The Board and senior executives are responsible for overseeing the implementation of the Company's approach to risk management. The Company's approach to risk management is based on the identification, assessment, monitoring, management and reporting of material risks related to its business and management systems. Risk management governance originates at board level and flows through to the Managing Director and the Company's business units through the Company's risk register, management and reporting against the risk register and delegated authorities in accordance with the Company's Approval Matrix.

The Company's risk register identifies risks to which the Company is exposed, designating such risks by business function. For each risk in the Company's risk register, the likelihood and consequence of each risk materialising is assessed and risks are then ranked accordingly. Existing risk mitigation measures are recorded in the risk register and risk rankings are adjusted according to existing risk mitigation initiatives in place.

The Board is responsible for reviewing and ratifying systems of risk management and internal control and compliance, codes of conduct and legal compliance. It uses a number of mechanisms to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include:

- a) The Board receives periodic reports on the Company's development and exploration activities, in particular, the Thunderbird mineral sands project, including management of operational risks;
- b) Board approved operating budgets and plans which are monitored against actual cost and progress;
- c) The Managing Director shall report to the Board on financial risks and financial risk management;
- d) Application of the Company's risk register which identifies risks by aspect of the Company's business, assesses the likelihood and consequence of each risk and ranks each risk, taking account of existing control measures; and
- e) Ensuring the executive management team is responsible for developing policies, processes and procedures to identify, prioritise and manage risks related to Sheffield's activities.

Levels of insurance cover on insurance policies maintained by the Company to mitigate some operational risks are disclosed to the Board for review.

Principle 8 – Remunerate fairly and responsibly

Recommendation 8.1

The Board has not established a separate Remuneration Committee. Given the current size and composition of the Company, the Board believes that there would be no efficiencies gained by establishing a separate Remuneration Committee. Accordingly, the Board performs the role of the Remuneration Committee. Although the Board has not established a separate Remuneration Committee, it has adopted a *Nomination and Remuneration Committee Charter*, which describes the role, composition, functions and responsibilities of the full Board in its capacity as the Nomination and Remuneration Committee. When the Board convenes as the Nomination and Remuneration Committee it carries out those functions, which are delegated to it in the Company's *Nomination and Remuneration Committee Charter*. Items that are usually required to be discussed by a Nomination and Remuneration Committee are marked as separate agenda items at Board meetings when required. The Board deals with any conflicts of interest that may occur when convening in the capacity of the Nomination and Remuneration Committee by ensuring that the director with conflicting interests is not party to the relevant discussions.

The Board has adopted a *Nomination and Remuneration Committee Charter*, which describes the role, composition, functions and responsibilities of the Remuneration Committee.

Recommendation 8.2

Details of remuneration including the Company's policy on remuneration are contained in the *Remuneration Report*, which forms part of the Directors' Report and commences at page 18 of the Company's 2019 Annual Report. This disclosure includes a summary of the Company's policies regarding performance-based remuneration.

Recommendation 8.3

The Company issues equity-based remuneration to its employees through its Performance Rights Plan. The plan details the terms and conditions under which performance rights can be granted. The Plan states that a Participant must not enter into any arrangement for the purpose of hedging, or otherwise affecting their economic exposure, to their Performance Rights.

The Performance Rights Plan was approved at a meeting of shareholders at the Company's 2017 AGM. A summary of the Company's Performance Rights Plan is disclosed within the *Remuneration Report* of the Company's 2019 Annual Report and is also disclosed within the 2017 Notice of Annual General Meeting, available on the Company's website via: http://www.sheffieldresources.com.au/irm/PDF/2909_0/NoticeofAnnualGeneralMeetingampShortFormProspectus